

**OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM
and
PRELIMINARY OFFICIAL STATEMENT**

FANNIN COUNTY, TEXAS

\$9,900,000*

**COMBINATION TAX AND LIMITED PLEDGE REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2020
(THE "CERTIFICATES")**

**To be Designated by the County as
"QUALIFIED TAX-EXEMPT OBLIGATIONS"**

**Bids due
Tuesday, February 18, 2020
at
12:00 P.M. Noon, Central Time**

*Preliminary, subject to change based on bid structures. See "THE CERTIFICATES - MATURITY SCHEDULE" and "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" in the Official Notice of Sale relating to the Certificates.

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

The Issuer will designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions.

OFFICIAL NOTICE OF SALE

\$9,900,000*

FANNIN COUNTY, TEXAS

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BID: The Commissioners Court (the “Commissioners Court”) of Fannin County, Texas (the “County” or the “Issuer”) is offering for sale at competitive bid its \$9,900,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the “Certificates”).

BIDS BY INTERNET: Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 12:00 P.M. Noon, Central Time, on Tuesday, February 18, 2020. Bidders submitting a bid by internet shall not be required to submit signed Official Bid Forms prior to the award. Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the i-Deal, LLC Parity System (“PARITY”) and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on Tuesday, February 18, 2020 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to mmcliney@samcocapital.com. If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the County. The County shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

OPENING OF BIDS: Bids will be opened and publicly read at 12:00 P.M. Noon, Central Time, on Tuesday, February 18, 2020, following which the bids will be evaluated by SAMCO Capital Markets, Inc. (the “Financial Advisor”) and the Commissioners Court shall provide final approval of the award at a Commissioners Court at approximately 1:00 P.M., Central Time. The County Judge or his representative shall award the Certificates as described in the section entitled “AWARD AND SALE OF THE CERTIFICATES” below.

AWARD AND SALE OF THE CERTIFICATES: At a regular meeting to commence at 9:00 A.M., Central Time, on Tuesday, February 18, 2020, the Commissioners Court will take action to reject all bids or award the sale of the Certificates pursuant to an order (the “Order”) to be adopted by the Commissioners Court. The Issuer reserves the right to reject any or all bids and to waive any irregularities, except time of filing. Final approval is expected by approximately 1:00 P.M., Central Time.

*Preliminary, subject to change based on bid structures. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES” herein.

THE CERTIFICATES

DESCRIPTION OF CERTAIN TERMS OF THE CERTIFICATES: The Certificates will be dated March 1, 2020 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially on March 1, 2021, and semiannually on each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. The 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 within a stated maturity. 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 the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.) The Certificates will be stated to mature on March 1 in each of the following years in the following amounts:

MATURITY SCHEDULE (Due March 1)

Stated Maturity	Principal Amount*	Stated Maturity	Principal Amount*
2022	\$ 235,000	2034	\$ 410,000
2023	285,000	2035	425,000
2024	295,000	2036	440,000
2025	305,000	2037	455,000
2026	315,000	2038	470,000
2027	325,000	2039	485,000
2028	340,000	2040	500,000
2029	350,000	2041	515,000
2030	360,000	2042	535,000
2031	370,000	2043	550,000
2032	385,000	2044	570,000
2033	395,000	2045	585,000

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES: The County reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$9,900,000*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the County to reflect such increase or decrease. The County will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES: Bidders may provide that all of the Certificates be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term certificates, with no portion of the term Certificates to be combined with a maturity set to mature prior to the earliest date of optional redemption (the “Term Certificates”).

MANDATORY SINKING FUND REDEMPTION: If the Winning Bidder designates principal amounts to be combined into one or more Term Certificates, each such Term Certificate will be subject to mandatory sinking fund redemption commencing on March 1 of the first year which has been combined to form such Term Certificate and continuing on March 1 in each year thereafter until the stated maturity date of that Term Certificate. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE”. Certificates to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Certificates then subject to redemption. The County, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the County or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

OPTIONAL REDEMPTION: The County reserves the right, at its option, to redeem the Certificates maturing on or after March 1, 2030, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2029, or any date thereafter, at the redemption price of par plus accrued interest as further described in the Preliminary Official Statement.

*Preliminary, subject to change. See “THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES” herein.

SECURITY FOR PAYMENT: The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Local Government Code Section 271.041 through Section 271.064, Section 1473.002, as amended, Texas Government Code, and Chapter 323, as amended, Texas Local Government Code, and the Order. (See "THE CERTIFICATES - Authority for Issuance" in the Preliminary Official Statement.)

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 and are additionally payable from a lien on and limited pledge of the net revenues (the "Net Revenues") derived from the operation of the County's library system (the "System"); such pledge being limited to \$1,000 and being junior and subordinate to the lien on and pledge of the Net Revenues securing the payment of any obligations senior thereto, if any, hereafter issued by the County. (See "THE CERTIFICATES - Security for Payment" in the Preliminary Official Statement).

OTHER TERMS AND COVENANTS: Other terms of the Order and the various covenants of the County contained in the Order are described in the Preliminary Official Statement, to which reference is made for all purposes.

SUCCESSOR PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. In the Order, the County covenants to provide a Paying Agent/Registrar at all times while the Certificates are outstanding, and any Paying Agent/Registrar selected by the County shall be a commercial 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. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Certificates. In the Order the County retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the County has agreed to cause written notice thereof to be sent to each registered owner of the Certificates then outstanding by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

BOOK-ENTRY-ONLY SYSTEM: The County intends to utilize the Book-Entry-Only System of DTC, with respect to the issuance of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement).

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Certificates from the Dated Date of the Certificates to the date of Initial Delivery (defined herein) of the Certificates. **No bid producing a cash premium on the Certificates that results in a dollar price of less than 101% nor greater than 101.5% will be considered; provided, however, that any bid is subject to adjustment as described under the caption "ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Certificates (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 300 basis points (or 3% in rate). No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Certificates of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS OF AWARD: The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest True Interest Cost (defined herein) rate to the County. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the County with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code") to the date of initial delivery of the Certificates, relating to the excludability of interest on the Certificates from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the County (on or before the date of initial delivery of the Certificates) a certification as to their initial offering prices of the Certificates (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale. (See "ESTABLISHMENT OF ISSUE PRICE" herein).

ESTABLISHMENT OF ISSUE PRICE:

- (a) The Winning Bidder shall assist the County in establishing the issue price of the Certificates and shall execute and deliver to the County by the Delivery Date an "issue price certificate" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or

necessary, in the reasonable judgment of the Winning Bidder, the County, and Norton Rose Fulbright US LLP, the County's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Certificates under applicable federal regulations). All actions to be taken by the County under this Official Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the County by the County's Financial Advisor and any notice or report to be provided to the County may be provided to the County's Financial Advisor.

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

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

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

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

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

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

The Winning Bidder will advise the County promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

(e) The County acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if applicable to the Certificates, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a

member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Certificates.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail or other third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such retail or other third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Certificates to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Certificates to the public),
- (3) a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) "sale date" means the date that the Certificates are awarded by the County to the Winning Bidder.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: See "THE CERTIFICATES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE CERTIFICATES" for a description of the County's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "Fannin County, Texas" in the amount of \$198,000, which is 2% of the par value of the Certificates (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the County until the Certificates are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Certificates; however, should the Purchaser fail or refuse to take up and pay for the Certificates, said Good Faith Deposit is to be cashed by the County and the proceeds accepted as full and complete liquidated damages. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the County prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Certificates has been made.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:

It is the obligation of the County to receive information from Winning Bidder if bidder is not a publicly traded business entity (a "Privately Held Bidder"). Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the County may not award the Certificates to a Winning Bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the County as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Certificates is the best bid received, the County, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the County's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such

winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the County to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (Fannin County, Texas) and (b) item 3 - the identification number assigned to this contract by the County (Fannin Co- CO2020– Bid Form) and description of the goods or services (Purchase of the Fannin County, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require a non-publicly traded business entity contracting with the County to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC’s “electronic portal” to the County. The executed Disclosure Form must be sent by email to the County’s financial advisor at mmcliney@samcocapital.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Jeff Kuhn, c/o Norton Rose Fulbright US LLP, 111 West Houston Street, Suite 1800, San Antonio, Texas 78205, along with a PDF executed version sent to w.jeffrey.kuhn@nortonrosefulbright.com.

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

ADDITIONAL CONDITION OF AWARD - COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE: Each bidder, through submittal of an executed Official Bid Form, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent the Official Notice of Sale and Official Bid Form is a contract for goods or services, will not boycott Israel during the term of this agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law. As used in the foregoing verification, ‘boycott Israel’ means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. Each bidder, through submittal of an executed Official Bid Form, understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

Each bidder, through submittal of an executed Official Bid Form, represents that neither it nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>; <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Texas or Federal law and excludes our company and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each bidder, through submittal of an executed Official Bid Form, understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with our company and exists to make a profit.

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

OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the County and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE: The County has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Certificates, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the County deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the County of the initial offering yields of the Certificates.

The County agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The County consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The County will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The County does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the County intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the County makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the County, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates.

FINAL OFFICIAL STATEMENT: In addition to delivering the Official Statement in a "designated electronic format", the County will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Certificates, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 50 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Certificates. The Purchaser will be responsible for providing information concerning the County and the Certificates to subsequent purchasers of the Certificates, and the County will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The County agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the MSRB. The County consents to the distribution of such documents in a "designated electronic format". Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the MSRB Rule G-32. The County's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Certificates to the Purchaser, unless the Purchaser notifies, in writing, the County that less than all of the Certificates have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Certificates have been sold to ultimate customers.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the County learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Certificates, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY", the County will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the County to do so will terminate when the County delivers the Certificates to the Purchaser, unless the Purchaser notifies the County on or before such date that less than all of the Certificates have been sold to ultimate customers, in which case the County's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the County delivers the Certificates) until all of the Certificates have been sold to ultimate customers.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the hereinafter defined Initial Certificate (the "Delivery Date"), the Purchaser will be furnished a certificate, executed by proper officials of the County, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the County contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid

therefor, and on the date of the initial delivery thereof, were and are true and correct in all material respects; (b) insofar as the County and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the County, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the County believes to be reliable and the County has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the County since the date of the last financial statements of the County appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the Commissioners Court of the County on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the County.

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

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

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

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

The Corporation's Audit has been timely filed with EMMA for each of the fiscal years ended 2014 through 2019, in accordance with the Disclosure Agreement and the Undertaking. The source of the information in these Tables was provided by the operator of the detention facility which, at the time of the posting of the Corporation's 2014 Official Statement, was Community Education Centers, Inc. The operations of the detention facility has since changed to GEO Group, Inc., and, as of September 1, 2018, to LaSalle Corrections, LLC (the "Operator") (see "APPENDIX A – Table 17" herein). However, due to an administrative oversight, the County failed to provide the Tables to the Dissemination Agent for filing with EMMA, in accordance with the Disclosure Agreement and the Undertaking. The appropriate Tables and notice of failure to timely file have been filed with EMMA.

Additionally, on September 13, 2016, S&P Global Ratings ("S&P") lowered its long-term rating on the Corporation's 2014 Bonds to "BB" from "BBB" and kept the rating on credit watch, where it was placed with negative implications on June 3, 2016. On April 2, 2019, S&P Global Ratings withdrew its rating on the Corporation's 2014 Bonds, along with several other entities with revenue bonds secured primarily by federal contract revenues. Due to an administrative oversight, the County failed to provide notice of these ratings changes to the Dissemination for filing with EMMA, in accordance with the Disclosure Agreement and the Undertaking. Notice of these rating actions and failure to timely file have been filed with EMMA.

The Corporation, the County, and the Dissemination Agent have implemented appropriate measures to ensure future compliance with the Undertaking.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL CERTIFICATES: The initial delivery of the Certificates to the Purchaser on the "Delivery Date", will be accomplished by the issuance of either (i) a single fully registered Certificate in the total principal amount of \$9,900,000 (preliminary, subject to change) payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Certificate for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Certificate"), signed by manual or facsimile signature of the County Judge and the County Clerk approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Certificates will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Certificate, they shall be immediately canceled and one Certificate for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Certificate must be made in

immediately available funds for unconditional credit to the County, or as otherwise directed by the County. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Certificates. It is anticipated that Initial Delivery of the Initial Certificate can be made on or about March 10, 2020, but if for any reason the County is unable to make delivery by March 10, 2020, then the County shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Certificates. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the County and the Purchaser shall be relieved of further obligation. In no event shall the County be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the County's reasonable control.

EXCHANGE OF INITIAL CERTIFICATES FOR DEFINITIVE CERTIFICATES: Upon payment for the Initial Certificate at the time of such delivery, the Initial Certificate is to be canceled by the Paying Agent/Registrar and registered definitive Certificates delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Certificates shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Certificate, final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Certificate and delivery of registered definitive Certificates may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

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

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Certificates is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Certificate, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE", all as described below. In addition, if the County fails to comply with its obligations described under "OFFICIAL STATEMENT- FINAL OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Certificates by delivering written notice to the County within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligation of the Purchaser to take up and pay for the Certificates, and of the County to deliver the Initial Certificate, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Certificate, there shall have been no material adverse change in the affairs of the County subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Certificates are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

CHANGE IN TAX-EXEMPT STATUS: At any time before the Certificates are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Certificates shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

QUALIFIED TAX-EXEMPT OBLIGATIONS: The County will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see discussion under "TAX MATTERS – Qualified Tax-Exempt Obligations" in the Preliminary Official Statement).

