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

OFFICIAL STATEMENT

Dated: March 25, 2019

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

$50,375,000
POTTER COUNTY, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2019

Dated Date: April 1, 2019 **Due: August 1, as shown on page ii**

The $50,375,000 Potter County, Texas (the "County" or the "Issuer") Certificates of Obligation, Series 2019 (the "Certificates") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and an order (the "Order") adopted by the Commissioners' Court of the County. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

Interest on the Certificates will accrue from April 1, 2019 (the "Dated Date") and will be payable on February 1, 2020, and on each August 1 and February 1 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used to pay all or a portion of the County's contractual obligations incurred in connection with (i) constructing and equipping county-owned buildings, to-wit: county and district court facilities and (ii) professional services rendered in relation to such projects and the financing thereof; such certificates to be payable from ad valorem taxes. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The Issuer reserves the right to redeem the Certificates maturing on and after August 1, 2030, on August 1, 2029, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. In addition, the Certificates maturing August 1, 2045 and August 1, 2049 are subject to mandatory sinking fund redemption, as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)

STATED MATURITY SCHEDULE
(On Page ii)

The Certificates are offered for delivery, when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, San Antonio, Texas. (See Appendix C – Form of Legal Opinion of Bond Counsel.) It is expected that the Certificates will be available for delivery through DTC on or about April 16, 2019.

FROST BANK

RAYMOND JAMES **HILLTOPSECURITIES** **SIEBERT CISNEROS SHANK & CO., L.L.C.**

STATED MATURITY SCHEDULE
(Due August 1)
Base CUSIP – 738034[(a)]

$32,925,000 Serial Certificates

Stated Maturity August 1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [(1)]	Stated Maturity August 1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [(1)]
2021	$ 750,000	5.000%	1.630%	GF8	2032	$ 1,485,000	4.000%	2.640% [(b)]	GS0
2022	1,050,000	5.000%	1.680%	GG6	2033	1,540,000	4.000%	2.730% [(b)]	GT8
2023	1,140,000	5.000%	1.730%	GH4	2034	1,605,000	4.000%	2.820% [(b)]	GU5
2024	750,000	5.000%	1.820%	GJ0	2035	1,670,000	4.000%	2.870% [(b)]	GV3
2025	1,760,000	5.000%	1.900%	GK7	2036	1,735,000	3.000%	3.070%	GW1
2026	1,060,000	5.000%	1.970%	GL5	2037	1,785,000	4.000%	3.020% [(b)]	GX9
2027	1,175,000	5.000%	2.050%	GM3	2038	1,860,000	4.000%	3.050% [(b)]	GY7
2028	1,250,000	5.000%	2.130%	GN1	2039	1,935,000	4.000%	3.080% [(b)]	GZ4
2029	1,305,000	5.000%	2.220%	GP6	2040	2,010,000	4.000%	3.110% [(b)]	HA8
2030	1,370,000	4.000%	2.330% [(b)]	GQ4	2041	2,090,000	4.000%	3.140% [(b)]	HB6
2031	1,425,000	4.000%	2.470% [(b)]	GR2	2042	2,175,000	3.250%	3.310%	HC4

$17,450,000 Term Certificates

$6,960,000 3.250% Term Certificate due August 1, 2045 Price to Yield 3.420% HD2
$10,490,000 4.000% Term Certificate due August 1, 2049 Price to Yield 3.290%[(b)] HE0

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after August 1, 2030, on August 1, 2029, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. In addition, the Certificates maturing August 1, 2045 and August 1, 2049 are subject to mandatory sinking fund redemption, as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)

(a) CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the services provided by CGS. The County, the Financial Advisor and the Underwriters take no responsibility for the accuracy of such numbers.

(b) Yield is calculated to the first call date, August 1, 2029.

POTTER COUNTY, TEXAS

900 S. Polk Street, Suite 604
Amarillo, Texas 79101
806-349-4801

ELECTED OFFICIALS

Name	Title	Date First Elected January	Term Expires December
Nancy Tanner	County Judge	2015	2022
H.R. Kelly	Commissioner, Precinct 1	2009	2020
Mercy Murguia	Commissioner, Precinct 2	2011	2022
Leon Church	Commissioner, Precinct 3	2013	2020
Alfonso S. Vaughn	Commissioner, Precinct 4	2007	2022

ADMINISTRATION

Name	Position	Years With The County
Kerry Hood	County Auditor	34
Julie Smith	County Clerk	22
Leann Jennings	County Treasurer	15
Sherri Aylor	Tax Assessor-Collector	26
C. Scott Brumley	County Attorney	23
Brian Thomas	County Sheriff	9

CONSULTANTS AND ADVISORS

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

For Additional Information Please Contact:

Ms. Kerry Hood
County Auditor
Potter County
900 S. Polk Street, Suite 716
Amarillo, Texas 779101
(806) 349-4801
kerryhood@co.potter.tx.us

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

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

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

Certain information set forth herein has been 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 Underwriters. 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.

NEITHER THE COUNTY, ITS FINANCIAL ADVISOR NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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 SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	Potter County, Texas (the "County" or "Issuer") is a Northwest Texas Panhandle county with an economy based on agribusiness. The City of Amarillo is the county seat and largest city in the County. The Issuer is a governmental entity and political subdivision of the State of Texas (the "State") and operates under the statutes and the Constitution of the State. The County's 2010 census figure was 121,073, and the current estimated population is 120,458. (See Appendix B - "General Information Regarding the Potter County, Texas and the City of Amarillo, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and an order (the "Order") to be adopted by the Commissioners' Court. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas Texas.
Security	The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the County, within the limits prescribed by law. (See "THE CERTIFICATES - Security for Payment" herein.
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on and after August 1, 2030, on August 1, 2029 or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. In addition, the Certificates maturing August 1, 2045 and August 1, 2049 are subject to mandatory sinking fund redemption, as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used to pay all or a portion of the County's contractual obligations incurred in connection with (i) constructing and equipping county-owned buildings, to-wit: county and district court facilities and (ii) professional services rendered in relation to such projects and the financing thereof; such certificates to be payable from ad valorem taxes. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Rating	S&P Global Ratings ("S&P") has assigned a municipal bond rating of "AA-" to the Certificates. An explanation of the significance of such rating may be obtained from the rating agency. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Issuance of Additional Debt	The County does not anticipate the issuance of additional debt during the next twelve months.
Payment Record	The County has never defaulted on the payment of its tax-supported indebtedness.
Delivery	When issued, anticipated on or about April 16, 2019.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel.

(this page intentionally left blank)

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by Potter County, Texas (the "County" or the "Issuer") of its $50,375,000 Certificates of Obligation, Series 2019 (the "Certificates") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas (the "State') and operates under the statutes and the Constitution of the State. The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and an order (the "Order") adopted by the Commissioners' Court. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

THE CERTIFICATES

General

The Certificates will be dated April 1, 2019 (the "Dated Date"). The Certificates are stated to mature on August 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on February 1, 2020, and on each August 1 or February 1 thereafter until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Certificates, initially BOKF, NA, Dallas, Texas. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

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

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and an order (the "Order") to be adopted by the Commissioners' Court.

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the County, within the limits prescribed by law. (See "COUNTY APPLICATION OF THE PROPERTY TAX CODE" herein.)

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used to pay all or a portion of the County's contractual obligations incurred in connection with (i) constructing and equipping county-owned buildings, to-wit: county and district court facilities and (ii) professional services rendered in relation to such projects and the financing thereof; such certificates to be payable from ad valorem taxes.

Redemption Provisions

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Certificates maturing on and after August 1, 2030 on August 1, 2029, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption: The Certificates maturing August 1, 2045 and August 1, 2049 (the "Term Certificates") are subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the Issuer at the redemption prices equal to the principal amounts thereof plus interest accrued thereon to the redemption dates, on the dates and in the principal amounts shown in the following schedule:

Term Certificate
August 1, 2045

Redemption Date	Principal Amount
August 1, 2043	$ 2,245,000
August 1, 2044	2,320,000
August 1, 2045*	2,395,000

Term Certificate
August 1, 2049

Redemption Date	Principal Amount
August 1, 2046	$ 2,470,000
August 1, 2047	2,570,000
August 1, 2048	2,670,000
August 1, 2049*	2,780,000

_____
* Final Maturity

The Paying Agent/Registrar shall select by lot, or other customary method, the Term Certificates to be redeemed. Any Term Certificates not selected for prior redemption shall be paid on the date of their Stated Maturity. The principal amount of a Term Certificate of a maturity to be redeemed on each mandatory redemption date may be reduced, at the option of the County by the principal amount of the Term Certificates of such maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the County at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the County at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Selection of Certificates for Redemption

If less than all of the Certificates are to be redeemed at the option of the County, the County shall determine the amounts of the maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the certificates or portions thereof, to be redeemed.

Notice of Redemption and DTC Notices

Not less than thirty (30) days prior to a redemption date for the Certificates, the County shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and any other condition to redemption satisfied, all as provided above, the Certificates or portion 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.

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

The Paying Agent/Registrar and the Issuer, 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 Certificates 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 Issuer 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 direct participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates the Issuer has called for redemption will not be governed by the Order and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer 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 direct participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Payment Record

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

Legality

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Order provides the Certificates shall be deemed to have been paid when the payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise) shall have been irrevocably deposited with the Paying Agent/Registrar, or other authorized escrow agent, in trust (i) money sufficient to make such payment; (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates; or (3) a combination of both. In the event all or a portion of such deposit consists of Government Securities, an independent accounting firm shall provide a report which concludes such Government Securities will mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, to pay the full amount due and owed on such Certificates at and prior to their Stated Maturity or redemption date. The term "Government Securities" means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the Issuer, are rated as to investment quality by a nationally recognized statistical rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the Issuer, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under applicable laws of the State of Texas.

Upon making such deposit in the manner described, such Certificates shall no longer be deemed outstanding obligations secured by the Order, but will be payable only from the funds and Government Securities deposited in escrow and will not be considered debt of the Issuer for purposes of taxation or applying any limitation on the Issuer's ability to issue debt or for any other purpose.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the County to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the County: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

The County may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the County may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then Outstanding amend, add to, or rescind any of the provisions of the Order, except that, without the consent of the registered owners of all of the Certificates then outstanding, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal or, premium, if any, and interest on the Certificates, reduce the principal amount thereof, 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, (ii) give any preference to any Certificate over any other Certificate or (iii) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition or rescission.

Default and Remedies

The Order does not specify events of default with respect to the Certificates. If the County defaults in the payment of principal, interest, or redemption price 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 rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the 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 Supreme Court ruled in Tooke v. City of Mexia 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the County's sovereign immunity from a suit for money damages, 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 Certificateholders 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 remedies 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.

Initially, the only registered owner of the Certificates will be Cede & Co., as nominee of DTC. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Certificates.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

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

Record Date

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

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

Future Registration

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

Limitation on Transferability

Neither the County nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within forty-five (45) days of the date fixed for the redemption of such Certificate; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Certificate called for redemption in part.

Replacement Certificates

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates 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"). Direct Participants and Indirect Participants are jointly referred to as “Participants”. DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of 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 Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 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 District 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. Payment on the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer 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 Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the County or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered. The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

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

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.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The County invests funds in instruments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with and investment policies approved by the Commissioners' Court. The Commissioners' Court has designated the County Treasurer as the "Investment officer" of the County. Both State law and the County's investment policies are subject to change.

Under Texas law, the County is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit, (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which are guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) 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 of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for County deposits, or (ii) where (a) the funds are invested by the County through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the County as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the County; (b) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the County appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the County with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas, (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the SEC that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (12) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or AAAm or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days. If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Governmental bodies in the State such as the County are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the second paragraph under this caption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the second paragraph under this caption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

Current Investments

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

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

Fund and Investment Type		Amount	Percentage of Portfolio
General Fund			
Cash - Interest Bearing Checking		$ 8,758,055	19.80%
TexPool		408,678	0.92%
TexPool Prime		10,285,309	23.26%
Texas Class		4,768,597	10.78%
All Other Accounts			
Interest Bearing Checking		9,255,189	20.93%
TexPool		4,514,447	10.21
Texas Class		6,233,292	14.09%
	Total Investments	**$44, 223,567**	**100.00%**

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

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

EMPLOYEE BENEFITS

Retirement Plan

Plan Description:
The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 738 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or at https://www.tcdrs.org.

Benefits Provided

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 20 years of service regardless of age or when the sum of their age and years of service equals 7 5 or more. Members are vested after 8 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer 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 deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the County's Board within certain guidelines.

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

Inactive employees or beneficiaries currently receiving benefits	346
Inactive employees entitled to but not yet receiving benefits	258
Active employees	582
	1,186

Contributions

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both 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 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.

	Contribution Rates	
	2016	**2017**
Member	7.0%	7.0%
Employers	13.79%	14.33%
Employer Contributions		$ 4,074,113
Member Contributions		$ 2,068,086

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	13.0 years
Asset Valuation Method	5 year smoothed market
Discount Rate	8.10%
Long-term expected Investment Rate of Return*	8.10%
Salary Increases*	4.90%, average
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

Except for the mortality assumptions, the actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2009 - 2012. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2013 and first used in the December 31, 2013 actuarial valuation. The mortality assumptions were developed by Milliman, Inc. and adopted by the TCDRS Board of Trustees in 2015, and first used in the December 31, 2015 actuarial valuation.

There were no changes in assumptions reflected in the December 31, 2016 actuarial valuation, but there were changes in methods.

The asset valuation method for the December 31, 2016 actuarial valuation is to smooth each year's actuarial investment gains and losses. First, to the extent that there is a loss for the year and there are unrecognized gains from previous years, or to the extent that there is a gain for the year and there are unrecognized losses from previous years, the gain or loss for the year shall be used to offset unrecognized gains or losses from previous years in the order of the oldest to most recent. Any remaining gain or loss for the year is recognized over a five-year period. For the prior valuation, there was no offsetting of unrecognized gains and unrecognized losses, and all asset gains and losses for a year were recognized over a five-year period.

There was also a change in how extra plan contributions are treated effective with the December 31, 2016 actuarial valuation. For the current valuation, if extra lump-sum contributions are made to a plan during the year, the extra contributions are used to offset the unfunded actuarial accrued liability increase, if any, related to plan changes elected during the current year. Extra contributions over the required amount due to an elected rate and any remaining lump-sum contribution amounts are then used to pay down existing loss bases, in the order of the oldest to the most recent. For the prior valuation, extra contributions were first used to offset increases to the unfunded actuarial accrued liability, if any, related to plan changes elected during the year. Any remaining extra contributions were then incorporated into the actuarial gains or losses for the current year.

Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 8.1 %. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our 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 cost-of-living adjustment 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 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. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7 - 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is based on a 30-year time horizon; the most recent analysis was performed in 2013 based on the period January 1, 2009 - December 31, 2013. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity Venture Capital Index [3]	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	4.70%
International Equities - Emerging	MSCI World Ex USA (net)	7.00%	5.70%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Lending	Cambridge Associates Distressed Securities Index (4)	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [5]	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

(1)

(2) Target asset allocation adopted at the April 2017 TCDRS Board meeting.
(3) Geometric real rates of return in addition to assumed inflation of 2.0%, per Cliffwater' s 2017 capital market assumptions.
(4) Includes vintage years 2006 - present of Quarter Pooled Horizon IRRs.
(5) Includes vintage years 2005 - present of Quarter Pooled Horizon IRRs.
(6) Includes vintage years 2007 - present of Quarter Pooled Horizon IRRs.

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

At September 30, 2017, the County reported a net pension liability of $22,886,003 measured at December 31, 2016. For the year ended September 30, 2017, the District recognized pension expense of $92,410.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

(Remainder of page intentionally left blank.)

Changes in the net pension liability for the year ended December 31, 2016 are as follows:

	Increase (Decrease)		
Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Plan fiduciary net position (b)	Net Pension (Asset) liability (a) – (b)
Balance at 12/31/2015	$ 162,652,206	$139,878,786	$ 22,773,420
Changes for the year:			
Service Cost	4,352,352	-	4,352,352
Interest on total pension liability (1)	13,037,017	-	13,037,017
Effect of plan changes (2)	-		-
Effect of economic/demographic gains or losses	(1,265,495)	-	(1,265,495)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(590,251)	(590,251)	-
Benefit payments	(7,232,419)	(7,232,419)	-
Administrative expense	-	(112,476)	112,476
Member contributions	-	2,068,086	(2,068,086)
Net investment income	-	10,342,613	(10,342,613)
Employer contributions	-	4,074,113	(4,074,113)
Other (3)	-	(361,045)	361,045
Net Changes	8,301,204	8,188,621	112,583
Balance at 12/31/2016	**$ 170,953,410**	**$ 148,067,407**	**$ 22,886,003**

(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 the allocation of system-wide items.

Discount Rate Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 .10%) or 1 percentage point higher (9 .10%) than the current rate.

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1.0% Increase in Discount Rate (9.10%)
Net pension liability	$ 45,052,994	$ 22,886,003	$ 4,442,303

At December 31, 2016 the County reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	$ 2,142,436	$ -
Changes in actuarial assumptions	-	950,296
Difference between projected and actual investment earnings	-	8,752,878
Contributions subsequent to the measurement date	-	3,218,281
Total	$ 2,142,436	$ 12,921,455

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended September 30:	Pension Expense Amount
2018	$ 2,647,280
2019	2,647,280
2020	2,338,787
2021	(72,609)
	$ 7,560,738

AD VALOREM TAX PROCEDURES

Property Tax Code and Countywide Appraisal District

Title I, Texas Tax Code, as amended (the "Property Tax Code"), provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Potter/Randall Appraisal District (the "Appraisal District") is responsible for appraising property within the County, generally, as of January 1 of each year. Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office, or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board (the "Appraisal Review Board") consisting of five members, which are appointed by the Board of Directors of the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the County in establishing its tax roll and tax rate. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The County may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the County by petition filed with the Appraisal Review Board.

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

Property Subject to Taxation by the Issuer

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

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

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

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

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

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

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

Disabled/Deceased Veterans Exemption: State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that beginning in the 2009 tax year, 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.

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

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

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

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

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

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

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

The County also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The County, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Chapter 381 Agreements: The County is authorized, pursuant to Chapter 381, Texas Local Government Code, as emended ("Chapter 381"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the county. In accordance with a program established pursuant to Chapter 381, and the County may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the County. The County may contract with the federal government, the State of Texas, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

Issuer and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The Issuer is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. Property within the County is generally assessed as of January 1 of each year based upon the valuation of property within the County as of the preceding January 1. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process, which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Property Tax Code makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and final installment due on August 1.

Penalties and Interest

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

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

(a) *After July, the penalty remains at 12% and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may not provide for a fee not to exceed 20% of the amount of delinquent tax, penalty, and interest collected. Under certain circumstances, taxes, which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.*

In general, property subject to the County's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Issuer's Rights in the Event of Tax Delinquencies

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

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

COUNTY APPLICATION OF THE PROPERTY TAX CODE

The County's taxes are collected by the Potter County Tax Assessor-Collector.

See Appendix A – Table 11 for a listing of the amounts of the County's exemptions described below.

The County grants a local optional exemption in the amount of $10,000 to the market value of the residence homestead of persons over-65 or disabled.

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

The County does not tax nonbusiness personal property.

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

The County does grant the freeport exemption under Article VIII, Section 1-j.

The County does tax "goods in transit".

The County participates in two Tax Increment Reinvestment Zones ("TIRZ") created by the City of Amarillo. The Center City TIRZ (#1) encompasses approximately 1,166 acres located generally in the downtown area of the City and was created to fund downtown infrastructure improvements to encourage private development projects. New hotels, urban residential development, office/commercial/retail space and a ballpark/entertainment venue are some of the goals for TIRZ#1. The East Gateway TIRZ (#2) encompasses approximately 940 acres located in east Potter County along 1-40 and was created to stimulate and facilitate new private investment resulting in the redevelopment of an area suffering from underdevelopment and blighted conditions. New retail and entertainment venues, an RV park, hotels, and redevelopment of the world-famous Big Texan Steakhouse are among the project objectives of the TIRZ#2. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the TIRZ, multiplied by the taxing unit's percentage level of participation. The captured appraised value is the total appraised value of the property for a year, less the tax increment base value of the taxing unit. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the TIRZ as of January 1 of the year in which the City created the TIRZ. The County has agreed to contribute 100% of its tax increments to the tax increment funds; therefore, taxes collected by the County on the captured appraised value will be paid by the County to the tax increment funds and will not be available for payment of operating expenses or debt payments. For Tax Year 2018 the County's Taxable Value Attributed to the TIRZ #1 was $525,809 and TIRZ#2 was $55,489.

The County adopted the tax freeze for homesteads of persons 65 and over, described above under "Homestead Tax Limitation". The freeze was approved on December 11, 2006 and was first implemented with the 2008 Tax Year, which will be the base values going forward. For Tax Year 2018 the Taxable Value Loss to the Freeze was $ 852,326,464.

The County has adopted tax abatement guidelines and criteria. Tax Abatements are granted on a case-by-case basis depending upon the number of jobs created or retained and anticipated increases in taxable values resulting from improvements to property.

The County has abatement agreements with: Bell Helicopter, expiring in 2019 and 2024; Coca Cola, expiring in 2024; CPT BLVD 2012 LP, expiring in 2019; and Gestamp Wind Steel US, expiring in 2027. For the 2018 Tax Year, the total amount of the County's assessed valuation loss due to abatement agreements equals $121,526,886.

The County does not have any active Chapter 381 Agreements.

TAX RATE LIMITATIONS

Limited Tax Obligations

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

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

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

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

Unlimited Tax Bonds

The Texas Constitution (Article III, Section 52) authorizes the levy of a tax unlimited as to rate or amount for the payment of debt issued for various stated purposes; however, total unlimited tax debt cannot exceed 25% of the assessed valuation of real property.

Road Maintenance

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

Road Bonds

Texas Constitution (Article III, Section 52) authorizes an unlimited tax rate to pay debt service on voted County road bonds.

Farm-to Market and/or Flood Control

Under Section 256.054, Texas Transportation Code, a county may adopt an additional ad valorem tax not to exceed $0.30 on the $100 assessed valuation, after exemption of homesteads up to $3,000, provided by Article VIII, Section 9 of the Texas Constitution, for the construction and maintenance of farm-to-market and lateral roads or for flood control. This additional tax may be established by the Commissioners Court only upon approval by a majority of participating voters in an election held to approve such additional tax. No allocation is prescribed by statute between debt service and maintenance. Therefore, all or part may be used for either purpose. **The voters of the County have not approved the adoption of the additional county farm-to-market and flood control tax.**

Effective Tax Rate and Rollback Tax Rate

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt its annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit. If the Commissioners Court does not adopt a tax rate by such required date, the tax rate for the tax year is the lower of the effective tax rate calculated for the tax year or the tax rate adopted by the County for the preceding year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

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

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

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

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

Optional Sales Tax

The Property Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (½%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. **The County does not assess/collect the additional one-half cent sales tax for reduction of ad valorem taxes.**

LEGAL MATTERS

The County will furnish the Underwriters with 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 the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the County, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Order, are valid and legally binding obligations of the County and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the Certificates, Bond Counsel has been engaged by and only represents the County in connection with the issuance of the Certificates. With respect to this Official Statement, Bond Counsel has not assumed any responsibility with respect hereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the caption "THE CERTIFICATES" (other than the information under the subcaptions "Use of Certificate Proceeds," "Payment Record," and "Defaults and Remedies," as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE," "LEGAL MATTERS" (except for the last two sentences of the first paragraph thereof, as to which no opinion is expressed), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (other than the information under the subcaption "Compliance with Prior Agreements," as to which no opinion is expressed), and the subcaption "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER PERTINENT INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the 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 provisions of the Order. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain matters will be passed upon for the Underwriters by Bracewell LLP of San Antonio, Texas as underwriters counsel. The fees of Bracewell LLP are contingent upon the sale and delivery of the Certificates.

The various 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 the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Tax Exemption

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

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the County made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the

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

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

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

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

Tax Accounting Treatment of Discount or 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 the initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the 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 the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. 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.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Issuer 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 Issuer of the general type included in this Official Statement. The information to be updated includes the information under "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER - Current Investments" herein and in Tables 1, 2, 3, 4, 5, 6, 7, 10, 11, 15 and 16 of Appendix A. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2019. The Issuer will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2019. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Issuer will file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, the Issuer must provide updated information included in the above-referenced tables by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data as set forth above.

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

Notice of Certain Events

The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten Business Days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the County, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the County, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the County, any of which reflect financial difficulties. In addition, the County will provide timely notice of any failure by the County to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County. As used above, the term "Business Day" means a day other than a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the city where the designated office of the Paying Agent/Registrar is located (currently, its Dallas, Texas office) are authorized by law or executive order to close.

Availability of Information from MSRB

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

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the Issuer to comply with its agreement.

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

Compliance with Prior Agreements

During the past five years, the County has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule. In 2016, the County's annual financial information was timely filed on March 29, 2017 and all information was submitted except Table 15 which was inadvertently omitted from the filing. On March 14, 2019 a Notice of Failure to File Certain Financial Information related to Table 15 was filed with EMMA. The County has put certain administrative procedures in place to help ensure compliance with its annual continuing disclosure obligations in the future.

OTHER PERTINENT INFORMATION

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 Issuer 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.

Litigation

On the date of delivery of the Certificates to the Underwriters, the County will execute and deliver to the Underwriters a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Certificates or which would adversely affect the provisions made for their payment or security, or in any manner questioning the validity of the Certificates.

The County Attorney has indicated that there are various lawsuits filed and pending against the County, but in his opinion, none will result in a material effect on the County's financial position.

Future Debt Issuance

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

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PFIA 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 PERTINENT INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the County has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

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

Rating

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

Financial Advisor

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

Underwriting

The Underwriters have 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 ii of this Official Statement, less an underwriting discount of $303,766.25. The Underwriters 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 Underwriters 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 Underwriters.

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

Links to Websites

The County has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The County has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

Forward-Looking Statements Disclaimer

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

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

Certification of the Official Statement

At the time of payment for and delivery of the Certificates, the Underwriters will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that their knowledge and belief: (a) the description and statements of or pertaining to the County contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, and on the date of the initial delivery of the Certificates, were and are true and correct in all material respects; (b) insofar as the County and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they are made, not misleading; (c) insofar as the description and statements, including financial data, of or pertaining to entities, other than the County, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the County believes to be reliable and that the County has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the County since September 30, 2018, the date of the last audited financial statements of the County.

Concluding Statement

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

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

POTTER COUNTY, TEXAS

/s/ Nancy Tanner
County Judge
Potter County, Texas

ATTEST:

/s/ Julie Smith
County Clerk
Potter County, Texas

(this page intentionally left blank)

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

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

(this page intentionally left blank)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2018 Actual Market Value of Taxable Property (100% of Actual)[a]		$ 10,070,277,235
Less Exemptions:		
Optional Over-65 and/or Disabled	$ 77,628,453	
Disabled and Deceased Veterans	7,502,664	
Disabled Veterans Homestead	26,812,268	
Freeport	329,033,163	
Pollution	26,546,220	
Productivity Value Loss	243,786,337	
Abatement	121,526,886	
Solar Wind Exemption Loss	255,017	
Partailly Exempt / Prorated / Other	10,258,593	
10% Cap Value Loss	18,889,935	
Totally Exempt Property	1,319,597,688	2,181,837,224
2018 Certified Net Taxable Assessed Valuation		$ 7,888,440,011
Less Adjustments:		
Tax Increment Reinvestment Zone Captured Taxable Value [a]		108,449,523
Value Loss due to Over 65/Disabled Freeze		168,182,277
2018 Adjusted Net Taxable Assessed Valuation		$ 7,611,808,211

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

Source: Potter/Randall Appraisal District

GENERAL OBLIGATION BONDED DEBT **TABLE 2**

General Obligation Debt Principal Outstanding: (As February 1, 2019)	
Certificates of Obligation, Series 2016	$ 19,660,000
Tax Notes, Series 2017	$ 4,585,000
Total General Obligation Debt Principal Outstanding:	$ 19,660,000
Current Issue General Obligation Debt Principal	
Certificates of Obligation, Series 2019 (the "Certificates")	$ 50,375,000
Total General Obligation Debt Principal Outstanding Following Issuance of the Certificates:	$ 70,035,000
General Obligation Interest and Sinking Fund Balance as September 30, 2018.	$ 2,464,218
Ratio of General Obligation Debt Principal to 2018 Adjusted Net Taxable Assessed Valuation	0.92%
2018 Adjusted Net Taxable Assessed Valuation[a]	$ 7,611,808,211
Population: 1980 - 98,637; 1990 -97,874; 2000 - 113,546; 2010 - 121,073; Current Estimate -	120,436
Per Capita 2018 Adjusted Net Taxable Assessed Valuation -	$63,202
Per Capita General Obligation Debt Principal -	$582

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

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

OTHER OBLIGATIONS TABLE 3

Capital Leases Payable:

The County leases copiers from Tascosa Office Machines, Inc. for a term of five years beginning April 25, 2015 and ending April 25, 2020. The minimum lease amount is $89,550.

Future minimum rental payments applicable to these operating leases are as follows:

2019	$	89,950.00
2020	$	52,238.00

Non-Capital Leases Payable:

None

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS TABLE 4

Fiscal Year 30-Sep	Currently Outstanding Debt Service[(a)]	The Certificates Principal	Interest	Total	Combined Debt Service
2019	$ 329,449.25	$ -	$ -	$ -	$ 329,449.25
2020	2,448,546.75	-	2,708,716.67	2,708,716.67	5,157,263.42
2021	2,442,912.50	750,000.00	2,031,537.50	2,781,537.50	5,224,450.00
2022	2,434,566.75	1,050,000.00	1,994,037.50	3,044,037.50	5,478,604.25
2023	2,437,799.25	1,140,000.00	1,941,537.50	3,081,537.50	5,519,336.75
2024	2,434,797.50	750,000.00	1,884,537.50	2,634,537.50	5,069,335.00
2025	1,474,825.00	1,760,000.00	1,847,037.50	3,607,037.50	5,081,862.50
2026	1,477,950.00	1,060,000.00	1,759,037.50	2,819,037.50	4,296,987.50
2027	1,475,100.00	1,175,000.00	1,706,037.50	2,881,037.50	4,356,137.50
2028	1,476,275.00	1,250,000.00	1,647,287.50	2,897,287.50	4,373,562.50
2029	1,471,475.00	1,305,000.00	1,584,787.50	2,889,787.50	4,361,262.50
2030	1,475,625.00	1,370,000.00	1,519,537.50	2,889,537.50	4,365,162.50
2031	1,473,650.00	1,425,000.00	1,464,737.50	2,889,737.50	4,363,387.50
2032	1,470,625.00	1,485,000.00	1,407,737.50	2,892,737.50	4,363,362.50
2033	1,471,475.00	1,540,000.00	1,348,337.50	2,888,337.50	4,359,812.50
2034	1,471,125.00	1,605,000.00	1,286,737.50	2,891,737.50	4,362,862.50
2035	1,469,575.00	1,670,000.00	1,222,537.50	2,892,537.50	4,362,112.50
2036	1,471,750.00	1,735,000.00	1,155,737.50	2,890,737.50	4,362,487.50
2037	-	1,785,000.00	1,103,687.50	2,888,687.50	2,888,687.50
2038	-	1,860,000.00	1,032,287.50	2,892,287.50	2,892,287.50
2039	-	1,935,000.00	957,887.50	2,892,887.50	2,892,887.50
2040	-	2,010,000.00	880,487.50	2,890,487.50	2,890,487.50
2041	-	2,090,000.00	800,087.50	2,890,087.50	2,890,087.50
2042	-	2,175,000.00	716,487.50	2,891,487.50	2,891,487.50
2043	-	2,245,000.00	645,800.00	2,890,800.00	2,890,800.00
2044	-	2,320,000.00	572,837.50	2,892,837.50	2,892,837.50
2045	-	2,395,000.00	497,437.50	2,892,437.50	2,892,437.50
2046	-	2,470,000.00	419,600.00	2,889,600.00	2,889,600.00
2047	-	2,570,000.00	320,800.00	2,890,800.00	2,890,800.00
2048	-	2,670,000.00	218,000.00	2,888,000.00	2,888,000.00
2049	-	2,780,000.00	111,200.00	2,891,200.00	2,891,200.00
	$ 30,207,522.00	$ 50,375,000.00	$ 36,786,516.67	$ 87,161,516.67	$ 117,369,038.67

TAX ADEQUACY TABLE 5

2018 Adjusted Net Taxable Assessed Valuation	$	7,611,808,211
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-23)	$	5,519,337
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$	0.07399

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

TAX RATE DISTRIBUTION TABLE 6

Fund	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
M&O	$0.65000	$0.62770	$0.62393	$0.63306	$0.59713
I&S	0.03500	0.04230	0.04009	0.03096	0.03637
TOTAL	$0.68500	$0.67000	$0.66402	$0.66402	$0.63350

Source: Issuer's Comprehensive Annual Financial Reports and other information from the Issuer.

PROPERTY TAX RATES AND COLLECTIONS[a] **TABLE 7**

Tax Year	Certified Net Taxable Assessed Valuation[b]	Tax Rate	Total Tax Levy	% Collections Current	% Collections Total	Fiscal Year Ending
2009	$ 6,201,136,575	$ 0.59627	$ 36,838,767	97.21%	99.64%	9/30/2010
2010	6,207,710,705	0.59911	37,151,855	98.28%	99.60%	9/30/2011
2011	6,335,752,913	0.63350	39,788,918	98.27%	99.53%	9/30/2012
2012	6,490,048,313	0.62707	40,409,642	98.24%	99.33%	9/30/2013
2013	6,680,260,162	0.63402	42,066,200	98.76%	100.13%	9/30/2014
2014	6,899,209,753	0.63350	43,446,569	98.88%	99.96%	9/30/2015
2015	7,004,094,664	0.66402	46,009,549	98.77%	99.39%	9/30/2016
2016	7,280,286,985	0.66402	47,820,877	98.77%	98.77%	9/30/2017
2017	7,646,124,701	0.67000	51,471,008	96.86%	97.79%	9/30/2018
2018	7,888,440,011	0.68500	54,300,775	(In process of collection)		9/30/2019

[(a)] *See "AD VALOREM TAX PROCEDURES - Levy and Collection of Taxes" in the body of the official statement for a complete discussion of the County's tax provisions.*

[(b)] *Valuations do not reflect property value loss due to the Over 65/Disabled Freeze/Ceiling or loss to the TIRZ.*

Source: Issuer's Comprehensive Annual Financial Reports, Potter/Randall Appraisal District and other information from the Issuer.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE **TABLE 8**

Fiscal Year Ending 9/30	Principal Repayment Schedule: Principal Outstanding	The Certificates	Total	Bonds Unpaid at End of Year	Percent of Principal Retired (%)
2020	$ 1,805,000	$ -	$ 1,805,000	$ 72,815,000	2.42%
2021	1,835,000	750,000	2,585,000	70,230,000	5.88%
2022	1,870,000	1,050,000	2,920,000	67,310,000	9.80%
2023	1,920,000	1,140,000	3,060,000	64,250,000	13.90%
2024	1,965,000	750,000	2,715,000	61,535,000	17.54%
2025	1,045,000	1,760,000	2,805,000	58,730,000	21.29%
2026	1,080,000	1,060,000	2,140,000	56,590,000	24.16%
2027	1,110,000	1,175,000	2,285,000	54,305,000	27.22%
2028	1,145,000	1,250,000	2,395,000	51,910,000	30.43%
2029	1,175,000	1,305,000	2,480,000	49,430,000	33.76%
2030	1,215,000	1,370,000	2,585,000	46,845,000	37.22%
2031	1,250,000	1,425,000	2,675,000	44,170,000	40.81%
2032	1,285,000	1,485,000	2,770,000	41,400,000	44.52%
2033	1,325,000	1,540,000	2,865,000	38,535,000	48.36%
2034	1,365,000	1,605,000	2,970,000	35,565,000	52.34%
2035	1,405,000	1,670,000	3,075,000	32,490,000	56.46%
2036	1,450,000	1,735,000	3,185,000	29,305,000	60.73%
2037	-	1,785,000	1,785,000	27,520,000	63.12%
2038	-	1,860,000	1,860,000	25,660,000	65.61%
2039	-	1,935,000	1,935,000	23,725,000	68.21%
2040	-	2,010,000	2,010,000	21,715,000	70.90%
2041	-	2,090,000	2,090,000	19,625,000	73.70%
2042	-	2,175,000	2,175,000	17,450,000	76.61%
2043	-	2,245,000	2,245,000	15,205,000	79.62%
2044	-	2,320,000	2,320,000	12,885,000	82.73%
2045	-	2,395,000	2,395,000	10,490,000	85.94%
2046	-	2,470,000	2,470,000	8,020,000	89.25%
2047	-	2,570,000	2,570,000	5,450,000	92.70%
2048	-	2,670,000	2,670,000	2,780,000	96.27%
2049	-	2,780,000	2,780,000	-	100.00%
	$ 24,245,000	$ 50,375,000	$ 74,620,000		

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2008-2018 — TABLE 9

Tax Year	Certified Net Taxable Assessed Valuation[a]	Change From Preceding Year Amount ($)	Change From Preceding Year Percent
2008	$ 6,121,203,443	334,985,390	5.79%
2009	6,201,136,575	79,933,132	1.31%
2010	6,207,710,705	6,574,130	0.11%
2011	6,335,752,913	128,042,208	2.06%
2012	6,490,048,313	154,295,400	2.44%
2013	6,680,260,162	190,211,849	2.93%
2014	6,899,209,753	218,949,591	3.28%
2015	7,004,094,664	104,884,911	1.52%
2016	7,280,286,985	276,192,321	3.94%
2017	7,646,124,701	365,837,716	5.03%
2018	7,888,440,011	242,315,310	3.17%

---

[a] *Valuations do not reflect Taxable Valuation loss due to the Over 65/Disabled Freeze or loss to TIRZ.*

Source: Issuer's Comprehensive Annual Financial Reports, Potter/Randall Appraisal District and other information from the Issuer.