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: 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 Certificates 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 registered mail to the new registered owner at the registered owner's request, risk, and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (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 its 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 interest rate as the Certificates surrendered for exchange or transfer.

RECORD DATE: The record date ("Record Date") for determining the party to whom the semiannual interest on the Certificates is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

RATINGS: A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchaser as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the County makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

ISSUANCE OF ADDITIONAL DEBT: The County does not anticipate the issuance of additional debt within the next twenty-four (24) months.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE: No registration statement relating to the Certificates has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Certificates have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Certificates have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Certificates been registered or qualified under the securities acts of any other jurisdiction. The County assumes no responsibility for registration or 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 registration or 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 or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The County agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Certificates, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Certificates are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from www.samcocapital.com.

On the date of the sale, the Commissioners Court will, in the Order authorizing the issuance of the Certificates, approve of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

/s/ _____
County Judge,
Fannin County, Texas

ATTEST:

/s/ _____
County Clerk,
Fannin County, Texas

February 18, 2020

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

Complete Nos. 1 - 4 and 6 if there are interested parties.
 Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

**OFFICE USE ONLY
 CERTIFICATION OF FILING**

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.

2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.

Fannin County, Texas

3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.

Contract Number: Fannin Co-CO2020-Bid Form

Purchase of the Fannin County, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary

DRAFT

5 Check only if there is NO Interested Party.

6 UNSWORN DECLARATION

My name is _____, and my date of birth is _____.

My address is _____, _____, _____, _____, _____.
(street) (city) (state) (zip code) (country)

I declare under penalty of perjury that the foregoing is true and correct.

Executed in _____ County, State of _____, on the _____ day of _____, 20____.
(month) (year)

 Signature of authorized agent of contracting business entity
 (Declarant)

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OFFICIAL BID FORM

Honorable County Judge and Commissioners Court
 Fannin County
 101 E. Sam Rayburn Drive, Suite 101
 Bonham, Texas 75418

February 18, 2020

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated February 11, 2020, which terms are incorporated by reference to this proposal (and which are agreed to as evidenced by our submission of this bid), we hereby submit the following bid for \$9,900,000 (preliminary, subject to change) FANNIN COUNTY, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020, dated March 1, 2020 (the "Certificates").

For said legally issued Certificates, we will pay you \$_____ (being a price of no less than 101% and no more than 101.5% of par value) plus accrued interest from their date to the date of delivery to us for Certificates maturing March 1 and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2022	\$ 235,000		2034*	\$ 410,000	
2023	285,000		2035*	425,000	
2024	295,000		2036*	440,000	
2025	305,000		2037*	455,000	
2026	315,000		2038*	470,000	
2027	325,000		2039*	485,000	
2028	340,000		2040*	500,000	
2029	350,000		2041*	515,000	
2030*	360,000		2042*	535,000	
2031*	370,000		2043*	550,000	
2032*	385,000		2044*	570,000	
2033*	395,000		2045*	585,000	

**Maturities available for Term Certificates.*

Our calculation (which is not part of this bid) of the True Interest Cost from the above is: _____%

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: As a condition to our submittal of this bid for the Certificates, we acknowledge the following: The County reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Certificates, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Certificates shall not exceed \$9,900,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the County to reflect such increase or decrease. The County will attempt to maintain total per bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

Of the principal maturities set forth in the table above, we have created term certificates (the "Term Certificates") as indicated in the following table. For those years which have been combined into a Term Certificate, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Certificate maturity date will mature in such year. The Term Certificates created are as follows:

Term Certificate Maturity Date <u>March 1</u>	Year of First Mandatory Redemption	Principal Amount of Term Certificate	Interest Rate
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

The Initial Certificate shall be registered in the name of _____, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the _____ Bank, _____, Texas, in the amount of \$198,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds at the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 A.M., Central Time, on Tuesday, March 10, 2020, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the purchaser of the Certificates to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidenced thereof, agrees to complete, execute, and deliver to the County, by the Delivery Date, a certificate relating to the "issue price" of the Certificates in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the County. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

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

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

Remainder of page intentionally left blank.

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – DISCLOSURE OF INTERESTED PARTY FORM", complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the County's financial advisor at mmcliney@samcocapital.com and Bond Counsel at clayton.binford@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the County from providing final written award of the enclosed bid.

By: _____
Authorized Representative

Telephone Number

E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the Fannin County, Texas, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 18th day of February 2020.

/s/ _____
County Judge,
Fannin County, Texas

ATTEST:

/s/ _____
County Clerk,
Fannin County, Texas

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\$9,900,000*
FANNIN COUNTY, TEXAS
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2020

ISSUE PRICE CERTIFICATE

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

1. Reasonably Expected Initial Offering Price.

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

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

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

2. Defined Terms.

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

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

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is February 18, 2020.

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

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

By: _____
Name: _____
Title: _____

Dated: _____

*Preliminary, subject to change.

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SCHEDULE A
EXPECTED OFFERING PRICES

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SCHEDULE B
COPY OF UNDERWRITER'S BID

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

NEW ISSUE BOOK-ENTRY-ONLY

Rating: S&P "Applied For"
(See "OTHER PERTINENT INFORMATION - Ratings", herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: February 11, 2020

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

The County will designate the Certificates as "Qualified Tax-Exempt Obligations"
See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein

\$9,900,000*

FANNIN COUNTY, TEXAS

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

Dated Date: March 1, 2020

Due: March 1, as shown on page ii

The \$9,900,000* Fannin County, Texas (the "County" or the "Issuer") Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (the "Certificates") are being issued pursuant to the Constitution and the general laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Local Government Code, Section 1473.002, as amended, Texas Local Government Code, Chapter 323, as amended and an order (the "Order") to be adopted by the Commissioners Court on February 18, 2020. (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 and are additionally payable from a lien on and limited pledge of the net revenues (the "Net Revenues") derived from the operation of the County's library system (the "System"); such pledge being limited to \$1,000 and being junior and subordinate to the lien on and pledge of the Net Revenues securing the payment of obligations senior thereto, if any, hereafter issued by the County. (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from March 1, 2020 (the "Dated Date") as shown above and will be payable on March 1, 2021, and on each September 1 and March 1 thereafter, until the earlier of stated 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 for the purpose of paying contractual obligations of the County to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) acquiring, designing, purchasing, renovating, constructing, reconstructing, improving or equipping the Fannin County Courthouse; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned project. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The Issuer reserves the right to redeem the Certificates maturing on and after March 1, 2030, on March 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. (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 purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel and "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through DTC on or about March 10, 2020.

BIDS DUE ON FEBRUARY 18, 2020 AT 12:00 P.M., CENTRAL TIME.

* Preliminary, subject to change.

STATED MATURITY SCHEDULE*
(Due March 1)
Base CUSIP – 307135^(a)

Stated Maturity March 1	Principal Amount*	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix ^(a)
2022	\$ 235,000			
2023	285,000			
2024	295,000			
2025	305,000			
2026	315,000			
2027	325,000			
2028	340,000			
2029	350,000			
2030	360,000			
2031	370,000			
2032	385,000			
2033	395,000			
2034	410,000			
2035	425,000			
2036	440,000			
2037	455,000			
2038	470,000			
2039	485,000			
2040	500,000			
2041	515,000			
2042	535,000			
2043	550,000			
2044	570,000			
2045	585,000			

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after March 1, 2030, on March 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. If two or more serial Certificates of consecutive maturity are combined into one or more “term” certificates (the “Term Certificates”) by the Purchaser, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order. (See “THE CERTIFICATES - Redemption Provisions” herein.)

^(a) CUSIP numbers are included solely for the convenience of the owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“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. None of the County the Financial Advisor, or the Purchaser is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

*Preliminary; subject to change.

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

ELECTED OFFICIALS

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

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Years With The County</u>
Alicia Whipple	County Auditor	3
Tammy Biggar	County Clerk	9
David E. Woodson	County Treasurer	5
Nancy Young	District Clerk	20
Gail Young	Tax Assessor Collector	9

CONSULTANTS AND ADVISORS

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

For Additional Information Please Contact:

The Honorable Randy Moore
County Judge
Fannin County
101 E. Sam Rayburn Drive, Suite 101
Bonham, Texas 75418
(903) 583-7455 (Phone)
countyjudge@fanninco.net

Mr. Mark McLiney
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1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760 (Phone)
mmcliney@samcocapital.com

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

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

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

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

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

None of the County, its Financial Advisor, or the Purchaser makes any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company or its book-entry-only system, as such information has been provided by DTC. THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE 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.

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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	Fannin County, Texas (the "County" or "Issuer") is a political subdivision of the State of Texas and operates under the statutes and the Constitution of the State of Texas. The 2010 census for the County was 33,915. The 2019 estimated population is 36,962. (See "Appendix B - General Information Regarding Fannin County and the City of Bonham, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Section 1473.002, as amended, Texas Local Government Code, Chapter 323, as amended, and an order (the "Order") to be adopted by the Commissioners Court on February 18, 2020. (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 and are additionally payable from a lien on and limited pledge of the net revenues (the "Net Revenues") derived from the operation of the County's library system (the "System"); such pledge being limited to \$1,000 and being junior and subordinate to the lien on and pledge of the Net Revenues securing the payment of obligations senior thereto, if any, hereafter issued by the County. (See "THE CERTIFICATES - Security for Payment" herein.)
Redemption Provisions	The Issuer reserves the right, at its sole option, to redeem the Certificates stated to mature on and after March 1, 2030, on March 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. If two or more serial Certificates of consecutive maturity are combined into one or more "term" certificates (the "Term Certificates") by the Purchaser, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order. (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, subject to the matters described herein under "TAX MATTERS" and will not be included in computing the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein.)
Qualified Tax-Exempt Obligations	The County will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used for the purpose or purposes of paying contractual obligations of the County to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) acquiring, designing, purchasing, renovating, constructing, reconstructing, improving or equipping the Fannin County Courthouse; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (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 in which the Certificates may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Ratings	A municipal bond rating application has been made to S&P Global Ratings, a division of S&P Global, Inc. ("S&P"). An explanation of the significance of such rating may be obtained from S&P. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Issuance of Additional Debt	The County does not anticipate the issuance of additional debt within the next twenty-four (24) months.
Payment Record	The County has never defaulted on the payment of its tax-supported indebtedness.
Delivery	When issued, anticipated on or about March 10, 2020.
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, San Antonio, Texas, Bond Counsel.

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INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by Fannin County, Texas (the "County" or the "Issuer") of its \$9,900,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020 (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, Texas Government Code, Section 1473.002, as amended, Texas Local Government Code, Chapter 323, as amended, and an order (the "Order") to be adopted by the Commissioners Court of the County on February 18, 2020. (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 by email or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the County. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

THE CERTIFICATES

General

The Certificates will be dated March 1, 2020 (the "Dated Date"). The Certificates are stated to mature on March 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 March 1, 2021, and on each September 1 and March 1 (each, an "Interest Payment Date") thereafter until the earlier of stated 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 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, Texas Government Code, Section 1473.002, as amended, Texas Local Government Code, Chapter 323, as amended, and the Order to be adopted by the Commissioners Court on February 18, 2020.

* Preliminary, subject to change.

Security for Payment

The Certificates constitute direct obligations of the County payable from the levy of an annual ad valorem tax, within the limitations prescribed by law, upon all taxable property within the County and from a lien on and pledge of certain of the net revenues (the "Net Revenues") derived from the operation of the County's library system (the "System"), such pledge being limited to \$1,000 and being junior and subordinate to the lien on and pledge of the Net Revenues securing the payment of obligations senior thereto, if any, hereafter issued by the County.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be for the purpose of paying contractual obligations of the County to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) acquiring, designing, purchasing, renovating, constructing, reconstructing, improving or equipping the Fannin County Courthouse; (2) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (3) payment for professional services relating to the design, construction, project management, and financing of the aforementioned project.

Sources and Uses

Sources	
Par Amount of the Certificates	\$ _____
Accrued Interest on the Certificates	_____
[Net] Reoffering Premium	_____
Total Sources of Funds	\$ _____
Uses	
Project Fund Deposit	\$ _____
Purchaser's Discount	_____
Certificate Fund Deposit	_____
Costs of Issuance	_____
Total Uses	\$ _____

Redemption Provisions

The Issuer reserves the right, at its option, to redeem the Certificates maturing on and after March 1, 2030 on March 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. Additionally, if two or more serial certificates of consecutive maturity are combined into one or more "term" certificates (the "Term Certificates") by the Purchaser, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order.

Selection of Certificates for Redemption

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

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each 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. 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 if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

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

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

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the 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 participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Order and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer or the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "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 approval by the Attorney General of the State of Texas and the rendering of opinions as to certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas ("Bond Counsel"). The legal opinion of Bond Counsel will accompany the Certificates to be deposited with DTC or will be printed on the Certificates should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

Defeasance

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

notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment 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, the County has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the County (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the 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 Issuer may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Certificate or interest thereon is payable, change the redemption price or amount, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any amendment, addition, or waiver.

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.

On June 30, 2006, 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 and the pledge of a specific source of revenues, such as Net Revenues, is subject to judicial discretion. 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 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 and general principles of equity that permit the exercise of judicial discretion.

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 or prior redemption 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 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 determining the party to whom interest is payable on 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 owner at the registered owner's request, risk, and expense. 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 make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed 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. The person requesting the authentication of and delivery of a replacement Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

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 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 S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of 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 physical certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

Redemption notices 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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the 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.