PRINCIPAL TAXPAYERS 2018-2019 — TABLE 10

Name	Type of Property	2018 Net Taxable Assessed Valuation	% of Total 2018 Net Taxable Assessed Valuation
Southwestern Public Service	Utility - Electric	$ 404,701,153	5.32%
Bell Helicopter Textron I	Osprey Production	144,692,751	1.90%
BNSF Railway Company	Railroad	134,401,001	1.77%
BSA Hospital LLC	Hospital	131,300,694	1.72%
Linde Gas North America	Helium @ BLM Cliffside Field	97,156,512	1.28%
Northwest Texas Healthcare	Hospital	83,603,329	1.10%
Amarillo Economic Development Corp.	Commercial/Economic Development	72,837,086	0.96%
Tyson Fresh Meats Inc.	Industrial - Meat Packing	69,134,541	0.91%
Asarco Inc.	Industrial - Copper Refinery	62,454,551	0.82%
Amarillo Mall LLC	Commercial - Shopping Mall	60,631,102	0.80%
	Total	$ 1,260,912,720	16.57%

Based on a 2018 Adjusted Net Taxable Assessed Valuation of $ 7,611,808,211

Source: Potter/Randall Appraisal District

CLASSIFICATION OF ASSESSED VALUATION

TABLE 11

Category	2018-2019	% of Total	2017-2018	% of Total	2016-2017	% of Total	2015-2016	% of Total	2014-2015	% of Total
Real, Residential, Single Family	$ 3,540,163,139	35.15%	$ 3,441,138,940	35.26%	$ 3,232,748,270	34.77%	$ 3,124,407,191	34.30%	$ 3,040,334,104	34.16%
Real, Residential, Multi-Family	201,059,203	2.00%	200,669,209	2.06%	198,525,110	2.14%	198,302,910	2.18%	181,445,624	2.04%
Real, Vacant Lots/Tract	103,856,524	1.03%	110,289,260	1.13%	107,343,974	1.15%	108,691,624	1.19%	109,075,139	1.23%
Real Acreage (Qualified / Non Qualified Land)	263,567,271	2.62%	266,034,017	2.73%	262,194,742	2.82%	263,091,885	2.89%	262,826,463	2.95%
Farm and Ranch Improvements	13,139,505	0.13%	10,308,479	0.11%	10,620,974	0.11%	9,034,879	0.10%	8,159,305	0.09%
Real, Commercial	1,707,111,969	16.95%	1,636,854,449	16.77%	1,578,123,507	16.97%	1,540,880,405	16.91%	1,486,592,115	16.70%
Real, Industrial	183,688,543	1.82%	180,394,158	1.85%	164,384,994	1.77%	173,762,461	1.91%	177,507,125	1.99%
Real, Oil, Gas, Minerals	49,216,100	0.49%	50,290,650	0.52%	42,573,420	0.46%	69,660,370	0.76%	93,122,430	1.05%
Real & Tangible Personal, Utilities	688,665,511	6.84%	651,192,978	6.67%	612,352,976	6.59%	591,272,603	6.49%	591,568,216	6.65%
Tangible Personal, Commercial	1,318,181,053	13.09%	1,318,313,047	13.51%	1,237,028,627	13.30%	1,177,715,773	12.93%	1,107,480,928	12.44%
Tangible Personal, Industrial	625,449,841	6.21%	539,680,611	5.53%	552,502,196	5.94%	574,559,770	6.31%	545,044,986	6.12%
Tangible Personal, Mobile Homes	20,458,393	0.20%	18,865,145	0.19%	17,906,638	0.19%	18,598,744	0.20%	18,036,683	0.20%
Real Residential, Inventory	1,879,378	0.02%	1,947,868	0.02%	1,848,467	0.02%	3,256,364	0.04%	4,230,155	0.05%
Special Inventory	34,243,117	0.34%	38,338,119	0.39%	39,378,290	0.42%	41,278,293	0.45%	40,824,673	0.46%
Totally Exempt Property	1,319,597,688	13.10%	1,294,006,769	13.26%	1,240,263,184	13.34%	1,215,391,955	13.34%	1,233,906,824	13.86%
Total Market Value	$ 10,070,277,235	100.00%	$ 9,758,323,699	100.00%	$ 9,297,795,369	100.00%	$ 9,109,905,227	100.00%	$ 8,900,154,770	100.00%
Less Exemptions:										
Local Optional Over-65/Disabled	$ 77,628,453		$ 76,866,266		$ 76,077,698		$ 75,418,258		$ 74,954,137	
Disabled and Deceased Veterans	7,502,664		7,307,406		7,293,443		6,983,673		6,908,775	
Disabled Veterans Homestead	26,812,268		26,748,788		24,467,691		19,627,340		13,576,367	
Freeport	329,033,163		270,235,101		275,868,184		377,357,805		275,789,173	
Pollution Exemption	26,546,220		26,771,768		26,460,420		27,240,813		27,170,699	
Productivity Value Loss	243,786,337		246,908,372		243,974,430		244,706,110		244,700,607	
Abatement	121,526,886		127,537,788		106,393,367		96,910,639		86,010,831	
Solar/Wind Exemption Loss	255,017		336,665		-		-		-	
Partially Exempt / Prorated / Other	10,258,593		5,848,260		3,882,831		37,056,842		31,323,952	
10% Cap Value Loss	18,889,935		29,631,815		12,827,136		5,117,128		6,603,652	
Totally Exempt Property	1,319,597,688		1,294,006,769		1,240,263,184		1,215,391,955		1,233,906,824	
Total Exemptions	$ 2,181,837,224		$ 2,112,198,998		$ 2,017,508,384		$ 2,105,810,563		$ 2,000,945,017	
Certified Net Taxable Assessed Valuation	$ 7,888,440,011		$ 7,646,124,701		$ 7,280,286,985		$ 7,004,094,664		$ 6,899,209,753	
Less Adjustments:										
Tax Increment Investment Zone Captured Value	$108,449,523		$ 78,600,577		$ 54,759,840		$ 54,040,135		$ 50,638,866	
Value Loss due to Over 65/Disabled Freeze	168,182,277		139,700,325		117,290,973		87,108,997		75,318,488	
Adjusted Net Taxable Valuation	$ 7,611,808,211		$ 7,427,823,799		$ 7,108,236,172		$ 6,862,945,532		$ 6,773,252,399	

Source: Potter-Randall Appraisal District

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

OVERLAPPING DEBT DATA AND INFORMATION **TABLE 12**

Taxing Body	Gross Debt Principal	As of	% Overlapping	Amount Overlapping
Special Districts				
Amarillo College District	$ 55,735,000	1/31/2019	49.80%	$ 27,756,030
Cities				
Amarillo	154,345,733	1/31/2019	49.51%	76,416,572
School Districts				
Amarillo Independent School District	252,940,000	1/31/2019	54.59%	138,079,946
Bushland Independent School District	21,310,000	1/31/2019	90.46%	19,277,026
Highland Park Independent School District	20,555,000	1/31/2019	100.00%	20,555,000
River Road Independent School District	9,843,919	1/31/2019	100.00%	9,843,919
Total Gross Overlapping Debt Principal				$ 291,928,493
Potter County[(a)]	70,035,000 [(a)]	1/31/2019	100.00%	70,035,000 [(a)]
Total Direct and Overlapping Debt Principal				$ 361,963,493 [(a)]

Ratio of Direct and Overlapping Debt to 2018 Adjusted Net Taxable Assessed Valuation	4.59% [(a)]
Ratio of Direct and Overlapping Debt to 2018 Actual Market Value	3.59% [(a)]
Per Capita Direct and Overlapping Debt	$3,005.44 [(a)]

[(a)] *Includes the Certificates. (See "Table 2 - General Obligation Bonded Debt" herein.)*
Note: Capital appreciation debt service requirements shown on non-accreted basis.
Source: Latest available Texas Municipal Reports published by the Municipal Advisory Council of Texas and the Issuer.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES **TABLE 13**

Governmental Entity	2018 Net Taxable Assessed Valuation	% of Actual	2018 Tax Rate
Special Districts			
Amarillo Junior College District	$ 26,565,624,544	100.00%	$0.20750
Cities			
Amarillo	13,149,054,756	100.00%	0.36840
School Districts			
Amarillo Independent School District	9,279,107,055	100.00%	1.23900
Bushland Independent School District	1,319,333,493	100.00%	1.23370
Highland Park Independent School District	1,281,986,720	100.00%	1.18590
River Road Independent School District	286,065,278	100.00%	1.35000

Source: Latest available Texas Municipal Reports published by the Municipal Advisory Council of Texas

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

TABLE 14

Taxing Body	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Special Districts					
Amarillo Junior College District	None				
Cities					
Amarillo	11/8/2016	Public Safety	$ 20,080,000	$ 11,980,000	$ 8,100,000
	11/8/2016	Street	89,495,000	32,340,000	57,155,000
School Districts			$ 109,575,000	$ 44,320,000	$ 65,255,000
Amarillo Independent School District	None				
Bushland Independent School District	None				
Highland Park Independent School District	None				
River Road Independent School District	None				
Total Gross Overlapping Debt Principal Authorized but Unissued			$ 109,575,000	$ 44,320,000	$ 65,255,000
Potter County	**None**				

Source: Most recent Texas Municipal Reports published by the Municipal Advisory Council of Texas.

FUND BALANCES

TABLE 15

		Unaudited As of 09-30-18	Unaudited As of 1-31-19
General Fund		$ 23,526,850	$ 44,659,797
Debt Service Fund		2,464,218	1,283,844
Special Revenue Funds		4,935,359	5,697,145
Capital Projects Fund		11,519,269	11,496,626
	Total	$ 42,445,696	$ 63,137,412

Source: Issuer

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

	Fiscal Year Ended September 30				
	2018*	2017	2016	2015	2014
REVENUES:	(Draft Audit)				
Taxes	$ 48,502,375	$ 45,951,871	$ 45,009,345	$ 42,499,365	$ 41,151,736
Licenses and Fees	4,389,953	4,211,639	4,384,066	4,538,493	4,482,267
Intergovernmental	2,892,286	2,017,797	2,596,198	1,884,489	1,990,751
Fines and Forfeitures	1,007,895	1,004,843	1,141,708	1,210,983	1,216,979
Charges for Services	676,832	1,174,942	1,965,508	799,822	1,681,012
Investment Earnings	656,412	347,401	138,985	67,645	58,356
Miscellaneous	86,273	90,587	184,986	123,280	69,751
Total Revenues	$ 58,212,026	$ 54,799,080	$ 55,420,796	$ 51,124,077	$ 50,650,852
EXPENDITURES:					
Current					
General Administrative	$ 6,360,044	$ 6,506,765	$ 6,519,616	$ 6,188,038	$ 6,355,975
Facilities Maintenance	2,609,067	2,722,393	3,240,600	2,463,133	2,387,130
Election Administration	470,063	431,574	450,135	418,956	384,767
Judicial	14,952,824	14,357,923	13,478,901	13,064,572	12,859,341
Public Safety	9,728,077	9,176,980	8,654,663	8,309,414	8,261,044
Corrections and Rehabilitation	15,174,485	14,363,358	14,313,011	13,552,159	13,498,180
Health and Human Services	674,758	614,499	620,897	765,410	788,055
Transportation / Road and Bridge	2,215,544	1,989,732	2,019,637	1,967,957	1,973,601
Capital Outlay	567,459	661,365	991,862	1,457,598	633,881
Total Expenditures	$ 52,752,321	$ 50,824,589	$ 50,289,322	$ 48,187,237	$ 47,141,974
Excess of Revenues Over (Under) Expenditures	$ 5,459,705	$ 3,974,491	$ 5,131,474	$ 2,936,840	$ 3,508,878
Other Financing Sources (Uses)					
Operating Transfers In	$ -	$ -	$ 36,502	$ -	$ -
Operating Transfers Out	(2,389,368)	(2,098,100)	(2,457,500)	(3,600,000)	(3,329,331)
Total Other Financing Sources (Uses)	$ (2,389,368)	$ (2,098,100)	$ (2,420,998)	$ (3,600,000)	$ (3,329,331)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	3,070,337	1,876,391	2,710,476	(663,160)	179,547
Fund Balances at Beginning of Year	21,705,088	19,828,697	17,118,221	17,781,381	17,601,834
Fund Balances at End of Year	$ 24,775,425	$ 21,705,088	$ 19,828,697	$ 17,118,221	$ 17,781,381

* Fiscal Year Ended September 30, 2018 information is taken from the draft audit, not yet approved by the commissioners court.

Source: The Issuer's Comprehensive Annual Financial Reports and Other Information from the Issuer

APPENDIX B

GENERAL INFORMATION REGARDING POTTER COUNTY, TEXAS AND THE CITY OF AMARILLO, TEXAS

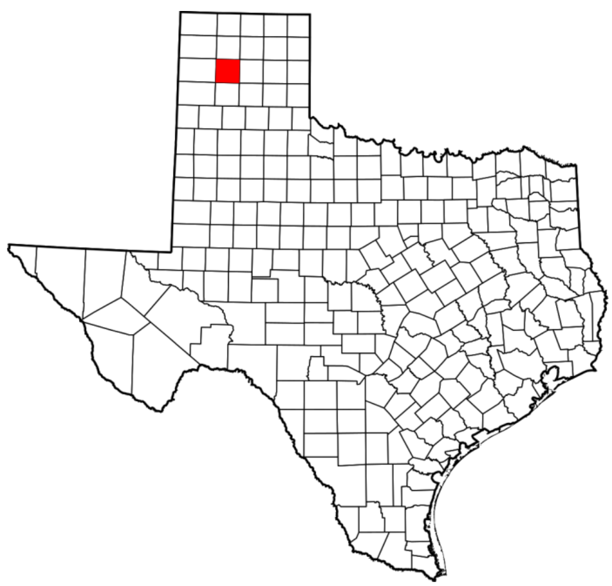
GENERAL INFORMATION REGARDING POTTER COUNTY, TEXAS AND THE CITY OF AMARILLO, TEXAS

Location and Economy

Potter County (the "County") is a Northwest Texas Panhandle county comprised of 924 square miles of mostly level plain, broken by the Canadian River and its tributaries. The County is a component of the Amarillo Metropolitan Statistical Area (MSA) (including the County and Randall County) with the City of Amarillo serving as its county seat. Its economy is primarily based on petrochemicals, manufacturing, gas production/distribution and agribusiness. Beef cattle, wheat, cotton and sorghums are the principal sources of agricultural income. The County is recognized as a leading county for cattle feeding operations. Primary minerals produced in the County include oil, natural gas and helium. The 2010 census for the County was 121,073, an increase of 6.63% from the 2000 census of 113,546.

The City of Amarillo (the "City") is primarily located in the County with the southern portion being located in Randall County. The City serves as the county seat for the County and is the principal commercial, banking, medical, and distribution center of the Texas Panhandle, which embraces over 25,000 square miles in its 26 county area within the state, and large regions of surrounding states. The City is the headquarters for an immense ranch and cattle feed lot area, in addition to being the site of the world's largest livestock auction. Major manufacturers produce beef, explosives, wood products, and fiberglass products. According to the United States Census Bureau, the 2010 census for the City was 190,695, an increase of 9.83% over the 2000 census of 173,627.

Map of Texas Counties showing location of Potter County



Population Trends

Year	Potter County	City of Amarillo
Current Estimate	120,458	199,826
2010 Census	121,073	190,695
2000 Census	113,546	173,627
1990 Census	97,874	157,615
1980 Census	98,637	149,230

Sources: U.S. Census Bureau and the Issuer

Major Employers in the County

Employer	Type of Business	Estimated Number of Employees 2018
Amarillo Independent School District	Public School Education	4,391
CNS - Pantex	Federal Government	3,203
Baptist St. Anthony's Heath Care System	Healthcare Services	3,200
Tyson Foods	Food Processors	2,280
Northwest Texas Healthcare System	Healthcare Services	1,860
City of Amarillo	Municipal Government	1,748
Affiliated Foods	Grocery distributors	1,400
Walmart Supercenter	Retailer	1,359
Texas Department. of Criminal Justice	Correctional Facility	1,303
Bell Helicopter Textron, Inc.	Osprey Production	1,000

Source: The Issuer

Labor Force Statistics

	Potter County		City of Amarillo		Amarillo MSA	
	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017
Civilian Labor Force	57,293	56,197	103,013	101,025	134,047	131,511
Total Employed	55,726	54,694	100,390	98,563	130,568	128,247
Total Unemployed	1,567	1,503	2,623	2,462	3,479	3,264
% Unemployed	2.7%	2.7%	2.5%	2.4%	2.6%	2.5%
% Unemployed (Texas)	3.6%	3.7%	3.6%	3.7%	3.6%	3.7%
% Unemployed (United States)	3.7%	3.9%	3.7%	3.9%	3.7%	3.9%

Source: Texas Workforce Commission, Labor Market Information Department.

Education

The Amarillo Independent School District (the "District") serves as the primary school district in the County. The District has one 55 schools, 1 area center for advanced learning and 1 alternate learning campus. Also, the Amarillo area center for learning is utilized as a high school magnet facility and the North Heights alternative center is a highly successful remediation program for students with mainstream adjustments. Other districts in the County include: River Road Independent School, which has one elementary, one middle, and one high school; Highland Park Independent School District, which has a facility that serves elementary, junior high, and high school students located within the city limits; and Bushland Independent School District, which has three facilities which serve grades K through 12.

Several institutions of higher learning are located in or near the City. Institutions located in the City include Amarillo Junior College (five campuses), Amarillo Technical Center, Wayland Baptist University, Texas Tech University Health Sciences Center School of Medicine and School of Allied Health and School of Pharmacy, Texas Tech University Engineering Program, and the Texas A&M Research and Extension Center. West Texas A&M University is located approximately 25 miles south in the City of Canyon.

Recreation, Cultural, And Tourism Activities

Recreational facilities in the City are provided by 71 city parks and recreational areas totaling 2,906 acres, of which 2,083 acres are developed for public use. These facilities include swimming pools, a rifle range, softball fields, a zoo, tennis courts, and golf courses. For boating, camping and water sport activities, there are several area lakes which include Lake Meredith, Lake Greenbelt, Lake Conchas, Lake McClellan, and Lake Ute.

In addition to Amarillo's park system, privately-owned recreational facilities such as the Maverick Club, YMCA, numerous health clubs, the Amarillo, Tascosa and La Paloma country clubs also provide community services. Municipal golf courses include Ross Rogers and Comanche Trail.

Because of the numerous attractions in an around Amarillo, tourism is a major industry. Some of the more prominent tourist attractions are Palo Duro Canyon, along with its musical production "Texas" in the Pioneer Amphitheater located in the canyon, the Panhandle-Plains Historical Museum, which is the largest and oldest public museum in the state of Texas, the Don Harrington Discovery Center, Amarillo Art Center, Amarillo Little Theatre, Amarillo Symphony, the Lone Star Ballet and the American Quarterhorse Heritage Center and Museum. Also, annual events such as rodeos, marathons, car races, and sporting events bring numerous visitors to Amarillo each year. Tourism and convention activity in Amarillo contributes over $877 million to the Amarillo economy annually.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

(this page intentionally left blank)

[Closing Date]

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

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

IN REGARD to the authorization and issuance of the "Potter County, Texas, Certificates of Obligation, Series 2019," dated April 1, 2019, in the principal amount of $50,375,000 (the "Certificates"), we have examined into their issuance by Potter County, Texas (the "County"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the County, the disclosure of any financial or statistical information or data pertaining to the County and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Certificates mature on August 1 in each of the years specified in the order adopted by the Commissioners Court of the County authorizing the issuance of the Certificates (the "Order"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Order.

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

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

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

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the County with the provisions of the Order relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof.

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

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

APPENDIX D

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

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

(this page intentionally left blank)

POTTER COUNTY, TEXAS

Comprehensive Annual Financial Report

For the Year Ended
September 30, 2017

Prepared by: Office of County Auditor
Kerry Hood
County Auditor

POTTER COUNTY, TEXAS
Comprehensive Annual Financial Report
Year Ended September 30, 2017

Table of Contents

POTTER COUNTY, TEXAS
Comprehensive Annual Financial Report
Year Ended September 30, 2017

Table of Contents

POTTER COUNTY, TEXAS
Comprehensive Annual Financial Report
Year Ended September 30, 2017

Table of Contents

INTRODUCTORY SECTION

County of Potter

State of Texas

900 S. Polk, Suite 716
Amarillo, Texas 79101-3412

Kerry Hood
County Auditor
aukeh@co.potter.tx.us

806-349-4800
Fax: 806-349-4808

April 26, 2018

Honorable District Judges of Potter County
Honorable Members of the Potter County Commissioners' Court
Citizens of Potter County and the Financial Community:

The Comprehensive Annual Financial Report of Potter County, Texas (the County) for the year ended September 30, 2017 is submitted herewith. This report is submitted in accordance with Section 114.025 of the Local Government Code.

This report consists of management's representations concerning the finances of Potter County, Texas. Management assumes full responsibility for both the accuracy of the data and the completeness and fairness of this report, including all disclosures. To provide a reasonable basis of making these representations, Potter County management has established a comprehensive internal control framework designed both to protect governmental assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements. The internal accounting controls are designed to provide reasonable, but not absolute assurance regarding the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with existing law and regulations. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

These financial statements and supplemental financial information have been audited by Eide Bailly, LLP, a firm of licensed certified public accountants engaged by the Potter County Commissioners' Court. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2017, are free of material misstatement. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended September 30, 2017 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Potter County was part of the broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Other Supplemental Information sections of the financial report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. Potter County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Potter County, created in 1876 from Bexar District, was organized in 1887 and named for a Republic of Texas leader, Robert Potter. The County's population experienced a slight growth and is currently estimated to be 120,436. This is a decrease of .83% over the 2010 census of 121,448 and an increase of 23.05% over the 1990 census of 97,874. The County consists of approximately 591,577 acres of mostly level plain, broken by the Canadian River and its tributaries.

Potter County, operating as specified under the Constitution and statutes, is governed by a Commissioners' Court, which consists of the County Judge and four Commissioners, one from each of the four geographical precincts and elected for staggered four year terms. Commissioners' Court duties include setting the County Ad Valorem tax rate, approval of the budget, calling certain elections, approval and awarding contracts, issuance of bonds, and appointing or participating in the appointment of certain county officials and boards.

The County, as a political subdivision of the State of Texas provides only those services allowed, or implied, by the State Constitution or statutes. These services include, but are not limited to, judicial, law enforcement, detention facilities, juvenile services, health and human services, county roads and recording functions of Potter County.

The annual budget serves as the foundation of Potter County's financial planning and control. All departments of the County are required to submit requests for appropriation to the County Judge, who serves as the Budget Officer. The County Judge uses these requests as the starting point for developing a proposed budget, with revenue estimates provided by the County Auditor. The appropriated budget is adopted by fund, then by department, then by the categories of salaries and benefits, travel, contract services, general operations, prisoner care, equipment/vehicle maintenance, building repairs/maintenance, special expense, juvenile services and other. The County's budgetary system is fully integrated with the accounting and financial system to allow for the matching of budget appropriations with actual expenditures, obligations, and encumbrances on a daily basis. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

All governmental funds are appropriated annually with the exception of the following funds: District Attorney Crime Victim and Sheriff's Commissary.

Local Economy

Potter County is located in the Texas Panhandle with the City of Amarillo as the county seat. Due to its strategic location, the County, along with Randall County to the south, has become a trade center for a five-state area. The County is traversed from east and west by four-lane Interstate 40 and from north and south by four-lane Interstate 27, U.S. Highway 287 and State Highway 136. Railroads and an international airport serve the County along with bus lines and other motor-freight carriers.

Although Potter County's economy has greatly diversified, historically, major industries in the Amarillo area include grains, cattle, beef processing, natural gas, oil, helium and other petroleum by-products, refining operations and nuclear weapons processing. A significant portion of its economy is still based upon this important economic activity. In addition to these industries, today, our economy also includes food processing, defense industry, manufacturing, distribution, traffic and transportation, general retail, banking, criminal justice, medical facilities and higher education.

Long-term Financial Planning and Relevant Financial Policies

As a sound financial management practice, members of the Commissioners' Court emphasize maintaining a sufficient unrestricted fund balance level to meet first quarter obligations, thus assisting in maintaining financial stability and retaining or enhancing the County's bond ratings. Potter County has achieved this goal since fiscal year 2004. At that time, the court evaluated the county's physical and financial condition and chose to begin an annual transfer of funds to capital project funds to reduce the amount that will need to be borrowed to finance future construction. The current Commissioners' Court has also made every effort to keep tax rate increases to a minimum. The rate increased from $0.66402 for 2016 to $0.67 for 2017.

Major Initiatives

Some of the major initiatives in fiscal year 2018 include the completion of new Sheriff facilities for the administrative, enforcement and fleet maintenance divisions of the department. A communication system for emergency responders for Potter County and the City of Amarillo is in the implementation phase and will be completed in 2018. The voters approved a County Assistance District for the unincorporated areas of the county providing a 2% sales tax to assist with firefighting and fire prevention services, along with all other lawful and permissible functions. The 2018 budget includes funding for 5 new corrections officers, 2 medical officers, 2 road technicians and 1 building maintenance technician along with funds to purchase a fire truck.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Potter County for its comprehensive annual financial report for the fiscal year ended September 30, 2016. This was the twenty-third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not be possible without the efficient and dedicated services of the entire staff of the County Auditor's Office and the professional services provided by our independent auditors, Davis Kinard & Co, PC. I sincerely appreciate the loyalty and dedication of my staff for their extra efforts to produce timely and accurate records for Potter County. Credit also must be given to the District Judges, the Commissioners' Court and all the elected officials and department heads for their interest and support in planning and conducting the financial operations of Potter County in a responsible manner.

Respectfully submitted,

Kerry Hood

Kerry Hood
Potter County Auditor

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Potter County

Texas

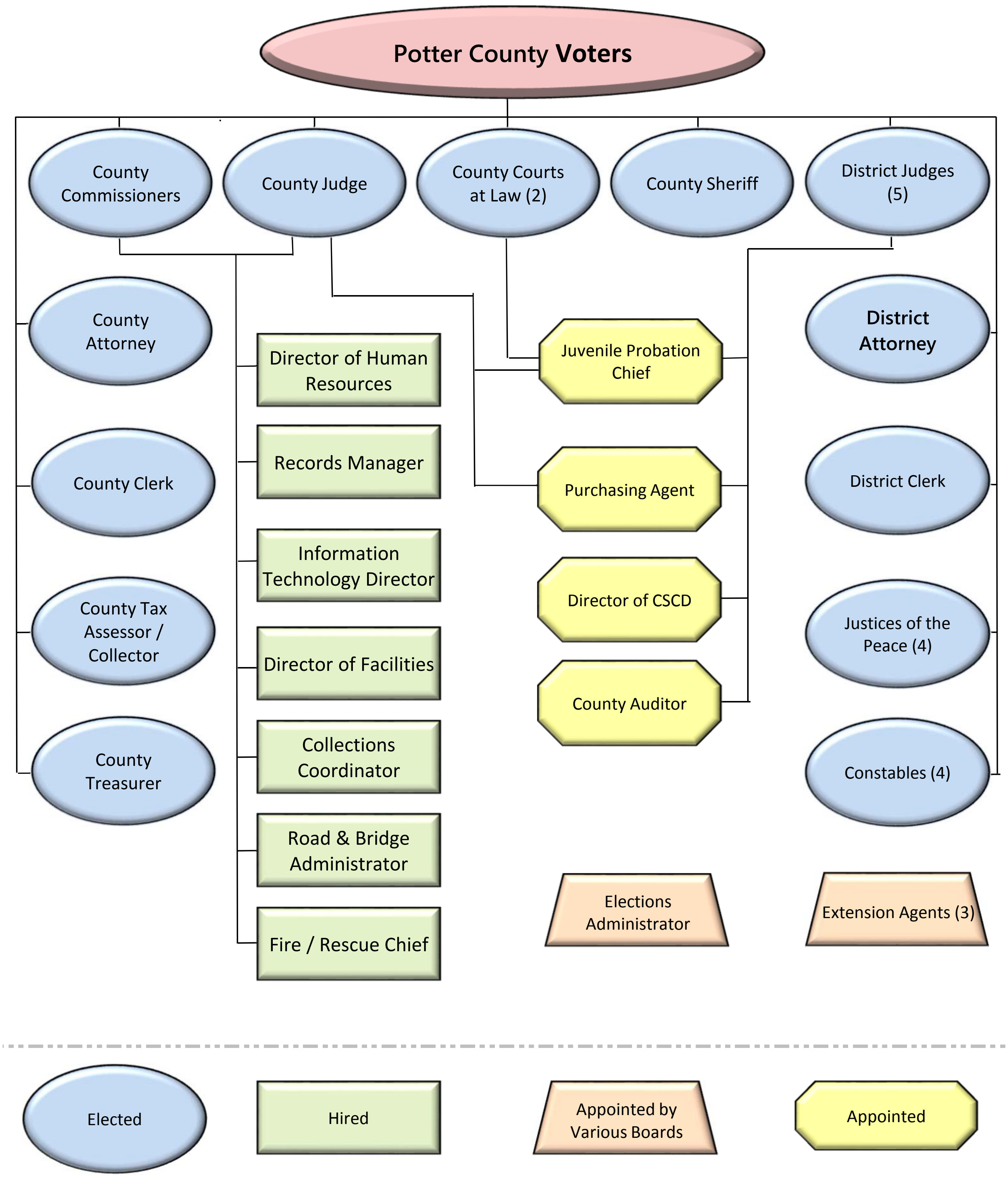
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO

Potter County, Texas
Organization Chart



Potter County, Texas
County Officials

Nancy Tanner	County Judge
H. R. Kelly	Commissioner, Precinct #1
Mercy Murguia	Commissioner, Precinct #2
Leon Church	Commissioner, Precinct #3
Alphonso Vaughn	Commissioner, Precinct #4
Dan Schaap	Judge, 47th District Court
Douglas Woodburn	Judge, 108th District Court
John Board	Judge, 181st District Court
Ana Estevez	Judge, 251st District Court
Don R. Emerson	Judge, 320th District Court
Randall Sims	District Attorney
Caroline Woodburn	District Clerk
W. F. "Corky" Roberts	Judge, County Court at Law #1
Pamela Sirmon	Judge, County Court at Law #2
C. Scott Brumley	County Attorney
Julie Smith	County Clerk
Sherri Aylor	Tax Assessor/Collector
Leann Jennings	County Treasurer
Brian Thomas	County Sheriff
Debra Horn	Justice of the Peace, Precinct #1
Richard Herman	Justice of the Peace, Precinct #2
Gary Jackson	Justice of the Peace, Precinct #3
Thomas Jones	Justice of the Peace, Precinct #4
Darryl Wertz	Constable, Precinct #1
Georgia Estrada	Constable, Precinct #2
Mike Duval	Constable, Precinct #3
Idella Jackson	Constable, Precinct #4
Vickie Shelton	Purchasing Agent
Kerry Hood	County Auditor

FINANCIAL SECTION

CPAs & BUSINESS ADVISORS

REPORT OF INDEPENDENT AUDITORS

To the Honorable Judge and
Members of the Commissioners Court
Potter County, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

What inspires you, inspires us. | eidebailly.com

400 Pine St., Ste. 600 | Abilene, TX 79601-5190 | T 325.672.4000 | TF 800.588.2525 | F 325.672.7049 | EOE

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the General Fund Budgetary Comparison Schedule, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and the Schedule of Funding Progress (Other Postretirement Benefits) on pages 4 through 11 and 47 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements (including the budgetary comparison schedules for nonmajor funds) and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State of Texas Single Audit Circular*, and is also not a required part of the basic financial statements.

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Eide Bailly LLP

Abilene, Texas
April 26, 2018

Management's Discussion and Analysis

As management of Potter County, we offer readers of Potter County's financial statements this narrative overview and analysis of the financial activities of Potter County for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iii of this report.

Financial Highlights

- The assets and deferred outflows of resources of Potter County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $91,644,570 (*net position*). Of this amount, $20,179,553 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

- Potter County's total net position decreased $71,733. Charges for services decreased $1,058,424, operating grants decreased $786,290 and property taxes increased $1,705,958. Public safety and corrections/rehabilitation expenditures decreased and increased $711,066 and $677,945 respectively and road and bridge expenditures decreased by $39,528.

- At the close of the current fiscal year, Potter County's governmental funds reported combined fund balances of $47,057,212, a decrease of $6,126,186 in comparison with the prior year. Approximately 38% of the fund balance ($17,974,962) is available for spending at the government's discretion *(unassigned fund balance).*

- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned,* and *unassigned* components of *fund balance*) for the general fund was $21,705,088 or approximately 43% of total general fund expenditures.

- Potter County's total outstanding long-term debt increased by $3,756,646 during the current fiscal year. The increase is due to issuing tax notes in the amount of $5,625,000 to construct an emergency radio system for the County and professional services rendered in relation to such project.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to Potter County's basic financial statements. Potter County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Potter County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of Potter County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Potter County is improving or deteriorating.

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

Both of the government-wide financial statements report functions of Potter County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) The governmental activities of Potter County include general government, judicial, public safety and correctional, health and human services, roads and bridges, and facilities.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Potter County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Potter County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Proprietary Funds. Potter County maintains only one proprietary fund. An *internal service fund* is an accounting device used to accumulate and allocate costs internally among Potter County's various functions. Potter County uses an internal service fund to account for the management of its self-insured fund for employee health benefits.

The proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support Potter County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Potter County maintains one type of fiduciary funds. The *Agency funds* report resources held by Potter County in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statements can be found on page 21 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-46 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 47-100 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Potter County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $91,644,570 at the close of the most recent fiscal year.

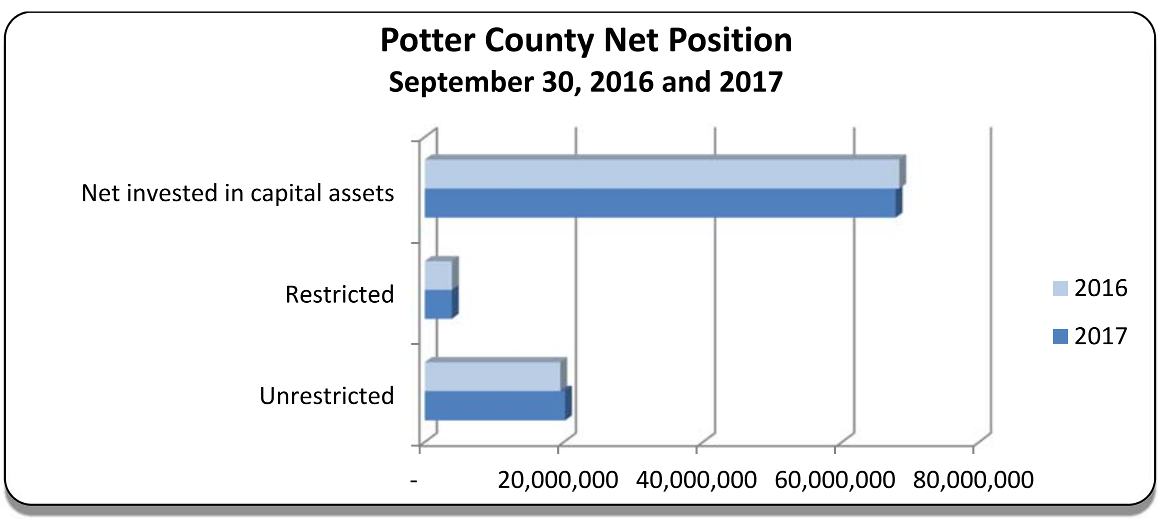
Potter County's Net Position

	Governmental Activities	
	2017	2016
Current and other assets	$ 52,910,750	$ 58,663,123
Capital assets	83,369,222	73,681,454
Total assets	$ 139,279,972	$ 132,344,577
Deferred Outflows-Pension	$ 12,921,455	$ 15,142,753
Long-term liabilities outstanding	$ 31,949,751	$ 28,305,688
Net Pension Liability	22,886,003	22,773,420
Other liabilities	3,578,667	3,167,275
Total liabilities	$ 58,414,421	$54,246,383
Deferred Inflows-Pension	$ 2,142,436	$ 1,524,644
Net position:		
Net investment in capital assets	$67,558,894	$68,306,983
Restricted	3,906,123	3,915,418
Unrestricted	20,179,553	19,493,902
Total net position	$ 91,644,570	$ 91,716,303

By far, the largest portion of Potter County's net position (74%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. Potter County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although Potter County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Potter County's net position (4.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $20,179,553 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, Potter County is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

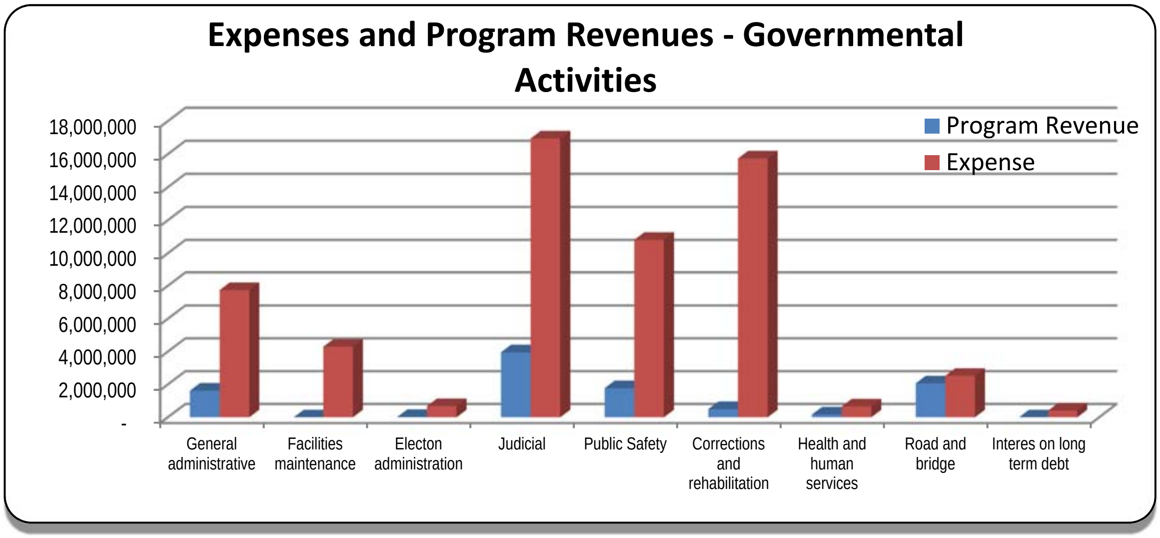


- **Governmental Activities**. During the current fiscal year, net position for governmental activities decreased $71,733 from the prior fiscal year for an ending balance of $91,644,570. Charges for services decreased $1,058,424, operating grants decreased $786,290 and property taxes increased $1,705,958. Overall expenses increased to provide a 1% cost of living adjustment to all employees as well as an increase of 10.5% on employer premiums for medical insurance. Public safety and corrections/rehabilitation expenses decreased and increased $711,066 and $677,945 respectively and road and bridge expenses decreased by $39,528.