Effect of Termination of Book-Entry-Only System

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

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

Legal Investments

Under State law and subject to certain limitations, the County is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The County may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the County may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the County may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the County is not required to liquidate the investment unless it no longer carries a required rating, in which case the County is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the County is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The County is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the County's investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." The County is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

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 December 31, 2019 (unaudited), the Issuer's investable funds were invested as shown below.

<u>Fund and Investment Type</u>	<u>Governmental Operating Fund</u>	<u>Percentage of Total Portfolio</u>
Money Market Funds	\$ 6,359,395.97	50.76%
TexPool/TexStar	3,361,780.99	26.84%
ICS (Instant Cash Sweep)	<u>2,806,370.53</u>	<u>22.40%</u>
Total Investments	<u>\$ 12,527,547.49</u>	<u>100.00%</u>

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

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

EMPLOYMENT BENEFITS

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768- 20343.

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

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

Plan Benefits

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

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees (or their beneficiaries) currently receiving benefits	87
Inactive employees entitled to but not yet receiving benefits	96
Active employees	<u>149</u>
Total	332

Contributions

The contribution rates for employees in TCDRS is 7% of employee gross earnings, and the County percentages is 10.54%, both as adopted by the governing body of the County. Under the state law governing TCDRS, the contribution rate for each County is

determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The County's contributions to TCDRS for the year ended September 30, 2018, were \$577,368 and were equal to the required contributions.

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Actuarial assumptions used in the December 31, 2017 valuation, were based on the results of actuarial experience studies. These assumptions were first used in the December 31, 2017 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

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

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

Asset Class	Target Allocation	Rate of Return (Expected minus Inflation)
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities - Developed	11.00%	4.55%
International Equities - Emerging	8.00%	5.55%
Investment - Grade Bonds	3.00%	0.75%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships (MLPs)	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	<u>18.00%</u>	4.10%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability (Asset) was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that

assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability (Asset).

Changes in the net pension liability

	Total Pension Liability [a]	Increase (Decrease) Plan Fiduciary Net Position [b]	Net Pension Liability(Asset) [a] - (b)
Balance at 12/31/16	\$22,902,324	\$20,727,733	\$2,174,591
Changes for the year:			
Service cost	763,211	0	763,211
Interest on total pension liability	1,874,693	0	1,874,693
Effect of plan changes	0	0	0
Effect of economic/demographic gains or losses	(51,235)	0	(51,235)
Effect of assumptions changes or inputs	142,705	0	142,705
Refund of contributions	(60,396)	(60,396)	0
Benefit payments	(1,002,658)	(1,002,658)	0
Administrative expenses	0	(15,742)	15,742
Member contributions	0	393,276	(393,276)
Net investment income	0	3,024,485	(3,024,485)
Contributions - employer	0	605,083	(605,083)
Other	0	(1,015)	1,015
Net changes	<u>1,666,320</u>	<u>2,943,033</u>	<u>(1,276,713)</u>
Balance at 12/31/17	<u>\$ 24,568,644</u>	<u>\$ 23,670,766</u>	<u>\$ 897,878</u>

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

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

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$27,619,816	\$24,568,644	\$21,985,627
Fiduciary net position	<u>23,670,767</u>	<u>23,670,767</u>	<u>23,670,767</u>
Net Pension Liability (Asset)	<u>\$ 3,949,049</u>	<u>\$ 897,877</u>	<u>(\$1,685,140)</u>

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the County recognized pension expense of \$764,488. At September 30, 2018, the County reported deferred outflows and inflows of resources related to pensions from the following sources:

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 9/30/18 Expense	Balance of Deferred Inflows 12/31/17	Balance of Deferred Outflows 12/31/2017
Investment (gains) or losses	(\$1,348,773)	12/31/2017	5.0	(\$269,755)	\$1,079,019	\$ --
	131,522	12/31/2016	5.0	26,304	--	78,913
	1,729,129	12/31/2015	5.0	345,826	--	691,651
	252,475	12/31/2014	5.0	50,495	--	50,495
Economic/demographic (gains) or losses	(51,235)	12/31/2017	4.0	(12,809)	38,426	--
	(48,286)	12/31/2016	4.0	(12,072)	24,143	--
	(336,357)	12/31/2015	4.0	(84,089)	84,089	--
	156,343	12/31/2014	4.0	39,086	--	--
Assumptions changes or inputs	142,705	12/31/2017	4.0	35,676		107,029
	--	12/31/2016	4.0	--	--	--
	240,606	12/31/2015	4.0	60,151	--	60,151
	--	12/31/2014	4.0	--	--	--
Employer contributions made subsequent to measurement date				--	--	436,564
				<u>\$178,813</u>	<u>\$1,225,677</u>	<u>\$1,424,803</u>

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

Deferred Inflows/outflows to Be Recognized in Future Years

Year ended December 31,	
2018	\$ 139,729
2019	113,171
2020	(220,583)
2021	(269,755)
2022	--
	<u>(237,438)</u>

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

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 (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the County is the responsibility of the Fannin Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required 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, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, 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 as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the County, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – County and Taxpayer Remedies").

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. 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 is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, 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.

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

County and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the County, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the County may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The County is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the County. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the County may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

County's Rights in the Event of Tax Delinquencies

Taxes levied by the County are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the County, having power to tax the property. The County'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 County 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 County may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the County 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, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

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.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted). Certain counties for which certain expenditures for indigent legal defense or certain hospital expenditures exceed the amount for such expenditures for the preceding tax year, may increase their no-new-revenue tax rate proportionately with such expenditures in the manner provided by the Property Tax Code.

“special taxing unit” means a county for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a county's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a county's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the unused increment rate.

The County's tax rate consists of two components: (1) rates for funding of maintenance and operations expenditures in the current year, which may additionally include the Road and Bridge Maintenance Tax and the Farm-to-Market Road and Flood Control Tax, if levied (collectively, the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the County must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the County to the Commissioners Court by August 1 or as soon as practicable thereafter.

A county must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the county and the county tax assessor-collector. A county must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a county fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the county for the preceding tax year.

As described below, the Property Tax Code provides that if a county adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A county may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until the county appraisal district has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the county has held a public hearing on the proposed tax increase.

If a county's adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the county must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a county does not qualify as a special taxing unit, if a county's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the county's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the county would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any county located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such county's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use 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 sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the County's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the County's tax-supported debt obligations, including the Certificates. See "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" for a description of the debt service tax rate limitations applicable to the Certificates.

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.

Debt Tax Rate Limitations

Article VIII, Section 9 of the Texas Constitution imposes a limit of \$0.80 per \$100 assessed valuation for all purposes of a county's General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, including debt service on bonds or other debt issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax obligations in an amount which produces debt service requirements exceeding that which can be paid from \$0.40 of the foregoing \$0.80 maximum tax rate, as calculated at the time of issuance.

Article III, Section 52 of the Texas Constitution authorizes the County to levy a direct, continuing ad valorem tax on all taxable property within the County, without limit as to rate or amount to pay the principal of and interest on the County's road bonds if approved by the voters in the County. The principal amount of unlimited tax road bonds issued by the County and outstanding at any point in time, aggregated with outstanding unlimited tax debt of certain road districts located within the County cannot exceed 25% of the assessed valuation of all real property located in the County.

Article VIII, Section 9 of the Texas Constitution and State statute authorize the County to levy a special Road and Bridge Fund Tax (the "Road and Bridge Maintenance Tax") in an amount not to exceed \$0.15 per \$100 assessed valuation, no part of which may be used for debt service, if approved by the voters.

Article VIII, Section 1-a of the Texas Constitution and State statute permit the County to levy a tax for Farm-to-Market Road and Flood Control purposes (the "Farm-to-Market Road and Flood Control Tax") in an amount not to exceed \$0.30 per \$100 assessed valuation after the mandatory \$3,000 homestead exemption, if approved by the voters. There is no allocation prescribed by statutes between debt service and maintenance.

Section 1301.003, Texas Government Code, as amended, limits the amount of limited tax obligations of counties issue pursuant to such authority for those certain purposes as follows:

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

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

COUNTY APPLICATION OF THE PROPERTY TAX CODE

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

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

The County does not tax nonbusiness personal property.

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

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

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

The County does participate in the Tax Increment Reinvestment Zones.

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

TAX MATTERS

Tax Exemption

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

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the County made in a certificate dated the date of delivery of the 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 if required, the calculation and payment to the United States Treasury of any arbitrage "profits", and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the 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 municipal 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.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Registered Owners 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.

Ancillary Tax Consequences

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

Tax Accounting Treatment of Discount Certificates

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

However, such accrued interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see “Qualified Tax-Exempt Obligations” herein), property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Tax Accounting Treatment of Premium Certificates

The initial public offering price to be paid for certain Certificates may be greater than the stated redemption price on such Certificates at maturity (the “Premium Certificates”). 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 its stated redemption price 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 Certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable Certificate premium with respect to the Premium Certificates. 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 Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable Certificate 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.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code completely disallows 100% of any deduction for interest expense which is incurred by “financial institutions” described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity Certificates that are not qualified 501(c)(3) obligations)

which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain current refunding Certificates) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

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

Potential purchasers should be aware that the issue price for the Certificates to the public may exceed \$10,000,000, although the par amount of the Certificates shall not exceed \$10,000,000, and there is a reasonable basis to conclude that the payment of a "de minimis" amount of premium in excess of \$10,000,000 would be disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such "de minimis" premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations".

CONTINUING DISCLOSURE OF INFORMATION

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 annually provide certain updated financial information and operating data that is included in this Official Statement, that is customarily prepared by the County and that is publicly available, as well as timely notice of specified events to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the EMMA system through an internet website accessible at www.emma.msrb.org

Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in this official statement in Appendix A (tables 1-11 and 15-16) and in Appendix D. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2019.

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

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

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

Notice of Certain Events

The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the 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 Financial Obligation of the County, 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. Neither the Certificates nor the Order make any provision for debt service reserves, liquidity enhancement, or credit enhancement. In the Order, the County will adopt policies and procedures to ensure timely compliance of its continuing disclosure obligations. 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, (a) any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County and (b) the County intends the words used in the immediately preceding clauses (15) and (16) to have the meanings as when they are used in the Rule, as ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

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

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

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

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

pursuant to which the Dissemination Agent agreed to perform the duties and undertaking of the County as set forth in the Sublease, the Indenture, and the Disclosure Agreement, including the Undertaking.

The Corporation's Audit has been timely filed with EMMA for each of the fiscal years ended 2014 through 2019, in accordance with the Disclosure Agreement and the Undertaking. The source of the information in these Tables was provided by the operator of the detention facility which, at the time of the posting of the Corporation's 2014 Official Statement, was Community Education Centers, Inc. The operations of the detention facility has since changed to GEO Group, Inc., and, as of September 1, 2018, to LaSalle Corrections, LLC (the "Operator") (see "APPENDIX A – Table 17" herein). However, due to an administrative oversight, the County failed to provide the Tables to the Dissemination Agent for filing with EMMA, in accordance with the Disclosure Agreement and the Undertaking. The appropriate Tables and notice of failure to timely file have been filed with EMMA.

Additionally, on September 13, 2016, S&P Global Ratings ("S&P") lowered its long-term rating on the Corporation's 2014 Bonds to "BB" from "BBB" and kept the rating on credit watch, where it was placed with negative implications on June 3, 2016. On April 2, 2019, S&P Global Ratings withdrew its rating on the Corporation's 2014 Bonds, along with several other entities with revenue bonds secured primarily by federal contract revenues. Due to an administrative oversight, the County failed to provide notice of these ratings changes to the Dissemination Agent for filing with EMMA, in accordance with the Disclosure Agreement and the Undertaking. Notice of these rating actions and failure to timely file have been filed with EMMA.

The Corporation, the County, and the Dissemination Agent have implemented appropriate measures to ensure future compliance with the Undertaking.

OTHER PERTINENT INFORMATION

Authenticity of Financial Data and Other Information

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

Registration and Qualification of 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 laws 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.

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

Litigation

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

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

Future Debt Issuance

The County does not anticipate the issuance of additional debt over the next twenty-four (24) 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.

Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State. The Certificates are eligible to secure deposits of any public funds of the State, municipalities, school and other political subdivisions of the State, and are legal security for those deposits to the extent of the market value.

Legal Opinions and No-Litigation Certificate

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

Ratings

A municipal bond rating application has been made to S&P Global Ratings ("S&P"). Currently the Issuer has an underlying rating of "AA-" on its general obligation debt from S&P. 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 a 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.

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

Winning Bidder

On February 18, 2020, it is expected that the Certificates will be awarded to an underwriter or group of underwriters managed by _____ (the "Purchaser") through a competitive bid process, or the County will reject all bids in accordance with the provisions of the Official Notice of Sale. The initial reoffering yields will be supplied to the County by the Purchaser. The initial reoffering yields shown on page ii of the Official Statement will produce compensation to the Purchaser of approximately \$_____. The County can give no assurance that any trading market will be developed for the County after their sale by the County to the Purchaser. The County has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

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

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

Forward-Looking Statements Disclaimer

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

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

Concluding Statement

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

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

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

The Order authorizing the issuance of the Certificates will approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and will authorize its further use in the reoffering of the Certificates by the Purchaser.

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

FANNIN COUNTY, TEXAS

ATTEST:

County Clerk
Fannin County, Texas

County Judge
Fannin County, Texas

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.)