Potter County's Changes in Net Position

	Governmental activities	
	2017	**2016**
Charges for services	$ 7,827,093	$ 8,885,517
Operating grants and contributions	2,307,331	3,093,621
Capital grants and contributions	62,480	231,116
Property taxes	48,246,725	46,540,767
Other taxes	867,941	847,226
Other	652.937	282,658
Total revenues	$59,964,507	$59,880,905
General administrative	7,884,841	7,264,224
Facilities maintenance	4,298,440	4,579,935
Election administration	684,434	485,788
Judicial	16,951,402	15,209,074
Public safety	10,816,396	11,527,462
Corrections and rehabilitation	15,739,324	15,061,379
Health and human services	660,817	636,165
Road and bridge	2,530,923	2,570,451
Interest on long term debt	469,663	569,840
Total expenses	$ 60,036,240	$ 57,904,318
(Decrease) increase in net position	(71,733)	1,976,587
Net position – beginning (restated)	91,716,303	89,739,716
Net position – ending	$ 91,644,570	$ 91,716,303

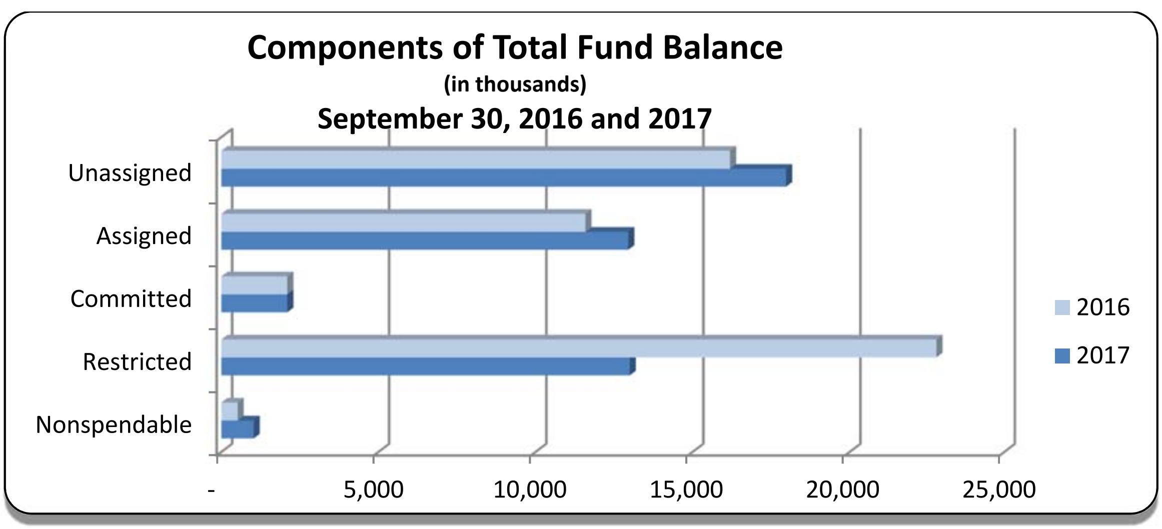
Financial Analysis of Governmental Funds



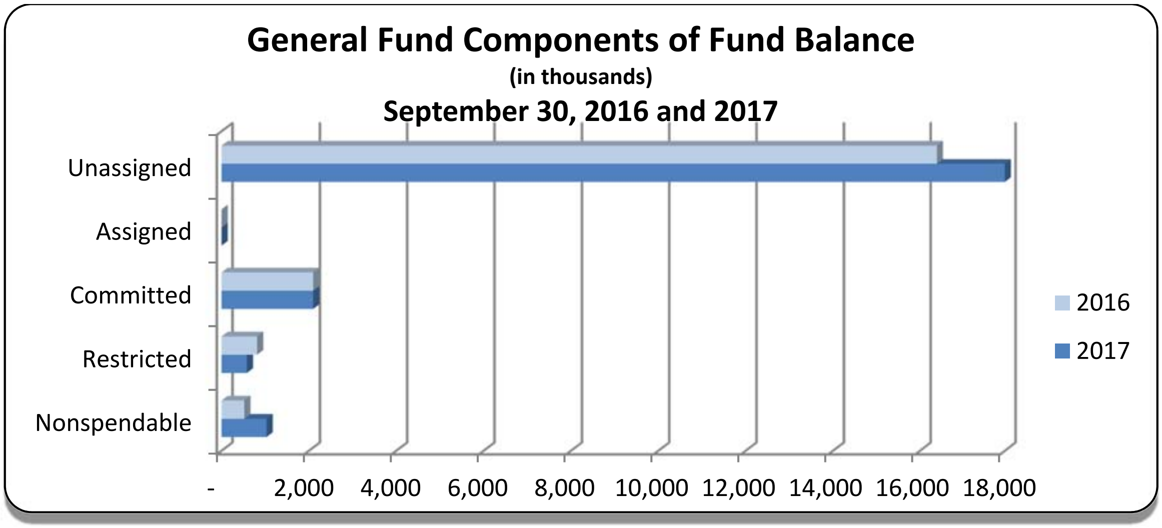
As noted earlier, Potter County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

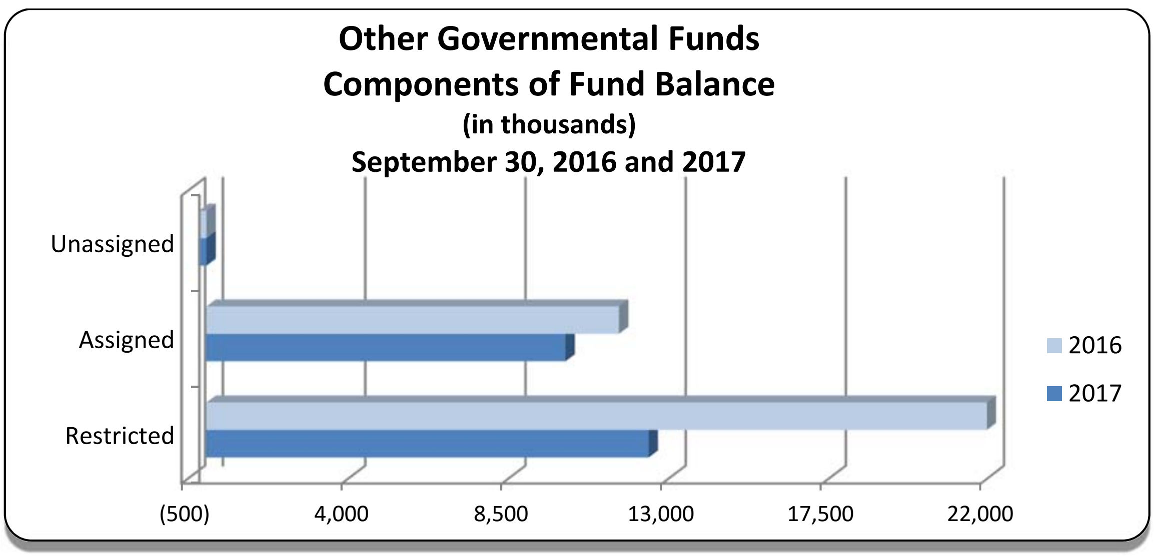
Governmental Funds. The focus of Potter County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Potter County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, Potter County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by Potter County's Commissioners' Court.

At September 30, 2017, Potter County's governmental funds reported combined fund balances of $47,057,212, a decrease of $6,126,186 in comparison with the prior year. Approximately 38% of this amount ($17,974,962) constitutes *unassigned fund balance,* which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form ($1,030,202), 2) restricted for particular purposes ($13,000,447), 3) committed for particular purposes ($2,098,100), or 4) assigned for particular purposes ($12,953,501).



The general fund is the chief operating fund of Potter County. At the end of the current fiscal year, unassigned fund balance of the general fund was $17,999,060, while total fund balance increased to $21,705,088. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 35.4% of total general fund expenditures, while total fund balance represents approximately 42.7% of that same amount.





Potter County's fund balance of the general fund increased by $1,876,391 during the fiscal year.

The Sheriff Admin Construction fund, a major governmental fund, was established to account for proceeds from the 2016 sale of certificates of obligation issued to construct new facilities for the administration, law enforcement and fleet maintenance divisions of the Sheriff's office. The $21,470,000 debt issue provided for expenditures of $9.96M during the fiscal year leaving a fund balance of $9,757,295. Another major governmental fund is the Capital Projects fund. This fund accounts for $5,625,000 issued in tax notes to fund a radio communications system in a joint effort with the City of Amarillo. The current year expenditures of $5,514,458 provided $3,510,000 towards the radio communication system, $808,800 towards case management software for our County and District Clerk's offices, $310,000 for voting equipment (with an additional $450,000 from the Election Fund), and $405,275 for the remodeling of Fire Station #5 on Willow Creek.

Proprietary Funds. Potter County's proprietary fund for employee health insurance provides the same type of information found in the government-wide financial statements, but in more detail.

Restricted net position of the fund at the end of the year was $757,484. The decrease in net position was $448,164.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, significant amendments to increase the original budgeted revenue resulted from insurance recoveries ($986,093) unanticipated grant proceeds ($245,037), and reinstated State funding for law enforcement education ($16,909). Corresponding appropriations were added to the budget along with carryover for encumbrances from the prior year ($146,031) and budgeting for records preservation expenditures from restricted fund balance ($100,000). Generally, the movement of the appropriations between departments was not significant.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

Estimated Revenue source	Budgeted revenues	Actual revenues	Difference
Taxes	$ 46,252,451	$ 45,951,871	$ (300,580)
Rents and recoveries	714,264	1,174,942	460,678
Investment Earnings	150,000	347,401	197,401

Although total tax collections were slightly lower than anticipated, the overall current collection rate remains strong at 98.77%, the same as the prior fiscal year. Rents and recoveries exceeded budget due to multiple insurance reimbursements for fire damage to buildings and repairs and replacements of equipment due to accidents. The investment earnings were higher than anticipated due to the rising interest rates.

A review of actual expenditures compared to the appropriations in the final budget yields significant variances in the following categories: salaries and fringe benefits are below budget by $1,788,331 as a result of employee turnover, services in the judicial section (capital cases and visiting judges) were $586,720 under budget, county-wide general operating expenditures were expensed $438,640 less than budget, and building operation costs had a remaining budget of $362,955.

Capital Assets and Debt Administration

Capital assets. Potter County's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to $86,369,222 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, roads, and bridges. The total increase in capital assets for the current fiscal year was approximately 14.9%.

Potter County's Capital Assets (net of depreciation)

	Governmental activities	
	2017	**2016**
Land	$ 5,050,536	$ 5,050,536
Buildings and improvements	50,276,151	48,326,602
Streets and bridges	9,336,624	9,536,678
Furniture and equipment	7,913,510	6,256,465
Construction in progress	13,792,401	4,511,173
Total	$86,369,222	$73,681,454

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

- Fire Station #5 remodeling had construction services of $405,275
- Construction continued on the Law Enforcement Complex ($9,958,614).
- New software was implemented for the County and District Clerks ($808,800)

- New voting equipment was purchased ($760,000).

Additional information on Potter County's capital assets can be found in Note 5 on pages 32-33 of this report.

Long-term Debt. Potter County issued 7 year tax notes in the amount of $5,625,000 for the purchase and implementation of a radio communication system. This issue, added to the $24,445,000 outstanding from the 2012 General Obligation Refunding Bonds and 2016 Certificates of Obligation, gives Potter County a total outstanding bonded debt of $28,170,000 at the end of fiscal year 2017. This amount is paid from ad valorem taxes.

Potter County's Outstanding Debt

	Governmental activities	
	2017	**2016**
2012 Advanced General Obligation Refunding Bonds	$ 1,075,000	$2,975,000
2016 Certificates of Obligation	$21,470,000	$21,470,000
2017 Tax Notes	$ 5,625,000	-
Total	$28,170,000	$24,445,000

Potter County's total debt increased by $3,725,000 during the current fiscal year. Potter County maintains an "AA" rating from Standard & Poor's and an "Aa2" rating from Moody's Investors Service for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of the assessed valuation of real property. The current debt limitation for Potter County is $337,967,208 which is significantly in excess of Potter County's outstanding general obligation debt.

Additional information on Potter County's long-term debt can be found in Note 8 on pages 34-35 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect Potter County and were considered in developing the 2017-2018 fiscal year budget.

The unemployment rate for Potter County is currently 2.9%, which is a slight decrease from a rate of 3.3% a year ago. Potter County continues to remain below the National average of 4.2% and the State average of 3.9%

Growth in the taxable assessed value used to budget for fiscal year 2018 was $365,837,716 or 5.03% compared to fiscal year 2017.

Interest rates are expected to increase slightly throughout fiscal year 2018.

On the expenditure side, increases are expected in health insurance premiums, as well as pension and other employee benefit costs. Major capital projects anticipated include the implementation of a radio communication system ($5.6M) and completing construction of the Sheriff's administration and enforcement division facility, maintenance garage and storage building ($21.5M). Potter County continues to purchase a catastrophic liability insurance policy to protect itself from unforeseen losses in excess of $1 million.

At the end of the current fiscal year, the unassigned fund balance in the general fund was $17,999,060.

Requests for Information

This financial report is designed to provide a general overview of Potter County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Potter County Auditor's Office, 900 S. Polk, Suite 716, Amarillo, Texas 79101-3412.

BASIC FINANCIAL STATEMENTS

POTTER COUNTY, TEXAS
Statement of Net Position
September 30, 2017

		Governmental Activities
ASSETS:		
Pooled cash and cash equivalents	$	22,606,516
Investments		25,119,604
Receivables (net of allowance for uncollectibles)		
Taxes		893,478
Other		1,159,568
Fines, fees, and court costs		1,004,584
Prepaid expenses		1,030,202
Restricted assets:		
Pooled cash and cash equivalents		543,535
Investments		539,796
Accounts receivable		13,467
Capital assets not being depreciated		18,842,937
Capital assets (net of accumulated depreciation)		67,526,285
Total assets		139,279,972
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension		12,921,455
LIABILITIES:		
Accounts payable and other current liabilities		3,063,824
Unearned revenues		33,181
Accrued interest payable		142,348
Claims payable from restricted assets		339,314
Noncurrent liabilities		
Net other postemployment benefit liability		2,106,418
Due within one year		2,480,522
Due in more than one year		27,362,811
Net pension liability		22,886,003
Total liabilities		58,414,421
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension		2,142,436
NET POSITION:		
Net investment in capital assets		67,558,894
Restricted for:		
Debt service		2,028,346
Insurance claims		757,484
Restricted for drug court programs		75,560
Restricted for preservation and restoration of County records		772,283
Restricted for continuing education of local law enforcement		9,923
Restricted for bail bond board		40,568
Restricted for victim assistance contributions		17,497
Restricted for state criminal alien assistance program		46,917
Restricted for other purposes		157,545
Unrestricted		20,179,553
Total net position	$	91,644,570

The accompanying notes are an integral part of these financial statements.

POTTER COUNTY, TEXAS
Statement of Activities
For the Year Ended September 30, 2017

		Program Revenues		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General administrative	$ 7,884,841	$ 1,518,500	$ 104,913	$ -
Facilities maintenance	4,298,440	-	-	-
Election administration	684,434	704	25,224	-
Judicial	16,951,402	3,255,174	707,558	-
Public safety	10,816,396	726,530	1,048,984	-
Corrections and rehabilitation	15,739,324	255,596	249,610	-
Health and human services	660,817	20,773	152,160	-
Road and bridge	2,530,923	2,049,816	18,882	62,480
Interest on long term debt	469,663	-	-	-
Total governmental activities	60,036,240	7,827,093	2,307,331	62,480
TOTAL PRIMARY GOVERNMENT	$ 60,036,240	$ 7,827,093	$ 2,307,331	$ 62,480

General Revenues:
- Property taxes, levied for general purposes
- Property taxes, levied for debt purposes
- Mixed drink tax
- Vehicle inventory tax
- Bingo tax proceeds
- Unrestricted investment earnings
  - Total general revenues

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

The accompanying notes are an integral part of these financial statements.

	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
	Governmental Activities	Total
$	(6,261,428) $	(6,261,428)
	(4,298,440)	(4,298,440)
	(658,506)	(658,506)
	(12,988,670)	(12,988,670)
	(9,040,882)	(9,040,882)
	(15,234,118)	(15,234,118)
	(487,884)	(487,884)
	(399,745)	(399,745)
	(469,663)	(469,663)
	(49,839,336)	(49,839,336)
	(49,839,336)	(49,839,336)
	45,341,155	45,341,155
	2,905,570	2,905,570
	598,081	598,081
	47,609	47,609
	222,251	222,251
	652,937	652,937
	49,767,603	49,767,603
	(71,733)	(71,733)
	91,716,303	91,716,303
$	91,644,570 $	91,644,570

POTTER COUNTY, TEXAS

Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Capital Projects Fund
ASSETS		
Pooled cash and cash equivalents	$ 15,325,859	$ 1,431,878
Investments	6,121,404	8,624,201
Receivables (net of allowances for uncollectibles)		
Taxes	839,535	
Other	994,643	
Fines, fees, and court costs	1,004,584	
Due from other funds	17,869	
Prepaid items	1,030,202	
Total assets	$ 25,334,096	$ 10,056,079
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable and other current liabilities	$ 1,962,444	$ 454,701
Due to other funds	21,483	57,000
Unearned revenues	33,181	
Total liabilities	2,017,108	511,701
Deferred inflows of resources:		
Unavailable revenue - property taxes	744,479	
Unavailable revenue - fines, fees and court costs	867,421	
Total deferred inflows of resources	1,611,900	-
Fund balances:		
Nonspendable fund balances:		
Prepaid items	1,030,202	
Restricted fund balances:		
Restricted for debt service		
Restricted for drug court programs	75,560	
Restricted for preservation and restoration of County records	271,570	
Restricted for continuing education of local law enforcement	9,923	
Restricted for bail bond board	40,568	
Restricted for victim assistance contributions	17,497	
Restricted for state criminal alien assistance program	46,917	
Restricted for capital projects		
Restricted for other purposes	115,691	
Committed fund balances:		
Committed for capital replacement expenditures	2,098,100	
Assigned fund balances:		
Capital project funds assigned for specific purposes		9,544,378
Special revenue funds assigned for specific purposes		
Unassigned fund balance	17,999,060	
Total fund balances	21,705,088	9,544,378
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 25,334,096	$ 10,056,079

The accompanying notes are an integral part of these financial statements.

Sheriff Admin Construction Fund	Other Governmental Funds	Total Governmental Funds
$ 663,007	$ 5,185,772	$ 22,606,516
9,565,981	808,018	25,119,604
	53,943	893,478
	164,925	1,159,568
		1,004,584
	134,963	152,832
		1,030,202
$ 10,228,988	$ 6,347,621	$ 51,966,784
$ 471,693	$ 174,986	$ 3,063,824
	74,349	152,832
		33,181
471,693	249,335	3,249,837
	47,835	792,314
		867,421
-	47,835	1,659,735
		1,030,202
	2,122,859	2,122,859
		75,560
	500,713	772,283
		9,923
		40,568
		17,497
		46,917
9,757,295		9,757,295
	41,854	157,545
		2,098,100
		9,544,378
	3,409,123	3,409,123
	(24,098)	17,974,962
9,757,295	6,050,451	47,057,212
$ 10,228,988	$ 6,347,621	$ 51,966,784

(this page intentionally left blank)

POTTER COUNTY, TEXAS
Reconciliation of the Balance Sheet of Governmental Funds
To The Statement of Net Position
September 30, 2017

Total Fund Balances - Governmental Fund Balance Sheet	$	47,057,212
Amounts reported for governmental activities in the statement of net position (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net position.		86,369,222
The due to/from amounts on the governmental funds balance sheet are eliminated on the statement of net position in the amount of $152,832. This causes no change to the net position.		-
Internal service funds are used by management to account for the self-insurance fund of the government. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect is an increase to net position.		757,484
Certain assets, such as property taxes receivable and imposed fines receivable, are not available to pay for current-period expenditures and, therefore, are deferred inflows in the governmental funds. Unavailable revenue recognized in the government-wide financial statements results in a net increase to net position.		1,659,735
Long-term liabilities, including bonds payable, compensated absences and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the governmental funds. The net effect is a decrease in net position.		(31,949,751)
Payables for bond interest which are not due in the current period are not reported in the funds.		(142,348)
Included in the items related to debt is the recognition of the County's net pension liability in the amount of $22,886,003, a deferred outflow of resources of $12,921,455 and a deferred inflow of resources of $2,142,436. The net effect is a decrease to net position.		(12,106,984)
Net Position of Governmental Activities - Statement of Net Position	$	91,644,570

The accompanying notes are an integral part of these financial statements.

POTTER COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Capital Projects Fund
REVENUES:		
Taxes	$ 45,951,871	$
License and fees	4,211,639	
Intergovernmental	2,017,797	
Fines and forfeitures	1,004,843	
Charges for services	1,174,942	
Investment earnings	347,401	80,098
Miscellaneous	90,587	
Total revenues	54,799,080	80,098
EXPENDITURES:		
Current:		
General administrative	6,506,765	19,500
Facilities maintenance	2,722,393	
Election administration	431,574	
Judicial	14,357,923	
Public safety	9,176,980	
Corrections and rehabilitation	14,363,358	
Health and human services	614,499	
Road and bridge	1,989,732	
Debt service:		
Principal		
Interest and fiscal charges		61,250
Capital outlay	661,365	5,433,708
Total expenditures	50,824,589	5,514,458
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	3,974,491	(5,434,360)
OTHER FINANCING SOURCES (USES)		
Issuance of tax notes		5,625,000
Transfers in	-	1,500,000
Transfers out	(2,098,100)	
Total other financing sources (uses)	(2,098,100)	7,125,000
NET CHANGE IN FUND BALANCES	1,876,391	1,690,640
FUND BALANCES AT BEGINNING OF YEAR	19,828,697	7,853,738
FUND BALANCES AT END OF YEAR	$ 21,705,088	$ 9,544,378

The accompanying notes are an integral part of these financial statements.

Sheriff Admin Construction Fund	Other Governmental Funds	Total Governmental Funds
$	$ 2,902,217	$ 48,854,088
	561,264	4,772,903
	734,037	2,751,834
		1,004,843
	5,436	1,180,378
172,376	41,636	641,511
	632,756	723,343
172,376	4,877,346	59,928,900
	28,128	6,554,393
		2,722,393
	112,632	544,206
	1,338,509	15,696,432
315,524	38,527	9,531,031
	307,399	14,670,757
		614,499
		1,989,732
	1,900,000	1,900,000
	908,327	969,577
9,643,089	748,904	16,487,066
9,958,613	5,382,426	71,680,086
(9,786,237)	(505,080)	(11,751,186)
		5,625,000
	598,100	2,098,100
	-	(2,098,100)
-	598,100	5,625,000
(9,786,237)	93,020	(6,126,186)
19,543,532	5,957,431	53,183,398
$ 9,757,295	$ 6,050,451	$ 47,057,212

POTTER COUNTY, TEXAS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2017

Net Change in Fund Balances - Total Government Funds	$	(6,126,186)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Current year capital outlay of $16,487,066 are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. Non-capital equipment purchases of $424,921 included in capital outlay is not capitalized. The net effect of including capital outlays subject to capitalization is to increase net position.		16,062,145
Assets donated to governmental entities by private parties are not recorded in the governmental fund financial statements, whereas in the government-wide financial statements are recorded as capital contributions.		62,480
Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of recording current year depreciation expense is to decrease net position.		(3,362,865)
The proceeds received from the current year dispositions of capital assets are revenues in the fund financial statements, but are shown as decreases in capital assets in the government-wide financial statements. The net effect of excluding sales proceeds from revenue and recording the current year loss on disposition of capital assets is to decrease net position.		(73,992)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year decrease in revenue recognized in the government-wide financial statements results in a decrease in net position.		(13,949)
Current year long-term debt principal payments on long-term debt are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. This results in an increase in net position.		1,900,000
The net decrease in compensated absences payable is an increase to net position.		295,504
Internal service funds are used by management to charge the costs of self-insurance in individual funds. The change in net position of the internal service funds are included in governmental activities in the statement of activities. This results in a decrease to net position.		(448,164)
Bond premiums are recorded as other financing sources in the fund financial statements but are capitalized and amortized in the government-wide financial statements. This is the current year amortization.		75,380
The net increase in the obligation for other postemployment benefits is a decrease to net position.		(289,947)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. This is a net decrease in accrual.		424,534

POTTER COUNTY, TEXAS
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of revenues. Contributions made after the measurement date caused the change in net position to increase in the amount of $3,218,281. The County's share of the unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's pension expense must be recognized. These cause the change in net position to decrease in the amount of $6,169,954. The net effect is a decrease in net position.		(2,951,673)
Issuance of bonds payable is reported as other financing sources in the fund financial statements but are shown as long-term liabilities in the government-wide financial statements.		(5,625,000)
Change in Net Position of Governmental Activities - Statement of Activities	$	(71,733)

The accompanying notes are an integral part of these financial statements.

POTTER COUNTY, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2017

		Governmental Activities
		Internal Service Fund
ASSETS		
Current assets:		
Restricted assets:		
Pooled cash and cash equivalents	$	543,535
Investments		539,796
Accounts receivable:		
Other		13,467
Total current assets		1,096,798
Total assets		1,096,798
LIABILITIES		
Current liabilities:		
Claims payable from restricted assets		339,314
Total current liabilities		339,314
Total liabilities		339,314
NET POSITION		
Restricted for insurance claims		757,484
Total net position	$	757,484

The accompanying notes are an integral part of these financial statements.

Exhibit A-8

POTTER COUNTY, TEXAS
Statement of Revenues,
Expenses and Changes in Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2017

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Insurance premiums	$ 5,931,421
Charges for services	183,057
Total operating revenues	6,114,478
OPERATING EXPENSES	
Claims	5,181,149
Premiums	602,899
Administrative expenses	788,900
Total operating expenses	6,572,948
OPERATING INCOME	(458,470)
NONOPERATING REVENUES	
Investment earnings	10,306
Total non-operating revenues	10,306
CHANGE IN NET POSITION	(448,164)
NET POSITION AT BEGINNING OF YEAR	1,205,648
NET POSITION AT END OF YEAR	$ 757,484

The accompanying notes are an integral part of these financial statements.

POTTER COUNTY, TEXAS

Exhibit A-9

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from participants	$ 5,922,323
Cash received from recoveries and other	183,057
Cash payments for claims	(5,063,129)
Cash payments for administrative fees	(788,900)
Cash payments for insurance premiums	(602,899)
Net cash used in operating activities	(349,548)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends	10,306
Sale of investments	243,401
Net cash provided by investing activities	253,707
NET DECREASE IN CASH AND CASH EQUIVALENTS	(95,841)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	639,376
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 543,535
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ (458,470)
Net change in:	
Accounts receivable	(11,645)
Due from other funds	2,547
Claims payable	118,020
Total adjustments	108,922
NET CASH USED IN OPERATING ACTIVITIES	$ (349,548)

The accompanying notes are an integral part of these financial statements.

POTTER COUNTY, TEXAS

Exhibit A-10

Statement of Fiduciary Net Position - Fiduciary Funds
September 30, 2017

		Agency Funds
ASSETS		
Pooled cash and cash equivalents	$	6,878,993
Accounts receivable:		
Other		82,816
Total assets	$	6,961,809
LIABILITIES		
Accounts payable and other current liabilities	$	569,180
Due to other governments		3,074,094
Due to trust beneficiaries		3,105,503
Due to other entities		213,032
Total liabilities	$	6,961,809

The accompanying notes are an integral part of these financial statements.

Note 1: Summary of Significant Accounting Policies

The financial statements of Potter County, Texas (the County) included in the accompanying basic financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the County's Basic Financial Statements.

A. Reporting Entity

Potter County, Texas is a public corporation and political subdivision of the State of Texas. The Commissioners' Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general administration, tax and recording (e.g. tax collection), judicial (courts, juries, etc), legal (district attorney, county attorney, etc) public safety (sheriff, jail, etc), transportation, facilities, and public service (e.g. rural fire protection and emergency management).

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, as amended, "The Financial Reporting Entity," include whether:

1. the organization is legally separate (can sue and be sued in its name)
2. the County holds the corporate powers of the organization
3. the County appoints a voting majority of the organization's board
4. the County is able to impose its will on the organization
5. the organization has the potential to impose a financial benefit/burden on the County
6. there is fiscal dependency by the organization on the County
7. the exclusion of the organization would result in misleading or incomplete financial statements

The County also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14, as amended, requires inclusion of such an organization as a component unit when 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units or its constituents; 2) the County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the County.

Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

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

Basis of Presentation

Government-wide financial statements. The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities; however, inter-fund services provided and used are not eliminated in the process of consolidation. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

Note 1: Summary of Significant Accounting Policies (continued)

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements. The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Governmental Fund Types:

The County reports the following major governmental funds:

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

Capital Projects Fund. This fund accounts for financial resources that are restricted, committed or assigned to be used for the acquisition or construction of major capital facilities.

Sheriff Admin Construction Fund. This fund accounts for financial resources to be used to provide funds to construct sheriff administrative, enforcement and maintenance facilities.

In addition, the County reports the following fund types:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Debt Service Funds. These funds are used to account for the accumulation of resources that are legally restricted, committed or assigned to expenditures for the specified purpose of the retirement of long-term debt, including debt principal, interest and related costs.

Note 1: Summary of Significant Accounting Policies (continued)

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

Proprietary Fund Types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the County. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. The internal service fund is used to account for the provision of health insurance to employees of the County. The general fund is contingently liable for liabilities of this fund. Because the principal users of the internal services are the County's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Fiduciary Fund Types:

Agency Funds: These funds are used to report funds of the County's fee offices and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Fees are generated and retained by the fee offices until notification is received to disburse funds to the proper individual or entity. Fees generated include fines, restitution, bail bond deposits, and inmate trust funds.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements.

Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Revenues from local sources consist primarily of property taxes. Property taxes revenue and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the County incurs an expenditure or expenses for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

Note 1: Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Deferred Inflows/Outflows of Revenues, and Net Position or Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available 1) when they become due or past due and receivable within the current period and 2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The County bills and collects its own property taxes and those of the Amarillo College District, the City of Amarillo, Amarillo Independent School District (AISD), River Road Independent School District, Highland Park Independent School District, the Village of Bishop Hills, and Underground Water Conversation District which fall within the boundaries of Potter County. The County is the only entity controlled by the Commissioners' Court; the County acts only as an intermediary in the collection and distribution of property taxes to the other entities.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. 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".

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

In the case of the initial capitalization of general infrastructure assets (i.e., streets and bridges), the County chose to include all such items regardless of their acquisition date or amount. The County was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the County constructs or acquires additional capital assets each year, including infrastructure assets, they are capitalized and reported at historical cost.

Note 1: Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Deferred Inflows and Outflows of Revenues, and Net Position or Equity (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	40 years
Furniture and Fixtures	5 years
General Equipment	5 years
Trucks	15 years
Cars	5 years
Computer Hardware	5 years
Streets	15-25 years
Bridges	50 years

Receivables and Payable Balances

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 and 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 unearned revenue.

The County expects to collect the following amounts net of deferral in one year:

1. Taxes receivable of $893,478
2. Fines receivable of $1,004,584

Compensated Absences

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

1. Leave or compensation is attributable to services already rendered
2. Leave or compensation is not contingent on 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 are expected to be expensed using available financial resources. Compensated absences are accrued as long-term debt in the government-wide statements.

Upon termination from the County employment, an employee shall be entitled to payment for total accrued but unused days of vacation not accumulated beyond two years. Comp time earned, but not taken, is paid at termination, but cannot accumulate beyond 100 hours per eligible employee. Sick leave accrues at one day per month with no maximum limit, but compensation is paid only for an illness-related absence. Unused sick leave is non-vesting and will not be paid on termination, thus vacation and comp time are the only accrued compensation liabilities recorded.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

Assets limited as to use or restricted

Resources are set aside for the terms of bond agreements or self insurance arrangements.

Note 1: Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Deferred Inflows and Outflows of Revenues and Net Position or Equity (continued)

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and Transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide statement of net position.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

Deferred Outflows/Inflows of Resources

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

In addition to assets, the statement of net position will 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 of resources (expense/expenditure) until then. The County has deferred outflows of resources for the difference between projected and actual earnings for its pension plan and contributions made to the pension plan after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will 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 County has deferred inflows of resources for the differences between expected and actual experience related to its pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Unearned Revenue

The County reports unearned revenue when potential revenue is received before it has legally been earned according to revenue recognition principles.

Note 1: Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows and Outflows of Revenues and Net Position or Equity (continued)

Legally adopted budgets

All governmental funds have legally adopted budgets except for the following:

1. District Attorney Crime Victim
2. Sheriff Office Commissary

Pensions

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. 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.

Fair Value Measurements

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the County defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note 1: Summary of Significant Accounting Policies (continued)

Cash Deposits

At September 30, 2017, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $30,029,044 and the bank balance was $27,827,394. The County's cash deposits at September 30, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the County's bank in the County's name.

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Note 2: Deposits and Investments

Investments

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, 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, 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 Public Funds Investment Act (Act) requires an annual audit of investment practices. 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 reports an establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, certificates of deposit, certain municipal securities, money market savings accounts, repurchasing agreements, bankers acceptance, mutual funds, investment pools, guaranteed investment contracts, and common trust funds.

The County's investments at September 30, 2017 are shown below.

Investment or Investment Type	Weighted Average Maturity (Days)	Fair Value	Rating
TexPool	37	$ 4,842,417	AAAm
TexPool Prime	51	5,081,268	AAAm
Texas Class	29	15,735,715	AAAm
Total investments		$ 25,659,400	

Various certificates of deposit were purchased under the Certificate of Deposit Account Registry Service through a commercial banking institution. All certificates of deposit purchased under this program were entirely covered by FDIC insurance.

The County has investments with the following public funds investment pools as of September 30, 2017:

Note 2: Deposits and Investments (continued)

Texas Local Government Investment Pool (TexPool & TexPool Prime) – Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of TexPool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Texas CLASS was created as an investment pool for its participants pursuant to Section 2256 of the Public Funds Investment Act, Texas Government Code. The fund is administered by MBIA Municipal Investors Service Corporation and Wells Fargo Bank Texas, NA is the Custodian.

<u>Analysis of Specific Deposit and Investment Risks</u>
GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end:

A. Interest Rate Risk

In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than 365 days. The maximum allowable stated maturity of any individual investment owned by the County shall not exceed three years.

B. Credit Risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County policy limits investments in public funds investment pools to those rated no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

C. Concentration of Credit Risk

The County's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

D. Investment Accounting Policy

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Note 2: Deposits and Investments (continued)

E. Public Funds Investment Pools:

Public funds investment pools in Texas (the pool) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (Act), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, to maintain a continuous rating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service and to maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The County's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule of 195 2a7 of the Investment Company Act of 1940.

Note 3: Receivables

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental		Proprietary	Fiduciary
	General Fund	Other Governmental Funds	Internal Service	Agency
Receivables				
Taxes	$ 1,820,207	$ 116,955	$	$
Fines, fees, and court costs	34,374,672			
Other	994,643	164,925	13,467	82,816
Total gross receivables	37,189,522	281,880	13,467	82,816
Less: Allowance for uncollectibles				
Taxes	(980,672)	(63,012)		
Fines, fees, and court costs	(33,370,088)			
Net total receivables	$ 2,838,762	$ 218,868	$ 13,467	$ 82,816

Note 4: Commitments Under Noncapitalized Leases

The County leases copiers from Tascosa Office Machines, Inc. for a term of five years beginning April 25, 2015 and ending April 25, 2020. The minimum lease amount is $89,550.

Future minimum rental payments applicable to these operating leases are as follows:

Year Ending September 30,		
2018	$	89,550
2019		89,550
2020		52,238
Total minimum rental	$	231,338
Rental expenditures in 2017	$	128,109

Note 5: Capital Assets

Capital asset activity for the period ended September 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 5,050,536	$ -	$ -	$ 5,050,536
Construction in progress	4,511,173	14,149,118	(4,867,890)	13,792,401
Total capital assets not being depreciated	9,561,709	14,149,118	(4,867,890)	18,842,937
Capital assets being depreciated				
Streets and bridges	35,950,861	62,480	-	36,013,341
Buildings and improvements	77,929,377	3,676,456	-	81,605,833
Furniture and equipment	16,594,920	3,104,461	(490,864)	19,208,517
Total capital assets being depreciated	130,475,158	6,843,397	(490,864)	136,827,691
Less accumulated depreciation for:				
Streets and bridges	(26,414,183)	(262,534)	-	(26,676,717)
Buildings and improvements	(29,602,775)	(1,726,907)	-	(31,329,682)
Furniture and equipment	(10,338,455)	(1,373,424)	416,872	(11,295,007)
Total accumulated depreciation	(66,355,413)	(3,362,865)	416,872	(69,301,406)
Total capital assets being depreciated, net	64,119,745	3,480,532	(73,992)	67,526,285
Governmental activities capital assets, net	$ 73,681,454	$ 17,629,650	$ (4,941,882)	$ 86,369,222

Note 5: Capital Assets (continued)

Depreciation was charged to functions as follows:

General administrative	$ 628,373
Road and bridge	427,899
Facilities maintenance	1,436,354
Judicial	108,313
Public safety	552,352
Correctional	209,574
Total depreciation expense	$ 3,362,865

Note 6: Interfund Balances and Activity

Due to and from Other Funds

In the fund financial statements, interfund balances are the result of normal transactions between funds and will be liquidated in the subsequent fiscal year. Balances due to and due from other funds at September 30, 2017, consisted of the following:

Due to fund	Due from fund	Amount	Purpose
General fund	Nonmajor governmental funds	$ 17,869	Short-term loans
Nonmajor governmental funds	Capital projects fund	57,000	Short-term loans
Nonmajor governmental funds	General fund	21,483	Short-term loans
Nonmajor governmental funds	Nonmajor governmental fund	56,480	Short-term loans
	Total	$ 152,832	

Transfers to and from Other Funds

Transfers to and from other funds at September 30, 2017, consisted of the following:

Transfers from	Transfers to	Amount	Purpose
General fund	Nonmajor governmental funds	$ 2,098,100	Supplemental fund sources
	Total	$ 2,098,100	

The General Fund transferred $1,500,000 to the Capital Projects Fund for architect fees and consultant and to build fund balance to reduce amount necessary to borrow. The General Fund transferred $550,000 to Courthouse Security Fund for operational expenditures. The General Fund also transferred $48,100 to the Auto Burglary and Theft Prevention Authority Grants Fund to provide required cash match for the grant.

Note 7: Risk Management

The County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, errors and omissions and personnel risks which relate to workers compensation. The County carries commercial insurance in order to manage the above listed risks. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Note 8: Long-Term Obligations

The County has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the County.

Bonds

The County issued Certificates of Obligation, Series 2003 to provide funds for the acquisition and construction of major capital facilities.

The County issued General Obligation Refunding bonds, Series 2012 to refund the Certificates of Obligation, Series 2003 in order to restructure the County's debt service and to pay costs related to the issuance of the bonds. The proceeds were used to refund $7,770,000 of the outstanding bonds. The refunding bonds were issued with a premium of $306,365 which is being amortized over the life of the Series 2012 bonds.

The County issued Certificates of Obligation, Series 2016 to provide funds to construct sheriff administrative, enforcement and maintenance facilities. The Certificates were issued with a premium of $405,189, which is being amortized over the life of the Certificates.

The County issued Tax notes, Series 2017 for the purpose of paying contractual obligations to be incurred for the purchase of equipment for an emergency radio system.

Debt service is primarily paid from ad valorem taxes and is recorded in the debt service funds.

The following are general obligation bond issues outstanding at September 30, 2017:

	Interest rates	Date of issue	Date of Maturity	Bonds Outstanding
General obligation, Series 2012 refunding bonds	2.00 - 3.00	2012	2018	$ 1,075,000
Certificates of obligation, Series 2016	1.25 - 3.00	2016	2036	21,470,000
Tax notes, Series 2017	1.91	2017	2024	5,625,000
Total general obligations debt				$ 28,170,000

Annual debt service requirements to maturity for general obligations bonds are as follows:

	Governmental Activities		
Year Ending September 30,	Principal	Interest	Total
2018	$ 2,150,000	$ 722,429	$ 2,872,429
2019	1,775,000	674,224	2,449,224
2020	1,805,000	644,955	2,449,955
2021	1,835,000	609,346	2,444,346
2022	1,870,000	566,023	2,436,023
2023 - 2027	7,120,000	2,183,472	9,303,472
2028 - 2032	6,070,000	1,297,650	7,367,650
2033 - 2036	5,545,000	338,925	5,883,925
Totals	$ 28,170,000	$ 7,037,024	$ 35,207,024

Note 8: Long-Term Obligations (continued)

Compensated Absences

The cost of the County's liability for compensated absences is calculated at the end of the fiscal year based on the employee's pay rate and the accumulated vacation hours earned but not taken. Typically, the General Fund has been used to liquidate the liability for compensated absences.