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2019 Actual Market Value of Taxable Property (100% of Actual)		\$ 4,670,547,183
Less Exemptions:		
Over-65 and/or Disabled	\$ 32,215,885	
Veterans Exemptions	32,735,095	
Pollution Exemption	7,795,370	
Abatements	10,709,010	
Freeport	7,216,664	
Productivity Value Loss	1,532,846,558	
10% Homestead Cap Loss	54,126,451	
Totally Exempt Property	725,867,503	<u>2,403,512,536</u>
2019 Certified Net Taxable Assessed Valuation		<u>\$ 2,267,034,647</u>
Less Adjustments:		
Freeze Taxable		401,252,634
Transfer Adjustment		<u>571,251</u>
2019 Freeze Adjusted Net Taxable Assessed Valuation		<u>\$ 1,865,210,762</u>

Source: Fannin Central Appraisal District

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Principal Outstanding: (As of February 1, 2020)		
General Obligation Bonds, Series 2017	\$	5,930,000
General Obligation Bonds, Series 2018		<u>6,210,000</u>
Total General Obligation Debt Principal Outstanding:	\$	5,930,000
Current Issue General Obligation Debt Principal		
Certificates of Obligation, Series 2020 (the "Certificates")	\$	<u>9,900,000</u> *
Total General Obligation Debt Principal Outstanding Following Issuance of the Certificates:	\$	<u>15,830,000</u> *
General Obligation Interest and Sinking Fund Balance as December 31, 2019 (Unaudited).	\$	118,342
Ratio of General Obligation Debt Principal to 2019 Adjusted Net Taxable Assessed Valuation		0.85%
2019 Freeze Adjusted Net Taxable Assessed Valuation ^(a)	\$	1,865,210,762
Population: 1980 - 24,285; 1990 -24,817; 2000 - 31,242; 2010 -33,915; Current Estimate -		36,962
Per Capita 2019 Freeze Adjusted Net Taxable Assessed Valuation -		\$50,463
Per Capita General Obligation Debt Principal -		\$428

^(a) See "AD VALOREM PROPERTY TAXATION" and "COUNTY APPLICATION OF THE PROPERTY TAX CODE" in the body of the Official Statement for a description of the Issuer's taxation procedures.

* Preliminary; subject to change.

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

OTHER OBLIGATIONS

TABLE 3

Capital Leases Payable:

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

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

Future minimum payments for leases follows:	<u>Year</u>	<u>Governmental</u>
	2018	\$ 93,532
	Less interest	<u>(4,508)</u>
	Present value	<u>\$ 89,024</u>

Non-Capital Leases Payable:

None

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 4

Fiscal Year <u>30-Sep</u>	Currently Outstanding <u>Debt Service</u>	The Certificates*			Combined <u>Debt Service*</u>
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2020	\$ 769,625.00	\$ -	\$ -	\$ -	\$ 769,625.00
2021	767,675.00	-	482,625.00	482,625.00	1,250,300.00
2022	770,675.00	235,000.00	317,931.25	552,931.25	1,323,606.25
2023	771,575.00	285,000.00	309,481.25	594,481.25	1,366,056.25
2024	771,775.00	295,000.00	300,056.25	595,056.25	1,366,831.25
2025	766,475.00	305,000.00	290,306.25	595,306.25	1,361,781.25
2026	770,675.00	315,000.00	280,231.25	595,231.25	1,365,906.25
2027	769,075.00	325,000.00	269,831.25	594,831.25	1,363,906.25
2028	768,125.00	340,000.00	259,025.00	599,025.00	1,367,150.00
2029	772,675.00	350,000.00	247,812.50	597,812.50	1,370,487.50
2030	771,600.00	360,000.00	236,275.00	596,275.00	1,367,875.00
2031	769,900.00	370,000.00	224,412.50	594,412.50	1,364,312.50
2032	767,775.00	385,000.00	212,143.75	597,143.75	1,364,918.75
2033	770,025.00	395,000.00	199,468.75	594,468.75	1,364,493.75
2034	766,306.25	410,000.00	186,387.50	596,387.50	1,362,693.75
2035	767,931.25	425,000.00	172,818.75	597,818.75	1,365,750.00
2036	768,512.50	440,000.00	158,762.50	598,762.50	1,367,275.00
2037	768,037.50	455,000.00	144,218.75	599,218.75	1,367,256.25
2038	771,775.00	470,000.00	129,187.50	599,187.50	1,370,962.50
2039	769,725.00	485,000.00	113,668.75	598,668.75	1,368,393.75
2040	766,975.00	500,000.00	97,662.50	597,662.50	1,364,637.50
2041	771,812.50	515,000.00	81,168.75	596,168.75	1,367,981.25
2042	765,700.00	535,000.00	64,106.25	599,106.25	1,364,806.25
2043	400,200.00	550,000.00	46,475.00	596,475.00	996,675.00
2044	400,400.00	570,000.00	28,275.00	598,275.00	998,675.00
2045	-	585,000.00	9,506.25	594,506.25	594,506.25
	<u>\$ 18,495,025.00</u>	<u>\$ 9,900,000.00</u>	<u>\$ 4,861,837.50</u>	<u>\$ 14,761,837.50</u>	<u>\$ 33,256,862.50</u>

* Preliminary, subject to change. Interest calculated at an assumed rate for purpose of illustration.

TAX ADEQUACY

TABLE 5

2019 Freeze Adjusted Net Taxable Assessed Valuation	\$ 1,865,210,762
Maximum Annual Debt Service Requirements (Fiscal Year Ending September 30, 2038*)	\$ 1,370,962.50 *
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$ 0.07500 *

* Preliminary, subject to change.

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

TAX RATE DISTRIBUTION

TABLE 6

<u>Fund</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>
Maintenance & Operations Fund	\$0.4181	\$0.4369	\$0.4352	\$0.4602	\$0.4641
Interest & Sinking Fund	0.0411	0.0223	0.0240	0.0000	0.0000
General Fund Totals	\$0.4592	\$0.4592	\$0.4592	\$0.4602	\$0.4641
Road & Bridge	0.1298	0.1298	0.1298	0.1298	0.1309
County's Total Tax Rate	\$0.5890	\$0.5890	\$0.5890	\$0.5900	\$0.5950

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

PROPERTY TAX RATES AND COLLECTIONS

TABLE 7

<u>Tax Year</u>	<u>Certified Net Taxable Assessed Valuation</u> ^(a)	<u>Tax Rate</u>	<u>Total Tax Levy</u>	<u>% Collections</u>		<u>Fiscal Year Ending</u>
				<u>Current</u>	<u>Total</u>	
2009	\$ 1,213,993,315	\$ 0.61100	8,456,853	101.39%	101.47%	9/30/2010
2010	1,214,777,657	0.61100	8,537,194	102.68%	102.86%	9/30/2011
2011	1,206,002,962	0.60810	8,579,228	98.00%	100.28%	9/30/2012
2012	1,207,429,111	0.60510	8,582,030	96.92%	100.36%	9/30/2013
2013	1,235,837,895	0.59500	8,735,210	96.48%	100.07%	9/30/2014
2014	1,262,738,663	0.59500	8,828,631	98.45%	101.61%	9/30/2015
2015	1,325,450,787	0.59500	9,212,783	98.57%	102.04%	9/30/2016
2016	1,418,905,862	0.59000	9,788,275	98.68%	101.67%	9/30/2017
2017	1,509,272,635	0.58900	10,364,380	98.68%	101.26%	9/30/2018
2018	1,648,731,947	0.58900	11,295,848	98.14%	100.90%	9/30/2019
2019	1,865,210,762	0.58900	12,657,201	22.16%	22.74%	9/30/2020 *

^(a) Figures represent Net Taxable Assessed Valuation less Freeze adjustment.

Sources: Texas Municipal Reports, the Fannin Central Appraisal District and the Issuer.

* As of December 31, 2019.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

TABLE 8

<u>Fiscal Year Ending 9/30</u>	<u>Principal Repayment Schedule</u>			<u>Obligations Unpaid at End of Year*</u>	<u>Percent of Principal Retired (%)*</u>
	<u>Principal Outstanding</u>	<u>The Certificates*</u>	<u>Total*</u>		
2020	\$ 210,000	\$ -	\$ 210,000	\$ 22,200,000	0.94%
2021	335,000	-	335,000	21,865,000	2.43%
2022	350,000	235,000	585,000	21,280,000	5.04%
2023	365,000	285,000	650,000	20,630,000	7.94%
2024	380,000	295,000	675,000	19,955,000	10.95%
2025	390,000	305,000	695,000	19,260,000	14.06%
2026	410,000	315,000	725,000	18,535,000	17.29%
2027	425,000	325,000	750,000	17,785,000	20.64%
2028	440,000	340,000	780,000	17,005,000	24.12%
2029	460,000	350,000	810,000	16,195,000	27.73%
2030	475,000	360,000	835,000	15,360,000	31.46%
2031	490,000	370,000	860,000	14,500,000	35.30%
2032	505,000	385,000	890,000	13,610,000	39.27%
2033	525,000	395,000	920,000	12,690,000	43.37%
2034	540,000	410,000	950,000	11,740,000	47.61%
2035	560,000	425,000	985,000	10,755,000	52.01%
2036	580,000	440,000	1,020,000	9,735,000	56.56%
2037	600,000	455,000	1,055,000	8,680,000	61.27%
2038	625,000	470,000	1,095,000	7,585,000	66.15%
2039	645,000	485,000	1,130,000	6,455,000	71.20%
2040	665,000	500,000	1,165,000	5,290,000	76.39%
2041	695,000	515,000	1,210,000	4,080,000	81.79%
2042	715,000	535,000	1,250,000	2,830,000	87.37%
2043	370,000	550,000	920,000	1,910,000	91.48%
2044	385,000	570,000	955,000	955,000	95.74%
2045	-	585,000	955,000	-	100.00%
	<u>\$ 12,140,000</u>	<u>\$ 9,900,000</u>	<u>\$ 22,410,000</u>		

* Preliminary, subject to change.

OPTIONAL ADDITIONAL SALES AND USE TAX

TABLE 9

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

Fiscal Year	½% Sales Tax Collections	Percent of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2009	\$ 782,322	9.43%	\$ 0.05763
2010	708,673	8.38%	0.05120
2011	777,249	9.10%	0.05536
2012	793,155	9.25%	0.05594
2013	795,119	9.26%	0.05513
2014	855,079	9.79%	0.05824
2015	901,942	10.22%	0.06079
2016	947,692	10.29%	0.06069
2017	1,004,143	10.26%	0.06042
2018	1,155,347	10.23%	0.06024
2019 ^(a)	1,295,998	10.24%	0.06031

^(a) Current fiscal year collections are through December 2019; unaudited.
 Source: Texas Comptroller of Public Accounts and the Issuer.

PRINCIPAL TAXPAYERS 2019

TABLE 10

Name	Type of Property	2019 Net Taxable Assessed Valuation	% of Total 2019 Net Taxable Assessed Valuation
ONCOR Electric Delivery Company	Electric - Utility	\$ 37,842,860	2.03%
Atmos Energy/MID-TEX Pipeline	Pipeline	34,856,200	1.87%
Energy Transfer Fuel LP	Oil & Gas	25,252,740	1.35%
Phillips Avis A	Real	15,002,630	0.80%
Bonham Chr, LLC	Real	11,597,859	0.62%
Transcanada Keystone PL LP	Pipeline	10,952,430	0.59%
Gulf Crossing Company	Pipeline	9,486,950	0.51%
Wal-Mart Stores	Retail	9,291,080	0.50%
Voluntary Purchasing Group	Agricultural Supply	9,147,220	0.49%
Voluntary Purchasing Group	Agricultural Supply	8,074,570	0.43%
	Total	\$ 171,504,539	9.19%

Based on a 2019 Freeze Adjusted Net Taxable Assessed Valuation of \$1,865,210,762

Source: Fannin Central Appraisal District and the Issuer.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 11