OPEB Liability

The OPEB liability is estimated using the actuarial methods and assumptions as further described in Note 14. Typically, the General Fund has been used to liquidate the OPEB liability.

Long-Term Obligation Activity

Long-Term Obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended September 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligations bonds	$ 2,975,000	$ -	$ 1,900,000	$ 1,075,000	$ 1,075,000
Certificate of obligation	21,470,000	-	-	21,470,000	900,000
Tax Notes	-	5,625,000	-	5,625,000	175,000
Total bonds payable	24,445,000	5,625,000	1,900,000	28,170,000	2,150,000
Compensated absences	1,571,214	1,254,010	1,549,514	1,275,710	255,142
Net pension liability	22,773,420	112,583	-	22,886,003	-
OPEB liability	1,816,471	382,720	92,773	2,106,418	-
Unamortized bond premium	473,003	-	75,380	397,623	75,380
Total Governmental Activities	$ 51,079,108	$ 7,374,313	$ 3,617,667	$ 54,835,754	$ 2,480,522

Note 9: Pension Plan

Plan Description

Plan Description. The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 738 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or at https://www.tcdrs.org.

Benefits Provided

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 20 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Note 9: Pension Plan (continued)

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 employer 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 deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the County's Board within certain guidelines.

Benefits Provided (continued)

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

Inactive employees or beneficiaries currently receiving benefits	346
Inactive employees entitled to but not yet receiving benefits	258
Active employees	582
	1,186

Contributions

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both 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 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.

	Contribution Rates	
	2016	2017
Member	7.0%	7.0%
Employers	13.79%	14.33%
Employer Contributions		$ 4,074,113
Member Contributions		$ 2,068,086

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	13.0 years
Asset Valuation Method	5 year smoothed market
Discount Rate	8.10%
Long-term expected Investment Rate of Return*	8.10%
Salary Increases*	4.90%, average
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

Note 9: Pension Plan (continued)

Except for the mortality assumptions, the actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2009 - 2012. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2013 and first used in the December 31, 2013 actuarial valuation. The mortality assumptions were developed by Milliman, Inc. and adopted by the TCDRS Board of Trustees in 2015, and first used in the December 31, 2015 actuarial valuation.

There were no changes in assumptions reflected in the December 31, 2016 actuarial valuation, but there were changes in methods.

The asset valuation method for the December 31, 2016 actuarial valuation is to smooth each year's actuarial investment gains and losses. First, to the extent that there is a loss for the year and there are unrecognized gains from previous years, or to the extent that there is a gain for the year and there are unrecognized losses from previous years, the gain or loss for the year shall be used to offset unrecognized gains or losses from previous years in the order of the oldest to most recent. Any remaining gain or loss for the year is recognized over a five-year period. For the prior valuation, there was no offsetting of unrecognized gains and unrecognized losses, and all asset gains and losses for a year were recognized over a five-year period.

There was also a change in how extra plan contributions are treated effective with the December 31, 2016 actuarial valuation. For the current valuation, if extra lump-sum contributions are made to a plan during the year, the extra contributions are used to offset the unfunded actuarial accrued liability increase, if any, related to plan changes elected during the current year. Extra contributions over the required amount due to an elected rate and any remaining lump-sum contribution amounts are then used to pay down existing loss bases, in the order of the oldest to the most recent. For the prior valuation, extra contributions were first used to offset increases to the unfunded actuarial accrued liability, if any, related to plan changes elected during the year. Any remaining extra contributions were then incorporated into the actuarial gains or losses for the current year.

Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 8.1%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our 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 cost-of-living adjustment 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 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. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Note 9: Pension Plan (continued)

Discount Rate (continued)

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7 – 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is based on a 30-year time horizon; the most recent analysis was performed in 2013 based on the period January 1, 2009 – December 31, 2013. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index [3]	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	4.70%
International Equities - Emerging	MSCI World Ex USA (net)	7.00%	5.70%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Lending	Cambridge Associates Distressed Securities Index [4]	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [5]	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

[1] Target asset allocation adopted at the April 2017 TCDRS Board meeting.

[2] Geometric real rates of return in addition to assumed inflation of 2.0%, per Cliffwater's 2017 capital market assumptions.

[3] Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

[4] Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

[5] Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

Note 9: Pension Plan (continued)

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

At September 30, 2017, the County reported a net pension liability of $22,886,003 measured at December 31, 2016. For the year ended September 30, 2017, the District recognized pension expense of $92,410.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Changes in the net pension liability for the year ended December 31, 2016 are as follows:

	Increase (Decrease)		
Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2015	$ 162,652,206	$ 139,878,786	$ 22,773,420
Changes for the year:			
Service Cost	4,352,352	-	4,352,352
Interest on total pension liability (1)	13,037,017	-	13,037,017
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(1,265,495)	-	(1,265,495)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(590,251)	(590,251)	-
Benefit payments	(7,232,419)	(7,232,419)	-
Administrative expense	-	(112,476)	112,476
Member contributions	-	2,068,086	(2,068,086)
Net investment income	-	10,342,613	(10,342,613)
Employer contributions	-	4,074,113	(4,074,113)
Other (3)	-	(361,045)	361,045
Net changes	8,301,204	8,188,621	112,583
Balance at December 31, 2016	$ 170,953,410	$ 148,067,407	$ 22,886,003

(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 the allocation of system-wide items.

Note 9: Pension Plan (continued)

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (7.10%)	Current Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Net pension liability	$ 45,052,994	$ 22,886,003	$ 4,442,303

At December 31, 2016 the County reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	$ 2,142,436	$ -
Changes in actuarial assumptions	-	950,296
Difference between projected and actual investment earnings	-	8,752,878
Contributions subsequent to the measurement date	-	3,218,281
Total	$ 2,142,436	$ 12,921,455

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended September 30:	Pension Expense Amount
2018	$ 2,647,280
2019	2,647,280
2020	2,338,787
2021	(72,609)
	$ 7,560,738

Note 10: Health Care Coverage

The County has established the Health and Life Insurance Fund (an internal service fund) to account for its health and life program. The purpose of this fund is to finance and pay for the uninsured medical claims of the County employees and their covered dependents according to the plan document and minimize the total costs of insurance to the County and its employees. Dependent coverage is funded by charges to employees. The County contributed $763 per month, per employee. The County's liability is limited to $125,000 per covered person per year and an aggregate limit of $5,726,952 per year under the present plan. The County has obtained stop loss insurance through a private insurance carrier for claims in excess of the above coverage. The County's third party administrator processes all the claims and bills the County weekly for processed claims that are within the coverage of the fund. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 10: Health Care Coverage (continued)

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:

For the Year Ended	Beginning Balance	Claims and Changes In Estimates	Claims Payments	Ending Balance
September 30, 2015	$ 438,464	$ 4,037,555	$ (4,246,439)	$ 229,580
September 30, 2016	229,580	4,106,617	(4,114,903)	221,294
September 30, 2017	221,294	5,181,149	(5,063,129)	339,314

100% of claims and judgments are due within one year of September 30, 2017. The risk of loss on the life insurance program is completely carried by the insurance carrier and is included in this fund only for administrative purposes.

Note 11: Contingencies

Contingencies

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Litigation

The County Attorney has indicated that there are various lawsuits filed and pending against the County but in his opinion none will result in a material effect on the County's financial position.

Note 12: Fund Balance

The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable*, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
2. *Restricted* fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action, such as a resolution, of the Commissioners' Court (the County's highest level of decision-making authority).
4. *Assigned* fund balance classification includes amounts intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed.

Note 12: Fund Balance (continued)

5. *Unassigned* fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications. The County's general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Nonspendable Fund Balance

At September 30, 2017, the nonspendable fund balance is composed of the following:

Prepaid items	$ 1,030,202

Restricted Fund Balance

At September 30, 2017, the restricted fund balance is composed of the following:

Debt service	$ 2,122,859
Sheriff Administration	9,757,295
Drug court programs	75,560
Preservation and restoration of County records	772,283
Continuing education of local law enforcement	9,923
Bail bond board	40,568
Victim assistance contributions	17,497
State criminal alien assistance program	46,917
Other purposes	157,545

Committed Fund Balance

The County's committed fund balance is the portion of the fund balance that may only be established and modified by a formal action of the Commissioners' Court. At September 30, 2017, the following amount of fund balance is committed by a formal action of the Commissioners' Court:

Capital replacement expenditures	$ 2,098,100

Assigned Fund Balance

Pursuant to the County's adopted fund balance policy in accordance with GASB 54, the Commissioners' Court has delegated the authority to assign fund balance for specific purposes to the County Auditor and County Judge when it has been determined to be appropriate for fund balance to be assigned. At September 30, 2017, the following amounts of fund balance have been assigned:

Other capital projects	$9,544,378
Court security	29,218
Records management	172,232
Election administration	216,798
Technology	174,509
Forfeiture funds	1,737,842
Sheriff office commissary	575,301
Hot check funds	206,375
Other purposes	296,848

Order of Fund Balance Spending Policy

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: 1) Restricted; 2) Committed; 3) Assigned; and 4) Unassigned.

Note 12: Fund Balance (continued)

Minimum Fund Balance Policy

The County's financial goal is to have a sufficient balance in the operating fund with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The County shall strive to maintain a yearly fund balance in the general operating fund in which the total unassigned fund balance is not less than 25% of the total operating expenditures.

Note 13: Joint Venture

The Amarillo-Potter Events Venue District is a joint venture between Potter County and the City of Amarillo that was established as provided in Chapter 335 of the Texas Local Government Code. The seven member board of directors consists of three directors appointed by the County Judge and four directors appointed by the City Mayor. The amount of control exercised by each government is limited to its representation on the board.

The District operates certain facilities to be used for special events in the area. General operations are funded by user charges and typically require support for major improvements only.

The District has issued bonds under concurrent resolutions by the City Commission of the City of Amarillo and the Commissioners' Court of Potter County. These bonds were issued primarily for the construction of facilities. Debt service is secured by a 2% hotel occupancy tax and a 5% car rental tax. Additional security is provided by the City of Amarillo's pledge of its 7% hotel occupancy tax.

Due to the nature of the joint venture, none of the assets and liabilities have been reported by the County. The District is reported as a component unit by the City of Amarillo.

Note 14: Other Postemployment Benefits

Plan Description

The County provides postretirement benefits for employees who meet certain eligibility requirements through a single employer defined benefit plan. A separate audit report for the benefit plan is not available. For the year ended September 30, 2016, retirement eligibility criteria was the attainment of age 60 and 8 continuous years of service, 20 years of service, regardless of age, or when the sum of their age and years of service equals 75 or more. Retirement benefits include eligibility to continue participation in the County's partially self-funded health insurance plan up to age 65.

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the Commissioners' Court. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the legislature. For fiscal year 2017, the County paid claims of $209,933 for retirees receiving medical benefits under the plan. The County does not make a premium contribution for retirees, as the retirees are only eligible to continue participation in the plan, but must contribute 100% of the plan premium. Plan members receiving benefits contributed $180,022 through their required contribution of $833 per month for retiree-only coverage and $1,027 for retiree and spouse coverage.

Note 14: Other Postemployment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	$	435,758
Interest on net OPEB obligation		72,659
Adjustment to annual required contribution		(125,697)
Annual OPEB cost (expense)		382,720
Contributions made		(92,773)
Increase in net OPEB obligation		289,947
Net OPEB obligation - beginning of year		1,816,471
Net OPEB obligation - end of year	$	2,106,418

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

For the Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
September 30, 2015	$	383,530	20.8	%	1,561,611
September 30, 2016		375,760	32.2		1,816,471
September 30, 2017		382,720	24.2		2,106,418

Funded Status and Funding Progress

The funded status of the plan, under GASB Statement No. 45 as of October 1, 2016 (most recent actuarial valuation) is as follows:

Actuarial Valuation Date as of October 1		Actuarial Value of Assets (a)		Actuarial Accrued Liability (AAL) (b)		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)		Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
2014	$	-	$	3,522,945	$	3,522,945	0.0%	$	28,296,592	12.5%
2015		-		3,522,945		3,522,945	0.0%		28,706,709	12.3%
2016		-		3,645,734		3,645,734	0.0%		29,544,082	12.3%

Note 14: Other Postemployment Benefits (continued)

Funded Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2016 actuarial valuation, the most recent actuarial valuation date, the following significant methods and assumptions were used:

Actuarial cost method	Entry age normal actuarial cost method
Amortization method	Level dollar, closed
Amortization period	22 years
Asset valuation method	N/A
Discount rate for valuing liabilities	4.0 %
Projected salary increases	N/A
Inflation rate	2.3 %
Health care cost trend rate	7.4 %
Ultimate health care cost trend rate	4.1 %
Year ultimate health care cost trend rate reached	2073

The projected future benefit payments are as follows:

Year Ended September 30,		Payments
2018	$	134,848
2019		152,890
2020		171,008
2021		161,044
2022		190,353
2023 to 2027		1,139,900
2028 to 2032		1,486,724
2033 to 2037		1,644,897
2038 to 2040		1,066,505

Note 15: Unearned Revenues and Deferred Inflows of Resources

Unearned revenues reported on the Balance Sheet-Governmental Funds consisted of the following at year-end:

Description	Fund	Deferred Amount
County Attorney Seizures	General	$ 33,181

Deferred inflows of resources reported on the Balance Sheet-Governmental Funds consisted of the following at year-end:

Description	Fund	Deferred Amount
Property taxes	General	$ 744,479
Property taxes	Series 2012 Refunding Bond	31,918
Property taxes	Series 2016 Certificate of obligation	15,917
Fines, fees and court costs	General	867,421
		$ 1,659,735

Note 16: Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017.

The County will fully analyze the impact of this new Statement prior to the effective dates for the Statement listed above.

REQUIRED SUPPLEMENTARY INFORMATION

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

(this page intentionally left blank)

POTTER COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2017

	2017			
	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Taxes	$ 46,252,451	$ 46,252,451	$ 45,951,871	$ (300,580)
License and fees	4,385,700	4,385,700	4,211,639	(174,061)
Intergovernmental	1,949,590	2,050,425	2,017,797	(32,628)
Fines and forfeitures	1,186,300	1,186,300	1,004,843	(181,457)
Rents and recoveries	531,400	714,264	1,174,942	460,678
Investment earnings	150,000	150,000	347,401	197,401
Miscellaneous	51,500	72,055	90,587	18,532
Total revenues	54,506,941	54,811,195	54,799,080	(12,115)
EXPENDITURES				
General administrative				
Current:				
County judge				
Salaries and fringe benefits	228,447	228,447	227,135	1,312
Travel	2,000	2,000	770	1,230
Contract services	1,000	1,000	-	-
General operations	3,800	3,800	3,519	281
Equipment/vehicle maintenance	800	800	625	175
	236,047	236,047	232,049	3,998
County commissioners				
Salaries and fringe benefits	227,192	227,192	206,853	20,339
Travel	12,000	12,000	4,498	7,502
General operations	4,700	4,700	3,664	1,036
	243,892	243,892	215,015	28,877
Human resources				
Salaries and fringe benefits	259,582	259,582	257,661	1,921
Travel	3,000	3,000	0	3,000
Contract services	-	2,163	592	1,571
General operations	4,630	4,630	2,726	1,904
Equipment/vehicle maintenance	3,500	3,500	3,287	213
	270,712	272,875	264,266	8,609
Information technology				
Salaries and fringe benefits	777,061	777,061	699,827	77,234
Travel	20,000	20,000	16,238	3,762
Contract services	620,471	204,836	193,419	11,417
General operations	303,847	309,415	282,316	27,099
Equipment/vehicle maintenance	1,360	1,360	1,157	203
	1,722,739	1,312,672	1,192,957	119,715

POTTER COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule - continued
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget
Information and records management				
Salaries and fringe benefits	$ 477,831	$ 477,831	$ 473,988	$ 3,843
Travel and uniforms	4,048	4,048	2,505	1,543
Contract services	6,000	6,000	2,938	3,062
General operations	29,325	29,325	16,067	13,258
Equipment/vehicle maintenance	2,000	2,000	528	1,472
	519,204	519,204	496,026	23,178
General administrative				
Salaries and fringe benefits	30,000	30,000	2,328	27,672
Contract services	535,000	535,000	516,874	18,126
General operations	33,000	33,000	26,255	6,745
Equipment/vehicle maintenance	115,000	72,025	28,067	43,958
Miscellaneous	1,188,565	941,285	834,400	106,885
	1,901,565	1,611,310	1,407,924	203,386
County auditor				
Salaries and fringe benefits	525,378	525,378	509,947	15,431
Travel	10,000	10,000	3,153	6,847
Contract services	61,000	116,056	102,425	13,631
General operations	8,300	7,875	5,068	2,807
Equipment/vehicle maintenance	1,200	1,625	1,621	4
	605,878	660,934	622,214	38,720
County treasurer				
Salaries and fringe benefits	218,658	218,658	217,618	1,040
Travel	5,000	5,000	4,754	246
General operations	11,250	11,250	5,241	6,009
Equipment/vehicle maintenance	1,000	1,000	546	454
	235,908	235,908	228,159	7,749
Purchasing agent				
Salaries and fringe benefits	423,416	423,416	409,707	13,709
Travel	15,000	15,000	12,027	2,973
General operations	11,800	11,800	7,430	4,370
Equipment/vehicle maintenance	6,000	6,000	4,295	1,705
	456,216	456,216	433,459	22,757
Collections				
Salaries and fringe benefits	187,986	187,986	173,247	14,739
Travel	2,500	2,500	1,707	793
Contract services	-	3,745	3,600	145
General operations	17,650	17,650	14,988	2,662
Equipment/vehicle maintenance	1,500	1,500	1,067	433
	209,636	213,381	194,609	18,772

POTTER COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule - continued
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget
Tax assessor/collector				
Salaries and fringe benefits	$ 1,198,511	$ 1,198,511	$ 1,075,627	$ 122,884
Travel	9,000	9,000	5,721	3,279
Contract services	23,000	64,837	60,140	4,697
General operations	114,000	114,000	74,724	39,276
Equipment/vehicle maintenance	4,200	4,200	3,875	325
	1,348,711	1,390,548	1,220,087	170,461
Total general administrative	7,750,508	7,152,987	6,506,765	646,222
Facilities maintenance				
Facilities maintenance department				
Salaries and fringe benefits	1,534,544	1,534,544	1,433,025	101,519
Travel	23,740	23,740	15,907	7,833
General operations	83,377	83,377	66,536	16,841
Equipment/vehicle maintenance	26,880	26,880	11,626	15,254
	1,668,541	1,668,541	1,527,094	141,447
Courthouse				
Building repair/maintenance	251,890	251,890	226,207	25,683
	251,890	251,890	226,207	25,683
Courts building				
General operations	2,650	2,650	-	2,650
Building repair/maintenance	275,925	275,925	207,871	68,054
	278,575	278,575	207,871	70,704
Library building				
Building repair/maintenance	10,100	10,100	7,500	2,600
	10,100	10,100	7,500	2,600
Extension service building				
Building repair/maintenance	16,950	48,625	43,383	5,242
	16,950	48,625	43,383	5,242
Santa Fe building				
Building repair/maintenance	515,884	797,275	670,960	126,315
	515,884	797,275	670,960	126,315
Lease Building				
Building repair/maintenance	-	12,381	1,792	10,589
	-	12,381	1,792	10,589
Baseball Stadium				
Building repair/maintenance	12,000	12,000	2,978	9,022
	12,000	12,000	2,978	9,022