Category	2019	% of Total	2018	% of Total	2017	% of Total	2016	% of Total	2015	% of Total
Real, Residential, Single Family	\$ 1,000,045,038	21.41%	\$ 859,719,864	20.40%	\$ 776,847,115	20.54%	\$ 713,499,299	20.05%	\$ 654,892,828	20.62%
Real, Residential, Multi-Family	30,759,805	0.66%	23,831,186	0.57%	21,809,790	0.58%	21,229,848	0.60%	20,238,128	0.64%
Real, Vacant Lots/Tract	26,515,954	0.57%	23,617,136	0.56%	20,764,584	0.55%	20,392,005	0.57%	17,032,047	0.54%
Qualified/Improvements Open-Space Land	1,609,897,131	34.47%	1,598,549,966	37.94%	1,391,378,909	36.80%	1,314,934,811	36.95%	1,170,229,102	36.84%
Rural Land, Non Qualified Open-Space	708,487,935	15.17%	616,420,843	14.63%	555,267,217	14.68%	510,842,773	14.35%	455,109,022	14.33%
Real, Commercial	169,800,685	3.64%	153,746,163	3.65%	136,713,302	3.62%	133,178,892	3.74%	121,605,127	3.83%
Real, Industrial	31,734,380	0.68%	43,919,046	1.04%	29,403,780	0.78%	29,141,760	0.82%	30,080,600	0.95%
Real & Tangible Personal, Utilities	169,340,090	3.63%	163,383,460	3.88%	159,192,326	4.21%	148,342,768	4.17%	158,005,050	4.97%
Tangible Personal, Commercial	84,538,610	1.81%	67,102,649	1.59%	50,581,360	1.34%	51,871,830	1.46%	45,677,730	1.44%
Tangible Personal, Industrial	93,162,380	1.99%	60,598,800	1.44%	59,648,280	1.58%	48,560,550	1.36%	45,221,120	1.42%
Tangible Personal, Mobile Homes	11,292,417	0.24%	7,090,226	0.17%	5,988,004	0.16%	5,246,764	0.15%	4,415,223	0.14%
Real Residential, Inventory	442,670	0.01%	499,090	0.01%	1,453,810	0.04%	445,350	0.01%	599,150	0.02%
Special Inventory	8,711,090	0.19%	8,373,630	0.20%	7,731,320	0.20%	8,611,650	0.24%	8,171,560	0.26%
Totally Exempt Property	725,818,998	15.54%	586,685,931	13.92%	564,639,868	14.93%	552,845,832	15.53%	445,372,000	14.02%
Total Appraised Value	\$ 4,670,547,183	100.00%	\$ 4,213,537,990	100.00%	\$ 3,781,419,665	100.00%	\$ 3,559,144,132	100.00%	\$ 3,176,648,687	100.00%
Less Exemptions:										
Over-65/Disabled	\$ 32,215,885		\$ 32,335,077		\$ 32,217,045		\$ 26,395,136		\$ 26,367,359	
Veterans Exemptions	32,735,095		27,684,246		24,967,661		21,659,228		19,444,544	
Pollution Control	7,795,370		3,935,050		4,877,510		3,705,680		843,160	
Abatements	10,709,010		13,432,540		-		-		-	
Freeport	7,216,664		5,806,933		-		-		-	
Productivity Value Loss	1,532,846,558		1,513,021,596		1,302,761,861		1,214,492,632		1,074,957,500	
10% Homestead Cap Loss	54,126,451		21,624,587		15,519,328		16,205,074		8,155,418	
Totally Exempt Property/Other	725,867,503		586,725,181		564,652,598		552,845,832		445,372,000	
Total Exemptions	\$ 2,403,512,536		\$ 2,204,565,210		\$ 1,944,996,003		\$ 1,835,303,582		\$ 1,575,139,981	
Net Taxable Assessed Valuation	\$ 2,267,034,647		\$ 2,008,972,780		\$ 1,836,423,662		\$ 1,723,840,550		\$ 1,601,508,706	
Freeze Taxable	\$ 401,252,634		\$ 359,881,606		\$ 327,151,027		\$ 304,934,688		\$ 276,057,919	
Transfer Adjustment	\$ 571,251		\$ 359,227		\$ -		\$ -		\$ -	
Net Taxable Assessed Valuation after Freeze and Adjustment	\$ 1,865,210,762		\$ 1,648,731,947		\$ 1,509,272,635		\$ 1,418,905,862		\$ 1,325,450,787	

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

Note: Taxable Assessed Valuations are subject to change during the year due to various supplements and protests.

Valuations shown in other tables of the Official Statement may not match these certified valuations.

OVERLAPPING DEBT DATA AND INFORMATION

TABLE 12

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

<u>Taxing Body</u>	<u>Gross Debt Principal</u>	<u>As of</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Bailey, City of	\$ 69,000	12/31/2019	100.00%	\$ 69,000
Blue Ridge ISD	36,095,000	12/31/2019	3.59%	1,295,811
Bonham ISD	33,925,000	12/31/2019	100.00%	33,925,000
Bonham, City of	29,210,000	12/31/2019	100.00%	29,210,000
Dodd City ISD	4,105,000	12/31/2019	100.00%	4,105,000
Dodd City, City of	1,240,000	12/31/2019	100.00%	1,240,000
Ector ISD	1,465,000	12/31/2019	100.00%	1,465,000
Fannindel ISD	960,000	12/31/2019	64.65%	620,640
Honey Grove ISD	8,130,000	12/31/2019	96.95%	7,882,035
Honey Grove, City of	2,542,000	12/31/2019	100.00%	2,542,000
Ladonia, City of	2,885,000	12/31/2019	100.00%	2,885,000
Leonard ISD	-	12/31/2019	88.11%	-
Leonard, City of	105,000	12/31/2019	100.00%	105,000
North Lamar ISD	-	12/31/2019	0.13%	-
Sam Rayburn ISD	3,560,000	12/31/2019	100.00%	3,560,000
Savoy ISD	1,105,000	12/31/2019	100.00%	1,105,000
Savoy, Town of	2,705,000	12/31/2019	100.00%	2,705,000
Trenton ISD	6,270,000	12/31/2019	95.25%	5,972,175
Trenton, City of	954,000	12/31/2019	100.00%	954,000
Whitewright ISD	6,670,025	12/31/2019	19.48%	1,299,321
Wolfe City ISD	6,605,000	12/31/2019	6.97%	460,369
Total Gross Overlapping Debt Principal	\$ 148,600,025	12/31/2019		\$ 101,400,350
Fannin County	\$ 15,830,000	(a)*	100.00%	15,830,000 (a)*
Total Direct and Overlapping Debt Principal				\$ 117,230,350 (a)*
Ratio of Direct and Overlapping Debt to 2019 Adjusted Net Taxable Assessed Valuation				5.17% (a)*
Ratio of Direct and Overlapping Debt to 2019 Actual Market Value				2.51% (a)*
Per Capita Direct and Overlapping Debt				\$3,171.65 (a)*

(a) Includes the Certificates. (See "Table 2 - General Obligation Bonded Debt" herein.)

* Preliminary; subject to change.

Source: Municipal Advisory Council of Texas

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

TABLE 13

<u>Taxing Body</u>	<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To Date</u>	<u>Unissued</u>
None					

Source: Municipal Advisory Council of Texas.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES

TABLE 14

<u>Governmental Entity</u>	<u>2019 Net Taxable Assessed Valuation</u>	<u>% of Actual</u>	<u>2019 Tax Rate</u>
Bailey, City of	\$ 6,303,763	100.00%	\$ 0.42050
Blue Ridge ISD	281,010,980	100.00%	1.56835
Bonham ISD	725,066,647	100.00%	1.31210
Bonham, City of	424,934,213	100.00%	0.65500
Dodd City ISD	65,364,400	100.00%	1.18000
Dodd City, City of	14,778,730	100.00%	0.33940
Ector ISD	52,659,344	100.00%	1.17500
Ector, City of	21,837,991	100.00%	0.59500
Fannindel ISD	56,892,265	100.00%	1.14840
Honey Grove ISD	197,539,956	100.00%	1.12891
Honey Grove, City of	63,428,036	100.00%	0.80050
Ladonia, City of	15,283,415	100.00%	0.45220
Leonard ISD	218,282,122	100.00%	1.06835
Leonard, City of	89,277,814	100.00%	0.66500
North Lamar ISD	1,184,535,581	100.00%	0.97000
Sam Rayburn ISD	114,146,196	100.00%	1.22835
Savoy ISD	113,406,489	100.00%	1.24835
Savoy, Town of	27,672,871	100.00%	0.77470
Trent, City of	7,609,662	100.00%	
Trenton ISD	235,628,355	100.00%	1.26835
Trenton, City of	42,893,425	100.00%	0.83470
Whitewright ISD	303,192,157	100.00%	1.24535
Windom, Town of	9,375,179	100.00%	0.19250
Wolfe City ISD	131,916,188	100.00%	1.23220

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

FUND BALANCES

TABLE 15

	<u>(Unaudited) As of 12/31/2019</u>
General Fund	\$ 3,889,971
Special Revenue Funds	4,243,831
Debt Service Fund	118,342
Capital Projects Fund	-
Total	<u>\$ 8,252,143</u>

Source: Issuer

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

TABLE 16

	Fiscal Year Ended September 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
REVENUES:					
Ad valorem taxes	\$ 7,768,062	\$ 7,747,364	\$ 7,329,134	\$ 7,312,582	\$ 7,092,011
Other Taxes	1,180,387	1,091,626	1,092,377	1,036,502	997,928
Licenses and permits	121,944	104,628	90,245	45,954	91,066
Intergovernmental	65,541	33,365	173,922	42,727	65,091
Fees of office	976,386	880,150	1,037,717	1,188,135	1,292,295
Fees of tax collector	415,020	412,756	394,514	385,183	339,906
Fines	11,416	19,001	24,500	31,503	42,462
Interest	79,016	27,129	12,383	5,032	4,268
Miscellaneous	276,520	321,653	413,733	285,557	317,204
Total Revenues	<u>\$ 10,894,292</u>	<u>\$ 10,637,672</u>	<u>\$ 10,568,525</u>	<u>\$ 10,333,175</u>	<u>\$ 10,242,231</u>
EXPENDITURES:					
General administration	\$ 688,978	\$ 699,662	\$ 640,859	\$ 624,528	\$ 604,748
Judicial	2,304,455	2,249,035	1,823,216	1,719,345	1,762,815
Legal	835,542	851,866	780,956	717,383	786,211
Financial administration	887,618	888,854	787,137	740,946	710,343
Public facilities	420,650	404,685	578,297	408,102	545,964
Public safety	4,666,833	4,596,905	4,644,476	4,056,356	4,050,375
Health and welfare	570,672	509,926	496,164	441,349	463,463
Nondepartmental	942,901	902,910	826,222	613,830	739,358
Debt Service:					
Principal	-	-	-	-	1,011,985
Interest and fiscal charges	-	-	-	-	27
Total Expenditures	<u>\$ 11,317,649</u>	<u>\$ 11,103,843</u>	<u>\$ 10,577,327</u>	<u>\$ 9,321,839</u>	<u>\$ 10,675,289</u>
Other Financing Sources (uses):					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Sale of capital assets	\$ 23,382	\$ 116	\$ 22,940	-	-
Total other financing sources (uses)	23,382	116	22,940	-	-
Net Change in Fund Balance	(399,975)	(466,055)	(8,802)	1,011,336	(433,058)
Fund Balances, October 1	5,355,936	5,821,991	5,807,853	4,903,111	5,336,169
Increase (decrease) in fund balance	-	-	-	(106,594)	-
Fund Balances, September 30	<u>\$ 4,955,961</u> ⁽¹⁾	<u>\$ 5,355,936</u>	<u>\$ 5,821,991</u>	<u>\$ 5,807,853</u>	<u>\$ 4,903,111</u>

⁽¹⁾ On May 24, 2016, the County adopted a Fund Balance Policy that set an upper limit of General Fund Fund Balance at 30%. At the time, the Fund Balance was at 55%. It is estimated that the September 30, 2019 General Fund Balance will be \$4,356,079, which is 36% of expenditures. As directed by their policy, the Commissioners Court has purposely been working towards reducing the Fund Balance to more closely match their Policy.

Source: *The Issuer's Annual Financial Reports.*

**FANNIN COUNTY PUBLIC FACILITY CORPORATION
DEBT SERVICE REQUIREMENTS**

TABLE 17

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

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

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

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

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

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

On September 30, 2016, S&P Global Ratings lowered its long-term rating on the Corporation's outstanding revenue debt to "BB" from "BBB" and kept the rating on credit watch, where it was placed with negative implications on June 3, 2016. In April 2019, S&P Global Ratings withdrew its rating on the Corporation's debt, along with several other entities with revenue bonds secured by federal contract revenues, citing its inability to communicate with the federal agency that appropriates the funding, or the operator who manages a specific facility.

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

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

Fiscal Year	2014 Bond Debt Service			
	30-Sep	Principal	Interest	Total
2020	\$	815,000.00	\$ 1,930,542.50	\$ 2,745,542.50
2021		855,000.00	1,885,840.00	2,740,840.00
2022		900,000.00	1,836,902.50	2,736,902.50
2023		955,000.00	1,782,827.50	2,737,827.50
2024		1,010,000.00	1,722,867.50	2,732,867.50
2025		1,075,000.00	1,657,426.25	2,732,426.25
2026		1,140,000.00	1,583,965.00	2,723,965.00
2027		1,220,000.00	1,502,545.00	2,722,545.00
2028		1,305,000.00	1,415,432.50	2,720,432.50
2029		1,395,000.00	1,322,282.50	2,717,282.50
2030		1,490,000.00	1,222,750.00	2,712,750.00
2031		1,595,000.00	1,115,520.00	2,710,520.00
2032		1,705,000.00	1,000,020.00	2,705,020.00
2033		1,825,000.00	876,470.00	2,701,470.00
2034		1,950,000.00	743,370.00	2,693,370.00
2035		2,090,000.00	599,950.00	2,689,950.00
2036		2,240,000.00	446,235.00	2,686,235.00
2037		5,165,000.00	183,357.50	5,348,357.50
		<u>\$ 28,730,000.00</u>	<u>\$ 22,828,303.75</u>	<u>\$ 51,558,303.75</u>

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APPENDIX B

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

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

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

Map of Texas Counties showing location of Fannin County



Population Trends

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

Sources: U.S. Census Bureau and the Issuer and Texas Demographic Center.

Leading Employers – Fannin County

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

Source: *The Issuer*.

Labor Force Statistics

	<u>Fannin County</u>	
	<u>November 2019</u>	<u>November 2018</u>
Civilian Labor Force	17,458	16,785
Total Employed	17,009	16,306
Total Unemployed	449	479
% Unemployed	2.6%	2.9%
% Unemployed (Texas)	3.3%	3.5%
% Unemployed (United States)	3.3%	3.5%

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

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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DRAFT 1/17/2020

IN REGARD to the authorization and issuance of the “Fannin County, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020” (the *Certificates*), dated March 1, 2020 in the aggregate principal amount of \$_____, we have reviewed the legality and validity of the issuance thereof by the Commissioners Court of Fannin County, Texas (the *Issuer*). The Certificates are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity), and have Stated Maturities of March 1 in each of the years 2022 through 2045, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

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

WE HAVE EXAMINED, the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Commissioners Court of the Issuer in connection with the issuance of the Certificates, including the Order; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express

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Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “FANNIN COUNTY, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020”

no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer and are further payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Library System, such lien on and pledge of the limited amount of Net Revenues, being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Bonds or Junior Lien Bonds hereafter issued by the Issuer. In the Order, the Issuer retains the right to issue Prior Lien Bonds, Junior Lien Bonds, and Parity Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

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

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the 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 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

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “FANNIN COUNTY, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020”

supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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APPENDIX D

**EXCERPTS FROM FANNIN COUNTY'S AUDITED FINANCIAL STATEMENTS FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

(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.)

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FANNIN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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**FANNIN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**FANNIN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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Financial Section

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

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

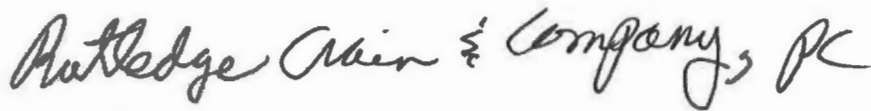
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension disclosures, on pages 5-11, 38-39, and 40-41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

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

Other Information

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

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

A handwritten signature in black ink that reads "Rutledge Allen & Company, PC". The signature is written in a cursive, flowing style.

March 29, 2019

Management's Discussion and Analysis

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FANNIN COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2018

As management of Fannin County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented herein with the County's financial statements, which follow this section.

Financial Highlights

The assets of the County exceeded its liabilities at the close of the fiscal year ended September 30, 2018 by \$24,268,823 (net position). Of this amount, \$9,072,340 (unrestricted net Position) may be used to meet the government's ongoing obligations to citizens and creditors.

The County's total net assets increased by \$1,217,796. The majority of this increase is attributable to the increase in capital assets.

The County's governmental funds reported combined ending fund balances of \$14,238,530, a decrease of \$380,834 in comparison to the previous year mainly due to total expenditures exceeding total revenues.

The unreserved portion of the General Fund fund balance at the end of the year was \$4,955,961 or 44% of total General Fund expenditures for fiscal year 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) fiduciary financial statements, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Fannin County's finances. This is done in a manner similar to a private-sector business. Two statements, the Statement of Net Position and the Statement of Activities, are utilized to provide this financial overview.

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

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

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

FANNIN COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2018

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

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

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

The County maintains 48 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund which is considered to be a major fund. Data from the other 47 funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

Government-wide Financial Analysis

At the end of fiscal year 2018, the County's net position (assets exceeding liabilities) totaled \$24,268,824. This analysis focuses on the net position (Table 1) and changes in net position (Table 2). This is an increase of \$1,217,796, mainly due to an increase in assets.

Net Position. \$15,108,628 reflects the County's investment in capital assets (land, buildings, infrastructure, machinery and equipment, construction in progress); less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The County uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

FANNIN COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2018

The remaining balance of unrestricted net position, \$9,072,341 may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1
Condensed Statement of Net Position

	<u>9/30/2018</u>	<u>Restated 9/30/2017</u>
ASSETS		
Current and other assets	\$ 20,441,409	\$ 20,618,047
Capital assets	<u>15,108,628</u>	<u>13,696,065</u>
Total assets	<u>35,550,037</u>	<u>34,314,112</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges	<u>1,424,804</u>	<u>1,805,395</u>
LIABILITIES		
Long-term liabilities	7,381,831	8,796,226
Other liabilities	<u>4,098,510</u>	<u>4,067,860</u>
Total liabilities	<u>11,480,341</u>	<u>12,864,086</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	<u>1,225,677</u>	<u>204,393</u>
NET POSITION		
Net Investment in capital assets	15,108,628	13,696,065
Restricted For Debt Service	87,855	26,910
Restricted For Capital Projects	-	6,250,000
Unrestricted	<u>9,072,340</u>	<u>3,078,053</u>
	<u>\$ 24,268,823</u>	<u>\$ 23,051,028</u>

Changes in Net Position. The net position of the County decreased by \$1,217,795 for the fiscal year ended September 30, 2018. This decrease is mainly due to the decrease in long term liabilities.

FANNIN COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2018

Table 2
Changes in Net Position

	<u>9/30/2018</u>	<u>Restated 9/30/2017</u>
Program Revenues:		
Charges for services	\$ 3,176,779	\$ 3,105,665
Operating grants and contributions	379,971	517,632
Capital grant and contributions	1,786,689	1,045,388
General Revenues		
Taxes	11,768,517	11,038,553
Unrestricted Investment Earnings	147,809	61,642
Miscellaneous	168,775	116,852
Gain (loss) on sale of capital assets	45,300	137
Total Revenues	<u>17,473,840</u>	<u>15,885,869</u>
Expenses:		
General Administration	904,752	887,861
Judicial	2,330,872	2,331,065
Legal	931,489	1,000,614
Financial Administration	899,208	939,438
Public Facilities	465,358	442,195
Public Safety	4,927,327	4,760,734
Public Transportation	3,970,995	3,831,199
Health and Welfare	610,120	530,541
Non Departmental	969,198	1,066,368
Debt Service	246,726	212,281
Total Expenses	<u>16,256,045</u>	<u>16,002,296</u>
Increase/Decrease in net position	1,217,795	(116,427)
Net position-October 1	21,567,459	23,167,455
Prior period adjustment	1,483,569	-
Net position-September 30	<u>\$ 24,268,823</u>	<u>\$ 23,051,028</u>

Financial Analysis of the Government's Funds

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

FANNIN COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2018

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$14,238,530.

The General Fund is the main operating fund of the County. At the end of the current fiscal year, unreserved fund balance was \$4,955,961. This is an increase over last year with the primary reason due to the increase of liabilities.

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

Overall total actual income was over amended budget by \$752,512.

The overall County Sheriff budget was under budget by \$27,265.

County Purchasing budget was under budget by \$43,682. This was due to the retirement of the Purchasing Agent and Assistant Auditor filling in until position was filled.

336th District Court was over budget by \$18,173 mainly due to huge increase in CPS cases brought to the court.

County Clerk budget was under budget by \$30,849. This was salary and benefits of open deputy positions.

District Attorney budget was under budget by \$84,419. This was salary and benefits for ADA positions as well as Investigator position for Crimes Against Women.

Total Health and Welfare was under budget by \$278,948 mainly due to Indigent Health Care being below budget.

Overall, expenditures were under the amended budget by \$1,560,923.

Capital Assets and Debt Administration

Capital Assets. The County's investment in capital assets as of September 30, 2018, amounts to \$15,108,628 (net of accumulated depreciation). The investment in capital assets includes land, buildings, machinery and equipment, and infrastructure.

FANNIN COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2018

Table 3
Capital Assets at Year End
Net of Accumulated Depreciation

	<u>9/30/2018</u>	<u>Restated 9/30/2017</u>
Land	\$ 341,564	\$ 341,564
Construction in progress	1,149,461	-
Buildings	1,242,556	1,360,323
Machinery and equipment	2,050,198	1,286,566
Infrastructure	<u>10,324,849</u>	<u>10,707,613</u>
	<u>\$ 15,108,628</u>	<u>\$ 13,696,066</u>

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

Debt Administration. At the end of the current fiscal year, Fannin County had total debt outstanding of only \$199,433 for compensated absences.

Compensated absences increased by \$19,619.

FANNIN COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2018

**Table 4
Outstanding Debt at Year End**

<u>Type of Debt</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
General Obligation Bonds	\$ 6,090,000	\$ 6,150,000
Unamortized premium	257,959	268,938
Unamortized discount	(63,441)	(66,141)
Net General Obligation Bonds	<u>6,284,518</u>	<u>6,352,797</u>
Capital Lease Obligation	-	89,024
Net Pension Liability	897,879	2,174,591
Compensated Absences	<u>199,433</u>	<u>179,814</u>
Total	<u>\$ 7,381,830</u>	<u>\$ 8,796,226</u>

Additional information on the County's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Fannin County economy showed stability this year, with a projection of growth for the next year. This forecast is due to the present economic conditions which indicate slight growth. In the future years, we foresee some slow growth in our county coming from the Dallas/Fort Worth Metroplex area. Overall, our property values reflect an increase in value according to preliminary appraised values for 2019 tax year.

Some key factors to look for in future budgets:

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

The cost that will be associated to lease/construct an annex for the housing of the employees that will not be relocating back into the courthouse upon the completion of the restoration.

Requests for Information

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

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Basic Financial Statements

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FANNIN COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 9,005,709
Investments	5,474,099
Receivables (net of allowances for uncollectibles):	
Taxes	834,039
Accounts	8,835
Fines	4,597,534
Intergovernmental	370,131
Inventories	151,062
Capital assets (net of accumulated depreciation)	
Land	341,564
Construction in progress	1,149,461
Buildings	1,242,556
Machinery and equipment	2,050,198
Infrastructure	10,324,849
Total Assets	<u>35,550,037</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflow	1,424,804
Total Deferred Outflows of Resources	<u>1,424,804</u>
LIABILITIES	
Accounts payable	497,782
Accrued liabilities	309,956
Interest payable	61,179
Due to other governments	733,785
Due to others	2,495,809
Noncurrent liabilities:	
Due within one year	367,710
Due in more than one year	7,014,120
Total Liabilities	<u>11,480,341</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflow	1,225,677
Total Deferred Inflows of Resources	<u>1,225,677</u>
NET POSITION:	
Net Investment in Capital Assets	15,108,628
Restricted For:	
Debt Service	87,855
Unrestricted	9,072,340
Total Net Position	<u>\$ 24,268,823</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
PRIMARY GOVERNMENT					
Governmental activities:					
General administration	\$ 904,752	\$ 455,556	\$ 9,610	\$ --	\$ (439,586)
Judicial	2,330,872	612,833	75,667	--	(1,642,372)
Legal	931,489	35,091	103,743	--	(792,655)
Financial administration	899,208	415,677	--	--	(483,531)
Public facilities	465,358	--	15,992	1,333,173	883,807
Public safety	4,927,327	596,593	47,964	446,566	(3,836,204)
Public transportation	3,970,995	939,085	103,876	6,950	(2,921,084)
Health and welfare	610,120	121,944	23,119	--	(465,057)
Nondepartmental	969,198	--	--	--	(969,198)
Interest on long-term debt	246,726	--	--	--	(246,726)
Total expenses	<u>16,256,045</u>	<u>3,176,779</u>	<u>379,971</u>	<u>1,786,689</u>	<u>(10,912,606)</u>
Total Primary Government	<u>\$ 16,256,045</u>	<u>\$ 3,176,779</u>	<u>\$ 379,971</u>	<u>\$ 1,786,689</u>	<u>(10,912,606)</u>
General Revenues:					
Property Taxes					10,583,656
Other Taxes					1,184,861
Unrestricted Investment Earnings					147,809
Miscellaneous					168,775
Gain (Loss) on Disposal of Capital Assets					45,300
Total General Revenues and Transfers					<u>12,130,401</u>
Change in Net Position					<u>1,217,795</u>
Net Position - Beginning					<u>21,567,459</u>
Prior Period Adjustment					<u>1,483,569</u>
Net Position - Ending					<u>\$ 24,268,823</u>

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	2017 GO Bonds Construction	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 602,564	\$ 5,526,896	\$ 2,876,248	\$ 9,005,708
Investments	4,618,855	--	855,244	5,474,099
Receivables (net of allowances for uncollectibles):				
Taxes	650,316	--	183,723	834,039
Accounts	8,835	--	--	8,835
Fines	4,597,534	--	--	4,597,534
Intergovernmental	161,132	--	208,999	370,131
Due from other funds	116,968	--	--	116,968
Inventories	--	--	151,062	151,062
Total Assets	<u>\$ 10,756,204</u>	<u>\$ 5,526,896</u>	<u>\$ 4,275,276</u>	<u>\$ 20,558,376</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 342,785	\$ 30,459	\$ 124,538	\$ 497,782
Accrued liabilities	237,763	--	72,193	309,956
Due to other funds	--	8,493	108,475	116,968
Due to other governments	733,785	--	--	733,785
Due to others	2,495,809	--	--	2,495,809
Total Liabilities	<u>3,810,142</u>	<u>38,952</u>	<u>305,206</u>	<u>4,154,300</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	620,022	--	175,445	795,467
Unavailable revenue - fines	1,370,079	--	--	1,370,079
Total Deferred Inflows of Resources	<u>1,990,101</u>	<u>--</u>	<u>175,445</u>	<u>2,165,546</u>
Fund balances:				
Nonspendable	--	--	151,062	151,062
Restricted	--	5,487,944	2,233,764	7,721,708
Committed	--	--	1,419,736	1,419,736
Unassigned	4,955,961	--	(9,937)	4,946,024
Total fund balances	<u>4,955,961</u>	<u>5,487,944</u>	<u>3,794,625</u>	<u>14,238,530</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,756,204</u>	<u>\$ 5,526,896</u>	<u>\$ 4,275,276</u>	<u>\$ 20,558,376</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 14,238,530
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	15,108,625
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	795,468
Payables for bond principal which are not due in the current period are not reported in the funds.	(6,090,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(61,179)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(199,433)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	1,370,079
Recognition of the County's net pension liability is not reported in the funds.	(897,879)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,225,677)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,424,804
Bond premiums are amortized in the SNA but not in the funds.	<u>(194,515)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 24,268,823</u>