POTTER COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule - continued
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget
JP#3 Office				
Building repair/maintenance	$ 14,750	$ 14,750	$ 10,582	$ 4,168
	14,750	14,750	10,582	4,168
Bowie Annex				
Building repair/maintenance	30,000	30,000	17,741	12,259
	30,000	30,000	17,741	12,259
West 6th Street Annex				
Building repair/maintenance	10,850	10,850	6,285	4,565
	10,850	10,850	6,285	4,565
Total facilities maintenance	2,809,540	3,134,987	2,722,393	412,594
Election administration				
Elections				
Salaries and fringe benefits	359,041	359,041	318,926	40,115
Travel	4,400	5,200	5,184	16.00
Contract services	46,300	45,500	41,749	3,751
General operations	81,600	92,671	63,750	28,921
Equipment/vehicle maintenance	2,800	2,800	1,965	835
	494,141	505,212	431,574	73,638
Total election administration	494,141	505,212	431,574	73,638
Judicial				
County clerk				
Salaries and fringe benefits	901,762	901,762	818,121	83,641
Travel	6,000	6,000	2,768	3,232
Contract services	-	164,609	155,642	8,967
General operations	50,850	50,850	28,538	22,312
Equipment/vehicle maintenance	10,000	10,000	6,237	3,763
	968,612	1,133,221	1,011,306	121,915
District clerk				
Salaries and fringe benefits	$ 1,216,067	$ 1,216,067	$ 1,089,324	$ 126,743
Travel	5,000	5,000	4,242	758
Contract services	250	34,115	20,553	13,562
General operations	67,200	67,200	57,867	9,333
Equipment/vehicle maintenance	14,000	14,000	13,820	180
Miscellaneous	4,150	4,150	3,341	809
	1,306,667	1,340,532	1,189,147	151,385

POTTER COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule - continued
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget
Court of appeals				
Salaries and fringe benefits	10,936	10,936	8,784	2,152
	10,936	10,936	8,784	2,152
Bail bond board				
Travel	1,500	1,500	-	1,500
General operations	500	500	-	500
	2,000	2,000	-	2,000
Specialty court				
Salaries and fringe benefits	55,482	56,707	56,657	50
Travel	1,000	1,000	513.00	487
Contract services	13,500	12,275	-	12,275
General operations	7,200	7,200	500	6,700
Equipment/vehicle maintenance	720	720	215	505
	77,902	77,902	57,885	20,017
47th district court				
Salaries and fringe benefits	332,314	332,314	313,841	18,473
Travel	11,750	11,750	718	11,032
General operations	9,500	9,500	6,957	2,543
Equipment/vehicle maintenance	1,500	1,500	718	782
	355,064	355,064	322,234	32,830
108th district court				
Salaries and fringe benefits	332,314	332,314	330,421	1,893
Travel	11,750	11,750	2,526	9,224
General operations	15,700	14,200	12,425	1,775
Equipment/vehicle maintenance	-	1,500	1,158	342
	359,764	359,764	346,530	13,234
181st district court				
Salaries and fringe benefits	332,314	332,314	308,549	23,765
Travel	11,750	11,750	4,010	7,740
General operations	9,500	9,500	9,189	311
Equipment/vehicle maintenance	1,500	1,500	551	949
	355,064	355,064	322,299	32,765

POTTER COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule - continued
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget
251st district court				
Salaries and fringe benefits	$ 332,314	$ 332,314	$ 327,234	$ 5,080
Travel	11,750	11,750	1,426	10,324
General operations	9,500	10,482	8,157	2,325
Equipment/vehicle maintenance	1,500	1,500	674	826
	355,064	356,046	337,491	18,555
320th district court				
Salaries and fringe benefits	341,626	341,626	280,438	61,188
Travel	11,750	11,750	1,644	10,106
General operations	9,500	9,600	9,513	87
Equipment/vehicle maintenance	1,500	1,400	966	434
	364,376	364,376	292,561	71,815
Associate judge child support				
General operations	1,200	1,200	628	572
	1,200	1,200	628	572
Associate judge child abuse				
General operations	3,000	3,000	1,889	1,111
	3,000	3,000	1,889	1,111
County court at law #1				
Salaries and fringe benefits	566,974	566,974	558,958	8,016
Travel	8,150	8,150	4,871	3,279
General operations	8,675	8,675	7,707	968
Equipment/vehicle maintenance	600	600	579	21
	584,399	584,399	572,115	12,284
County court at law #2				
Salaries and fringe benefits	578,594	578,594	508,686	69,908
Travel	9,250	9,250	6,413	2,837
General operations	6,500	6,500	6,328	172
Equipment/vehicle maintenance	400	400	165	235
	594,744	594,744	521,592	73,152
Justice of the Peace, precinct #1				
Salaries and fringe benefits	259,045	259,045	252,779	6,266
Travel	4,500	4,500	682	3,818
Contract services	-	18,200	17,494	706
General operations	13,240	13,240	10,422	2,818
Equipment/vehicle maintenance	1,656	1,656	1,139	517
	278,441	296,641	282,516	14,125

POTTER COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule - continued
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget
Justice of the Peace, precinct #2				
Salaries and fringe benefits	$ 208,932	$ 208,932	$ 207,409	$ 1,523
Travel	3,500	3,500	2,232	1,268
Contract services	-	18,200	17,494	706
General operations	10,830	10,830	8,148	2,682
Equipment/vehicle maintenance	850	850	740	110
	224,112	242,312	236,023	6,289
Justice of the Peace, precinct #3				
Salaries and fringe benefits	263,686	263,686	241,043	22,643
Travel	3,500	3,500	3,491	9
Contract services	-	18,200	17,494	706
General operations	12,530	12,530	11,902	628
Equipment/vehicle maintenance	2,500	2,500	2,248	252
	282,216	300,416	276,178	24,238
Justice of the Peace, precinct #4				
Salaries and fringe benefits	208,932	215,132	204,121	11,011
Travel	3,500	3,500	2,732	768
Contract services	-	17,650	17,494	156
General operations	8,660	9,210	9,206	4
Equipment/vehicle maintenance	1,200	1,200	1,014	186
	222,292	246,692	234,567	12,125
Jury and jury related				
Salaries and fringe benefits	173,932	173,932	154,017	19,915
Contract services	109,000	109,000	96,220	12,780
General operations	50,000	50,000	40,346	9,654
Equipment/vehicle maintenance	5,000	5,000	3,820	1,180
	337,932	337,932	294,403	43,529
County attorney				
Salaries and fringe benefits	2,173,648	2,347,349	2,289,060	58,289
Travel	30,094	43,868	24,651	19,217
Contract services	14,600	50,074	43,256	6,818
General operations	52,350	57,350	39,489	17,861
Equipment/vehicle maintenance	15,750	15,750	5,762	9,988
	2,286,442	2,514,391	2,402,218	112,173
District attorney				
Salaries and fringe benefits	3,103,512	3,103,512	2,966,877	136,635
Travel	25,800	37,780	33,537	4,243
Contract services	107,000	133,474	125,477	7,997
General operations	59,750	59,750	51,659	8,091
Equipment/vehicle maintenance	14,500	14,500	12,393	2,107
	3,310,562	3,349,016	3,189,943	159,073

POTTER COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule - continued
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget
General judicial				
Travel	$ 3,000	$ 3,000	$ -	$ 3,000
Contract services	2,340,000	2,349,500	2,349,497	3
General operations	82,810	82,810	63,997	18,813
Miscellaneous	641,015	630,840	44,120	586,720
	3,066,825	3,066,150	2,457,614	608,536
Total judicial	15,347,614	15,891,798	14,357,923	1,533,875
Public safety				
Forensic science lab				
Contract services	525,000	525,000	465,762	59,238
	525,000	525,000	465,762	59,238
Constable, precinct #1				
Salaries and fringe benefits	73,074	73,074	72,420	654
Travel	2,000	3,640	1,306	2,334
Contract services	-	1,248	1,199	49
General operations	4,330	4,330	3,494	836
Equipment/vehicle maintenance	4,500	4,500	3,258	1,242
	83,904	86,792	81,677	5,115
Constable, precinct #2				
Salaries and fringe benefits	73,074	73,074	72,197	877
Travel	3,000	3,611	3,422	189
Contract services	-	1,248	1,199	49
General operations	4,130	4,130	3,956	174
Equipment/vehicle maintenance	5,000	5,000	3,258	1,742
	85,204	87,063	84,032	3,031
Constable, precinct #3				
Salaries and fringe benefits	73,074	73,074	72,401	673
Travel	2,000	4,830	2,710	2,120
Contract services	-	1,248	1,199	49
General operations	6,080	5,362	3,639	1,723
Equipment/vehicle maintenance	5,000	5,000	2,492	2,508
	86,154	89,514	82,441	7,073
Constable, precinct #4				
Salaries and fringe benefits	73,074	73,074	72,349	725
Travel	3,000	4,023	3,313	710
Contract services	-	1,248	1,199	49
General operations	4,440	5,640	4,842	798
Equipment/vehicle maintenance	4,000	4,000	861	3,139
	84,514	87,985	82,564	5,421

	Original Budget	Final Budget	Actual	Variance from Final Budget
Sheriff				
Salaries and fringe benefits	$ 6,458,034	$ 6,458,034	$ 6,247,878	$ 210,156
Travel	100,000	136,096	135,626	470
Contract services	18,000	114,641	107,271	7,370
General operations	130,610	135,639	101,723	33,916
Equipment/vehicle maintenance	323,500	323,500	204,878	118,622
	7,030,144	7,167,910	6,797,376	370,534
Special crimes unit				
General operations	750	750	401	349
	750	750	401	349
Sheriff offices				
Building repairs/maintenance	45,000	45,000	31,190	13,810
	45,000	45,000	31,190	13,810
Public service				
Building repair/maintenance	4,500	4,500	-	4,500
Miscellaneous	678,636	726,071	677,147	48,924
	683,136	730,571	677,147	53,424
Fire / rescue department				
Salaries and fringe benefits	330,376	330,376	323,659	6,717
Travel	56,000	87,159	86,075	1,084
Contract services	-	9,634	7,092	2,542
General operations	183,620	136,030	124,189	11,841
Equipment/vehicle maintenance	229,000	305,214	286,234	18,980
Building repair/maintenance	55,000	55,000	47,141	7,859
	853,996	923,413	874,390	49,023
Total public safety	9,477,802	9,743,998	9,176,980	567,018
Corrections and rehabilitation				
Detention center				
Salaries and fringe benefits	9,052,916	9,052,916	8,808,849	244,067
Contract services	45,230	55,042	42,750	12,292
General operations	56,520	56,520	53,663	2,857
Prisoner care	1,433,000	1,443,000	1,296,075	146,925
Equipment/vehicle maintenance	37,500	37,500	30,261	7,239
Building repairs/maintenance	456,000	525,763	508,676	17,087
	11,081,166	11,170,741	10,740,274	430,467
Community supervision and corrections				
General operations	-	1,460	538	922
Equipment/vehicle maintenance	15,000	15,000	12,442	2,558
	15,000	16,460	12,980	3,480

POTTER COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule - continued
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget
Juvenile probation	$ 3,772,996	$ 3,772,996	$ 3,610,104	$ 162,892
	3,772,996	3,772,996	3,610,104	162,892
Total corrections and rehabilitation	14,869,162	14,960,197	14,363,358	596,839
Health and human services				
Mental health - community service				
Salaries and fringe benefits	63,349	64,024	64,021	3
Travel	2,000	2,000	-	2,000
Contract services	20,000	20,000	10,998	9,002
General operations	300	300	225	75
	85,649	86,324	75,244	11,080
County extension services				
Salaries and fringe benefits	200,759	200,759	132,729	68,030
Travel	10,500	10,500	7,227	3,273
General operations	14,190	14,290	14,289	1
Equipment/vehicle maintenance	19,000	18,900	15,551	3,349
Miscellaneous	2,200	2,200	1,537	663
	246,649	246,649	171,333	75,316
Family crime unit				
Salaries and fringe benefits	183,113	183,113	161,622	21,491
Travel	1,200	1,200	-	1,200
General operations	6,000	5,800	2,765	3,035
Equipment/vehicle maintenance	2,000	2,200	2,178	22
	192,313	192,313	166,565	25,748
Victim assistance - VOCA				
Salaries and fringe benefits	199,769	199,769	197,605	2,164
Travel	4,000	4,000	1,866	2,134
General operations	1,440	1,440	1,431	9
	205,209	205,209	200,902	4,307
Victim assistance - VLCG				
Salaries and fringe benefits	-	475	455	20
	-	475	455	20
Total health and human services	729,820	730,970	614,499	116,471

POTTER COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule - continued
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance from Final Budget
Road and bridge expenditures				
Salaries and fringe benefits	$ 1,335,542	$ 1,335,542	$ 1,201,729	$ 133,813
Travel and uniforms	11,275	11,425	11,419	6
Contract services	30,432	30,432	10,296	20,136
General operations	624,366	627,216	508,234	118,982
Equipment/vehicle maintenance	322,254	322,254	194,269	127,985
Building repairs/maintenance	114,990	114,990	63,785	51,205
Total road and bridge expenditures	2,438,859	2,441,859	1,989,732	452,127
Capital outlay	531,785	740,059	661,365	78,694
Total expenditures	54,449,231	55,302,067	50,824,589	4,477,478
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	57,710	(490,872)	3,974,491	4,465,363
OTHER FINANCING USES				
Transfers in	-	-	-	-
Transfers out	-	-	(2,098,100)	(2,098,100)
Total other financing uses	-	-	(2,098,100)	(2,098,100)
NET CHANGE IN FUND BALANCE	57,710	(490,872)	1,876,391	2,367,263
FUND BALANCE AT BEGINNING OF YEAR	19,828,697	19,828,697	19,828,697	-
FUND BALANCE AT END OF YEAR	$ 19,886,407	$ 19,337,825	$ 21,705,088	$ 2,367,263

POTTER COUNTY, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
Texas County & District Retirement System
For The Year Ended September 30, 2017

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability			
Service cost	$ 4,352,352	$ 4,127,523	$ 4,108,621
Interest on total pension liability	13,037,017	12,402,512	11,669,923
Effect of plan changes	-	(728,256)	-
Effect of economic / demographic (gains) or losses	(1,265,495)	(1,704,163)	(268,856)
Effect of assumptions changes or inputs	-	1,583,826	-
Benefit payments/refunds of contributions	(7,822,670)	(7,265,790)	(6,536,622)
Net change in total pension liability	8,301,204	8,415,652	8,973,066
Total pension liability, beginning	162,652,206	154,236,554	145,263,488
Total pension liability, ending (a)	$ 170,953,410	$ 162,652,206	$ 154,236,554
Fiduciary Net Position			
Contributions - Employer	$ 4,074,113	$ 3,944,278	$ 3,899,238
Contributions - Employee	2,068,086	2,009,470	1,984,119
Net investment income	10,342,613	(641,794)	9,074,869
Benefit payments/refunds of contributions	(7,822,670)	(7,265,790)	(6,536,622)
Administrative expenses	(112,476)	(101,332)	(106,048)
Other	(361,045)	143,195	29,017
Net change in fiduciary net position	8,188,621	(1,911,973)	8,344,573
Fiduciary net position, beginning	139,878,786	141,790,759	133,446,186
Fiduciary net position, ending (b)	$ 148,067,407	$ 139,878,786	$ 141,790,759
Net pension liability / (asset), ending = (a) - (b)	$ 22,886,003	$ 22,773,420	$ 12,445,795
Fiduciary net position as a percentage of total pension liability	86.61%	86.00%	91.93%
Pensionable covered payroll	$ 29,544,082	$ 28,706,709	$ 28,296,592
Net pension liability as a percentage of covered payroll	77.46%	79.33%	43.98%

The Schedule of Changes in Net Poition Liability and Related Ratios is intended to present information for ten years. Additional years' information will be presented as it becomes available.

POTTER COUNTY, TEXAS
Schedule of Employer Contributions
Texas County & District Retirement System
For Fiscal Year 2016

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2006	$ 2,073,195	$ 2,073,195	$ -	$ 22,510,260	$ 9.2%
2007	2,358,076	2,358,076	-	23,580,763	10.0%
2008	2,445,105	2,445,105	-	24,698,031	9.9%
2009	2,526,779	2,526,779	-	25,394,759	9.9%
2010	2,811,788	2,811,788	-	25,492,185	11.0%
2011	2,949,729	2,949,729	-	26,196,785	11.3%
2012	3,267,656	3,267,656	-	27,005,912	12.1%
2013	3,633,934	3,633,934	-	28,018,224	13.0%
2014	3,899,238	3,899,238	-	28,296,592	13.8%
2015	3,944,278	3,944,278	-	28,706,709	13.7%
2016	4,074,113	4,074,113	-	29,544,082	13.8%

Exhibit B-4

POTTER COUNTY, TEXAS

Required Supplementary Information
Schedule of Funding Progress, Other Postretirement Benefits (1)
For the Year Ended September 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2008	$ -	$ 2,303,355	$ 2,303,355	0.00%	$ 21,128,711	10.90%
10/1/2010	-	2,400,350	2,400,350	0.00%	25,492,185	9.42%
10/1/2012	-	2,998,158	2,998,158	0.00%	27,005,912	11.10%
10/1/2013	-	2,998,158	2,998,158	0.00%	28,018,224	10.70%
10/1/2014	-	3,522,945	3,522,945	0.00%	28,296,592	12.45%
10/1/2015	-	3,522,945	3,522,945	0.00%	28,706,709	12.27%
10/1/2016	-	3,645,734	3,645,734	0.00%	29,544,082	12.34%

(1) 2009 was the first year of GASB 45 implementation. The plan has more than 200 members; therefore, the County has elected to obtain an actuarial valuation on a biennial basis.

BUDGETARY INFORMATION

The budget is prepared in accordance with accounting principles generally accepted in the United States of America by the County Judge with the assistance of the County Auditor's Office and approved by the Commissioners' Court following a public hearing. The County maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County's governing body and as such is a good management control device.

The budget law of the State of Texas provides that "the amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in said funds plus the anticipated revenues for the current year for which the budget is made as estimated by the County Auditor". In addition, the law provides that the Commissioners' Court "may, upon proper application, transfer an existing budget surplus during the year to a budget of like kind and fund but no such transfer shall increase the total budget".

Each year, all departments submit to the County Judge requests for appropriation. These requests are reviewed, compiled and presented to the Commissioners' Court for approval. The Commissioners' Court conducts departmental budget reviews, adjusts budget requests to final form and conducts a public hearing in the Commissioners' Courtroom. One copy of the proposed budget must be filed with the County Clerk and one with the County Auditor. A copy must be available to the public. The Commissioners' Court must provide for the public hearing on the budget on some date within seven calendar days after the filing of the budget and prior to October 1st of the current fiscal year.

The County's legal level of control for appropriations is at the category level (i.e., salaries and fringe benefits, contract services, general operating, etc.) for each department/project within the General Fund. Administrative control is maintained through the establishment of more detailed accounts within each category. Appropriation transfers and budget increases may be made between categories or departments only with the approval of the Commissioners' Court. The original budgets presented in the report are the approved budgets before amendments and transfers. The final budgets presented in this report reflect the budgets as amended for all appropriation transfers and increases processed during the fiscal year.

There were no General Fund expenditures over appropriations at the legal level of control.

Note A: Net Pension Liability – Texas County & District Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	13.0 years
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	4.9%, average, including inflation. Varies by age and service.
Investment rate of return	8.10%, including inflation
Cost-of-living adjustments	Cost-of-living adjustments for the County are not considered to be substantively automatic. Therefore, no assumption for cost-of-living adjustments is included in the calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Financial Advisory Services
Provided By:

SAMCO Capital