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	2017 GO Bonds Construction	Other Governmental Funds	Total Governmental Funds
Revenue:				
Ad valorem taxes	\$ 7,768,062	\$ --	\$ 2,719,250	\$ 10,487,312
Other taxes	1,180,387	--	259,057	1,439,444
Licenses and permits	121,944	--	--	121,944
Intergovernmental	65,541	--	1,877,327	1,942,868
Fees of office	976,386	--	42,526	1,018,912
Fees of tax collector	415,020	--	702,969	1,117,989
Fines	11,416	--	221,936	233,352
Interest	79,016	51,320	17,473	147,809
Miscellaneous	276,520	--	487,742	764,262
Total revenues	<u>10,894,292</u>	<u>51,320</u>	<u>6,328,280</u>	<u>17,273,892</u>
Expenditures:				
General administration	688,978	--	149,506	838,484
Judicial	2,304,455	--	3,276	2,307,731
Legal	835,542	--	73,322	908,864
Financial administration	887,618	--	--	887,618
Public facilities	420,650	--	366,169	786,819
Public safety	4,666,833	--	497,106	5,163,939
Public transportation	--	--	4,028,746	4,028,746
Health and welfare	570,672	--	95,909	666,581
Nondepartmental	942,901	--	347	943,248
Capital outlay	--	813,376	--	813,376
Debt service:				
Principal	--	--	60,000	60,000
Interest and fiscal charges	--	--	303,773	303,773
Total expenditures	<u>11,317,649</u>	<u>813,376</u>	<u>5,578,154</u>	<u>17,709,179</u>
Excess (deficiency) of revenues over (under) expenditures	(423,357)	(762,056)	750,126	(435,287)
Other financing sources (uses):				
Sale of capital assets	23,382	--	1,200	24,582
Insurance proceeds	--	--	29,871	29,871
Total other financing sources (uses)	<u>23,382</u>	<u>--</u>	<u>31,071</u>	<u>54,453</u>
Net change in fund balances	(399,975)	(762,056)	781,197	(380,834)
Fund balances, October 1	5,355,936	6,250,000	3,013,428	14,619,364
Fund balances, September 30	<u>\$ 4,955,961</u>	<u>\$ 5,487,944</u>	<u>\$ 3,794,625</u>	<u>\$ 14,238,530</u>

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds	\$ (380,834)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,392,199
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,000,355)
The gain or loss on the sale of capital assets is not reported in the funds.	20,718
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	96,343
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	60,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	89,024
(Increase) decrease in accrued interest from beginning of period to end of period.	57,047
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(19,619)
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	28,434
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(125,162)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,217,795</u>

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, TEXAS
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,678,321
Total Assets	<u>\$ 1,678,321</u>
LIABILITIES	
Due to other governments	\$ 1,009,196
Due to others	669,125
Total Liabilities	<u>\$ 1,678,321</u>

The accompanying notes are an integral part of this statement.

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FANNIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The County reports the following major governmental funds:

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

The *2017 GO Bonds Construction Fund* is the County's fund used to account for the renovation of the County's Courthouse.

Additionally, the County reports the following fund types:

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

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

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

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

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

D. Budgetary Information

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

- Sheriff Work Release
- Contraband Seizure
- IHC Co-op Gin
- IHC B.R. Cooper
- CERT
- Hazard Mitigation
- Sheriff K-9 Unit
- Veterans Court Prog
- Lake Road Impact
- Lake Road Impact #3
- Lake Road Impact #4
- TCDP Grant

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

Once the budget has been adopted by the Commissioners' Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from

FANNIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

exceeding budgeted appropriations and for keeping members of the Commissioners' Court advised of the conditions of the various funds and accounts.

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

2. Excess of Expenditures Over Appropriations

For the year ended September 30, 2018, expenditures did not exceed appropriations in any funds.

3. Deficit Fund Balances

The following funds had deficit fund balances at September 30, 2018:

Special Revenue Funds	
Hazard Mitigation	\$ 429
Chapter 19 Funds	394
FC Detention Annual Payment	5,816
Inv. Crimes Against Women	3,298

E. Assets, liabilities, and net position or equity

1. Deposits and investments

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

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

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

2. Receivables and payables

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

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

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

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

3. Capital assets

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

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

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

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

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

4. Compensated absences

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

5. Long-term obligations

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

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

6. Fund equity

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

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes,

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leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

Governmental funds classify fund balances as follows:

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

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

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

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

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

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

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	General Fund	2017 GO Bonds	Nonmajor Funds	Total
Nonspendable for:				
Inventory	\$ --	\$ --	\$151,062	\$151,062
Restricted for:				
Debt Service	--	--	\$78,514	78,514
Justice Administration	--	--	633,028	633,028
Preservation	--	--	--	--
Grants	--	--	2,464	2,464
Construction	--	5,487,944	875,469	6,363,413
Other	--	--	644,289	644,289
	--	5,487,944	2,233,764	7,721,708
Committed to:				
Road and Bridge Maintenance	--	--	1,419,736	1,419,736
Unassigned	4,955,961	--	(9,937)	4,946,024
	<u>\$4,955,961</u>	<u>\$5,487,944</u>	<u>\$3,794,625</u>	<u>\$14,238,530</u>

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds and net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Court fines receivable unavailable to pay for current period expenditures are deferred in the funds, however, the net change in the deferred fines revenue is recognized as revenue in the Statement of Activities." The details of this \$1,370,079 difference are as follows:

County clerk fines	\$224,332
District clerk fines	1,048,411
Justice of the peace fines	97,336
Total	<u>\$1,370,079</u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash

At year end, the carrying amount of the County's cash on hand and deposits was \$10,684,030 (including \$1,678,780 in agency funds). All of the bank balance of \$11,172,044, was covered by federal deposit insurance and collateralized by the pledging financial institution with marketable securities held by an agent in the bank's name.

FANNIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Investments

As of September 30, 2018, the County had the following investments:

Investment type	Credit Rating	Fair Value	Days to Maturity
Government sponsored investment pool (TexPool)	AAAm*	\$5,474,099	<30
Total Fair Value		<u><u>\$5,474,099</u></u>	

* Standard and Poors

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

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

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

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

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

TexPool is an external investment pool and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investment Act provide for creation of public funds investments pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The fair value of investments in the pool is independently reviewed monthly. At September 30, 2018 the fair value of the position in TexPool approximates the fair value of the shares.

B. Receivables

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

	General	NonMajor and Other	Total
Taxes receivable	<u>\$650,616</u>	<u>\$183,723</u>	<u>\$834,339</u>
Accounts	\$108,835	\$ --	\$108,835
Allowance	<u>(100,000)</u>	<u>--</u>	<u>(100,000)</u>
Net accounts receivable	<u>\$8,835</u>	<u>\$ --</u>	<u>\$8,835</u>
Fines receivable	\$6,362,503	\$ --	\$6,362,503
Allowance	<u>(1,820,597)</u>	<u>--</u>	<u>(1,820,597)</u>
Net fines receivable	<u>\$4,541,906</u>	<u>\$ --</u>	<u>\$4,541,906</u>

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

	Unavailable	Unearned	Total
Deferred tax revenue (General Fund)	\$620,022	\$ --	\$620,022
Deferred fines revenue (General Fund)	1,370,079	--	1,370,079
Deferred tax revenue (NonMajor Funds)	175,445	--	175,445
Total deferred/unearned revenue for governmental funds	\$2,165,546	\$ --	\$2,165,546

C. Capital assets

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

	Balance 9/30/17	Additions	Retirements	Inventory Adjustment	Balance 9/30/18
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$341,564	\$ --	\$ --	\$ --	\$341,564
Construction in progress	--	1,149,461	--	--	1,149,461
Total capital assets not being depreciated	341,564	1,149,461	--	--	1,491,025
Capital assets, being depreciated:					
Buildings	4,737,000	--	--	--	4,737,000
Infrastructure	28,505,458	26,351	(3,165)	(107,466)	28,421,178
Machinery and equipment	6,356,360	1,216,387	(332,046)	--	7,240,701
Total capital assets being depreciated	39,598,818	1,242,738	(335,211)	(107,466)	40,398,879
Less accumulated depreciation for:					
Buildings	(3,376,677)	(117,767)	--	--	(3,494,444)
Infrastructure	(17,797,845)	(490,375)	3,165	188,722	(18,096,333)
Machinery and equipment	(5,069,794)	(392,213)	271,508	--	(5,190,499)
Total accumulated depreciation	(26,244,316)	(1,000,355)	274,673	188,722	(26,781,276)
Total capital assets being depreciated, net	13,354,502	242,383	(60,538)	81,256	13,617,603
Governmental activities capital assets, net	\$13,696,066	\$1,391,844	(\$60,538)	\$81,256	\$15,108,628

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

Governmental activities:

General administration	\$55,871
Public facilities	39,343
Public safety	125,510
Public transportation	779,631
Total depreciation expense - governmental activities	\$1,000,355

FANNIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2018 is as follows:

Fund	Receivable	Payable
Major Funds		
General Fund	\$116,968	\$ --
2017 GO Bonds Construction	--	8,493
Nonmajor Funds		
Courthouse Restoration	--	98,840
Hazard Mitigation	--	429
Chapter 19 Funds	--	92
FC Detention Annual Payment	--	5,816
Inv. Crimes Against Women	--	3,298
Total Governmental Funds	<u>\$116,968</u>	<u>\$116,968</u>

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

E. Joint Venture

The County participates (20%) with Cooke and Grayson counties in the Cooke, Fannin and Grayson County Juvenile Detention Center. Under the interlocal agreement governing the joint venture, the County shares in the cost of operations, construction and maintenance of the joint venture. The agreement requires maintenance of a minimum fund balance and returns excess assets to the venturers. Separate financial statements of the joint venture are available from the Grayson County Auditor, Sherman, Texas. An equity interest in the joint venture has not been recorded because the terms of the interlocal agreement governing the joint venture provide that, under certain circumstances, withdrawing venturers forfeit all rights, title and interest in property of the joint venture. Following is unaudited summary information of the operations of the joint venture for the year ended September 30, 2018 under the modified accrual basis of accounting:

	<u>Unaudited</u>
Total revenues	\$919,508
Total expenses	<u>(919,508)</u>
Change in net assets	0
Contributions from joint venturers	134,419
Net assets - September 30, 2017	<u>188,502</u>
Net assets - September 30, 2018	<u>\$322,921</u>

F. Long-term debt

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

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

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\$6,150,000 General Obligation - Series 2017, principal due annually in series through 2042, interest due semi-annually at 3.00% to 4.00% \$ 6,090,000

Annual debt service requirements to maturity for general debt:

Year	Governmental Activities		Total
	Principal	Interest	
2019	\$160,000	\$209,675	\$369,675
2020	170,000	203,075	373,075
2021	175,000	196,175	371,175
2022	185,000	188,975	373,975
2023	190,000	181,475	371,475
2024-2028	1,075,000	785,225	1,860,225
2029-2033	1,270,000	591,875	1,861,875
2034-2038	1,480,000	374,312	1,854,312
2039-2042	<u>1,385,000</u>	<u>98,787</u>	<u>1,483,787</u>
	<u>\$6,090,000</u>	<u>\$2,829,574</u>	<u>\$8,919,574</u>

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Balance 09/30/17	Additions	Retirements	Balance 09/30/18	Due Within One Year
Governmental activities:					
General obligation bonds	\$6,150,000	\$ --	(\$60,000)	\$6,090,000	\$160,000
Deferred amounts:					
Unamortized premium	268,938	--	(10,978)	257,960	10,978
Unamortized discount	(66,141)	--	2,700	(63,441)	(2,700)
	<u>6,352,797</u>	<u>--</u>	<u>(68,278)</u>	<u>6,284,519</u>	<u>168,278</u>
Capitalized lease obligation	89,024	--	(89,024)	--	--
Net pension liability	2,174,591	--	(1,276,713)	897,878	--
Compensated absences	179,814	199,433	(179,814)	199,433	199,432
Governmental activity Long-Term Liabilities	<u>\$8,796,226</u>	<u>\$199,433</u>	<u>(\$1,613,829)</u>	<u>\$7,381,830</u>	<u>\$367,710</u>

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

Authorized and Unissued Debt

The County had no authorized but unissued debt at 9/30/18.

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Conduit Debt Obligations

Certain revenue bonds entitled the Fannin County Public Facility Corporation Project Revenue Bonds, Series 2008, were issued to provide financial assistance to a nonprofit public corporation to provide funds to finance a project that consists of the development, design, construction, furnishing and equipping of a multi-classification secure detention center on real property in Fannin County. The bonds are secured by the property financed and are payable by the issuer solely from the rental payments, which are in turn payable by the County solely from the project revenues and other funds pledged therefor pursuant to the indenture. The County is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. In the fiscal year ended September 30, 2014, the original bonds were refunded with the Fannin County PFC Senior Lien Refunding Bonds, Taxable Series 2014. As of September 30, 2018, the principal amount payable was \$29,505,000.

IV. OTHER INFORMATION

A. Risk management

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

B. Contingent Liabilities and Commitments

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

The County periodically is defendant in various lawsuits. As of September 30, 2018, after consultation with the County's attorney, the County is not aware of any pending or threatened litigation which would have a material effect on the financial statements.

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

C. Retirement Commitments

1. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-20343.

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

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the County commissioners' court within the constraints imposed by the TCDRS Act so that the resulting benefits can be

FANNIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contribution and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

2. Benefits

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

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees (or their beneficiaries) currently receiving benefits	87
Inactive employees entitled to but not yet receiving benefits	96
Active employees	149
	332
	332

3. Contributions

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

The County's contributions to TCDRS for the year ended September 30, 2018, were \$577,368 and were equal to the required contributions.

4. Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. These assumptions were first used in the December 31, 2017 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

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

FANNIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

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

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities - Developed	11.00%	4.55%
International Equities - Emerging	8.00%	5.55%
Investment - Grade Bonds	3.00%	0.75%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships (MLPs)	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%
	100.00%	

Discount Rate

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

FANNIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability(Asset)
	[a]	[b]	[a] - (b)
Balance at 12/31/16	\$22,902,324	\$20,727,733	\$2,174,591
Changes for the year:			
Service cost	763,211	0	763,211
Interest on total pension liability	1,874,693	0	1,874,693
Effect of plan changes	0	0	0
Effect of economic/demographic gains or losses	(51,235)	0	(51,235)
Effect of assumptions changes or inputs	142,705	0	142,705
Refund of contributions	(60,396)	(60,396)	0
Benefit payments	(1,002,658)	(1,002,658)	0
Administrative expenses	0	(15,742)	15,742
Member contributions	0	393,276	(393,276)
Net investment income	0	3,024,485	(3,024,485)
Contributions - employer	0	605,083	(605,083)
Other	0	(1,015)	1,015
Net changes	1,666,320	2,943,033	(1,276,713)
Balance at 12/31/17	<u>\$24,568,644</u>	<u>\$23,670,766</u>	<u>\$897,878</u>

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

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

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$27,619,816	\$24,568,644	\$21,985,627
Fiduciary net position	<u>23,670,767</u>	<u>23,670,767</u>	<u>23,670,767</u>
Net Pension Liability (Asset)	<u>\$3,949,049</u>	<u>\$897,877</u>	<u>(\$1,685,140)</u>

Pension Plan Fiduciary Net Position

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

FANNIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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

For the year ended September 30, 2018, the County recognized pension expense of \$764,488. At September 30, 2018, the County reported deferred outflows and inflows of resources related to pensions from the following sources:

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 9/30/18 Expense	Balance of Deferred Inflows 12/31/17	Balance of Deferred Outflows 12/31/2017
Investment (gains) or losses	(\$1,348,773)	12/31/2017	5.0	(\$269,755)	\$1,079,019	\$ --
	131,522	12/31/2016	5.0	26,304.00	--	78,913
	1,729,129	12/31/2015	5.0	345,826	--	691,651
	252,475	12/31/2014	5.0	50,495	--	50,495
Economic/demographic (gains) or losses	(51,235)	12/31/2017	4.0	(12,809)	38,426	--
	(48,286)	12/31/2016	4.0	(12,072)	24,143	--
	(336,357)	12/31/2015	4.0	(84,089)	84,089	--
	156,343	12/31/2014	4.0	39,086	--	--
Assumptions changes or inputs	142,705	12/31/2017	4.0	35,676	--	107,029
	--	12/31/2016	4.0	--	--	--
	240,606	12/31/2015	4.0	60,151	--	60,151
	--	12/31/2014	4.0	--	--	--
Employer contributions made subsequent to measurement date				--	--	436,564
				<u>\$178,813</u>	<u>\$1,225,677</u>	<u>\$1,424,803</u>

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

Deferred Inflows/outflows to Be Recognized in Future Years

Year ended December 31,	
2018	\$139,729
2019	113,171
2020	(220,583)
2021	(269,755)
2022	--
	<u>(\$237,438)</u>

FANNIN COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

F. Concentrations of Credit Risk

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

G. Prior Period Adjustment

In the prior year depreciation expense on infrastructure was overstated by \$1,483,569. This error has been corrected in the current statements resulting in an increase in capital assets and net position.

H. Subsequent Event

In December 2018, the County issued general obligation bonds in the amount of \$6,210,000, with payments of principal due annually, starting in 2020 for 25 years, with interest at 3.0% to 4.0%.

I. Agreement Concerning Development of Reservoir Project

The County has entered into a contract with the North Texas Municipal Water District for reimbursement to the County for anticipated impact to County roads created by the development of the Bois d'Arc Creek reservoir in Fannin County. Terms of the agreement require an initial payment to the County of \$971,263, with nine more annual payments of \$100,000, for a total of \$1,871,263.

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.

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FANNIN COUNTY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-1
Page 1 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Ad valorem taxes	\$ 7,481,204	\$ 7,481,204	\$ 7,768,062	\$ 286,858
Other taxes	1,006,143	1,006,143	1,180,387	174,244
Licenses and permits	71,000	71,000	121,944	50,944
Intergovernmental	35,000	49,150	65,541	16,391
Fees of office	841,625	841,625	976,386	134,761
Fees of tax collector	355,800	355,800	415,020	59,220
Fines	26,500	26,500	11,416	(15,084)
Interest	6,000	6,000	79,016	73,016
Miscellaneous	304,358	304,358	276,520	(27,838)
Total revenues	<u>10,127,630</u>	<u>10,141,780</u>	<u>10,894,292</u>	<u>752,512</u>
Expenditures:				
Current:				
General administration				
County Judge	155,805	156,052	155,877	175
911 Coordinator	23,000	23,000	23,000	--
County Clerk	397,660	397,660	366,811	30,849
Elections	46,419	46,419	45,712	707
Court Administration	143,655	143,655	97,578	46,077
Total General administration	<u>766,539</u>	<u>766,786</u>	<u>688,978</u>	<u>77,808</u>
Judicial				
County Court at Law	451,005	451,252	422,731	28,521
District Court	770,564	995,218	1,013,391	(18,173)
District Clerk	446,434	446,434	430,349	16,085
Justice of the Peace Number One	172,843	172,843	166,650	6,193
Justice of the Peace Number Two	132,484	132,484	100,141	32,343
Justice of the Peace Number Three	114,299	114,299	110,370	3,929
Bond supervisor	61,449	61,449	60,823	626
Total Judicial	<u>2,149,078</u>	<u>2,373,979</u>	<u>2,304,455</u>	<u>69,524</u>
Legal				
District and County Attorney	919,961	919,961	835,542	84,419
Total Legal	<u>919,961</u>	<u>919,961</u>	<u>835,542</u>	<u>84,419</u>
Financial administration				
County Auditor	279,801	279,801	274,430	5,371
County Purchasing	81,873	81,873	38,191	43,682
County Treasurer	145,451	145,451	143,291	2,160
Tax Assessor Collector	313,490	313,490	313,161	329
Computer/IT Department	121,715	121,715	118,545	3,170
Total Financial administration	<u>942,330</u>	<u>942,330</u>	<u>887,618</u>	<u>54,712</u>
Public facilities				
Courthouse	324,638	324,638	298,884	25,754
County Office Building	18,131	18,131	15,067	3,064
Co-op Office Building	11,100	11,100	8,260	2,840
Courthouse South Annex	41,893	42,993	40,752	2,241
Old County Jail Building	4,400	4,400	4,387	13
Windom County Building	5,850	5,850	4,758	1,092
Agri Life Extension Building	49,961	49,961	48,542	1,419
Government Building	750,000	750,000	--	750,000
Total Public facilities	<u>1,205,973</u>	<u>1,207,073</u>	<u>420,650</u>	<u>786,423</u>

FANNIN COUNTY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-1
Page 2 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public safety				
Emergency Management	\$ 76,246	\$ 76,246	\$ 75,044	\$ 1,202
Ambulance Service	540,000	540,000	540,000	--
Fire Protection	93,236	96,916	95,953	963
Constables Precinct Number One	50,400	50,400	48,949	1,451
Constables Precinct Number Two	35,565	35,565	32,787	2,778
Constables Precinct Number Three	32,618	32,618	30,542	2,076
County Sheriff	1,893,645	1,893,645	1,866,380	27,265
Law Enforcement Block Grant - 2001	--	14,150	14,150	--
Jail Operations	1,957,625	1,957,625	1,812,667	144,958
Adult Probation	2,300	2,300	2,372	(72)
Juvenile Probation	145,000	145,000	145,000	--
Animal Control Officer	4,000	4,000	2,989	1,011
Total Public safety	<u>4,830,635</u>	<u>4,848,465</u>	<u>4,666,833</u>	<u>181,632</u>
Health and welfare				
Veterans Service	56,487	56,487	56,593	(106)
Health Inspector	108,758	109,680	104,670	5,010
County Welfare	268,303	268,303	68,303	200,000
Health Officer	2,400	2,400	2,400	--
Indigent Health Care	301,460	301,460	242,194	59,266
County Agents	111,290	111,290	96,512	14,778
Total Health and welfare	<u>848,698</u>	<u>849,620</u>	<u>570,672</u>	<u>278,948</u>
Nondepartmental				
Non-departmental	787,265	792,662	765,395	27,267
County Offices Relocation	160,944	174,696	175,006	(310)
Contingency	250,000	--	--	--
Donations and Allocations	3,000	3,000	2,500	500
Total Nondepartmental	<u>1,201,209</u>	<u>970,358</u>	<u>942,901</u>	<u>27,457</u>
Total expenditures	<u>12,864,422</u>	<u>12,878,572</u>	<u>11,317,649</u>	<u>1,560,923</u>
Excess (deficiency) of revenues over (under) expenditures	(2,736,792)	(2,736,792)	(423,357)	2,313,435
Other financing sources (uses):				
Sale of capital assets	1,000	1,000	23,382	22,382
Total other financing sources (uses)	<u>1,000</u>	<u>1,000</u>	<u>23,382</u>	<u>22,382</u>
Net change in fund balances	(2,735,792)	(2,735,792)	(399,975)	2,335,817
Fund balances, October 1	5,355,936	5,355,936	5,355,936	--
Fund balances, September 30	<u>\$ 2,620,144</u>	<u>\$ 2,620,144</u>	<u>\$ 4,955,961</u>	<u>\$ 2,335,817</u>

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

	Plan Year									
	2017	2016	2015	2014	2010	2009	2008	2007		
Total pension liability:										
Service cost	\$ 763,211	\$ 784,499	\$ 732,697	\$ 680,051	\$ --	\$ --	\$ --	\$ --		
Interest	1,874,693	1,729,122	1,637,274	1,509,853	--	--	--	--		
Changes of benefit terms	--	--	(100,521)	--	--	--	--	--		
Differences between expected and actual experience	(51,235)	(48,286)	(336,357)	156,343	--	--	--	--		
Changes of assumptions	142,705	--	240,608	--	--	--	--	--		
Benefit payments, including refunds of employee contributions	(1,063,054)	(1,031,097)	(963,214)	(775,709)	--	--	--	--		
Net change in total pension liability	1,666,320	1,434,238	1,210,487	1,570,538	--	--	--	--		
Total pension liability - beginning	22,902,323	21,468,085	20,257,598	18,687,060	--	--	--	--		
Total pension liability - ending (a)	\$ 24,568,643	\$ 22,902,323	\$ 21,468,085	\$ 20,257,598	\$ --	\$ --	\$ --	\$ --		
Plan fiduciary net position:										
Contributions - employer	\$ 605,083	\$ 548,235	\$ 533,377	\$ 556,083	\$ --	\$ --	\$ --	\$ --		
Contributions - employee	393,276	364,103	351,897	357,849	--	--	--	--		
Net investment income	3,024,485	1,435,773	(130,755)	1,242,415	--	--	--	--		
Benefit payments, including refunds of employee contributions	(1,063,054)	(1,031,097)	(963,214)	(775,709)	--	--	--	--		
Administrative expense	(15,742)	(15,603)	(14,025)	(14,558)	--	--	--	--		
Other	(1,015)	21,826	43,703	4,611	--	--	--	--		
Net change in plan fiduciary net position	2,943,033	1,323,237	(179,017)	1,370,691	--	--	--	--		
Plan fiduciary net position - beginning	20,727,734	19,404,497	19,583,514	18,212,823	--	--	--	--		
Plan fiduciary net position - ending (b)	\$ 23,670,767	\$ 20,727,734	\$ 19,404,497	\$ 19,583,514	\$ --	\$ --	\$ --	\$ --		
County's net pension liability - ending (a) - (b)	\$ 897,876	\$ 2,174,589	\$ 2,063,588	\$ 674,084	\$ --	\$ --	\$ --	\$ --		
Plan fiduciary net position as a percentage of the total pension liability	96.35%	90.50%	90.39%	96.67%	--	--	--	--		
Covered-employee payroll	\$ 5,618,232	\$ 5,201,471	\$ 5,027,100	\$ 5,097,003	\$ --	\$ --	\$ --	\$ --		
County's net pension liability as a percentage of covered-employee payroll	15.98%	41.81%	41.05%	13.23%	--	--	--	--		

Notes to Schedule:

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

FANNIN COUNTY, TEXAS
SCHEDULE OF COUNTY CONTRIBUTIONS
FANNIN COUNTY PENSION PLAN
LAST TEN FISCAL YEARS *

	September 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 577,368	\$ 546,604	\$ 488,528	\$ 484,497	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the actuarially determined contribution	(577,368)	(546,604)	(488,528)	(484,497)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 5,195,228	\$ 5,104,482	\$ 4,626,601	\$ 4,532,541	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	11.11%	10.71%	10.56%	10.69%	--	--	--	--	--	--

Notes to Schedule

Valuation date: December 31, 2017

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	13.6 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (100% 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 in Plan Provisions Reflected in the Schedule	2015 and 2016: No changes in plan provisions; 2017: New annuity purchase rates were reflected for benefits earned.

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

FANNIN COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2018

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

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Financial Advisory Services
Provided By:

