NEW ISSUE BOOK-ENTRY-ONLY

Rating: Moody's "Aa1"
(See "OTHER PERTINENT INFORMATION - Ratings", herein)

OFFICIAL STATEMENT
Dated: August 4, 2020

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

$13,680,000
MCLENNAN COUNTY, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2020

Dated Date: August 15, 2020 **Due: June 1, as shown on page ii**

The McLennan County, Texas (the "County" or the "Issuer") $13,680,000 General Obligation Bonds, Series 2020 (the "Bonds") are being issued pursuant to the Constitution and the general laws of the State of Texas (the "State"), including Chapter 1251, as amended, Texas Government Code and Chapter 331, as amended, Texas Local Government Code, an election held within McLennan County, Texas on November 5, 2019 (the "Election"), and an order adopted by the Commissioners Court of the County (the "Order") on August 4, 2020 authorizing the issuance of the Bonds. (See "THE BONDS - Authority for Issuance" herein.)

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

Interest on the Bonds will accrue from August 15, 2020 (the "Dated Date") as shown above and will be payable on each June 1 and December 1 commencing December 1, 2020, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purposes of: (1) designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping zoo facilities (and any necessary or related removal of existing facilities), with priority given to an education and veterinary complex, penguin exhibit, hoof stock barn, and commissary remodel; and (2) paying the costs related to the issuance of the Bonds. (See "THE BONDS - Use of Bond Proceeds" herein.)

The Issuer reserves the right to redeem the Bonds maturing on and after June 1, 2030, on June 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 BONDS - Redemption Provisions" herein.)

STATED MATURITY SCHEDULE
(On Page ii)

The Bonds are offered for delivery, when, as and if issued and received by Robert W. Baird & Co. Incorporated (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, Austin, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Bonds will be available for delivery through DTC on or about September 1, 2020.

STATED MATURITY SCHEDULE
(Due June 1)
Base CUSIP – 582171[(a)]

Stated Maturity June 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[(a)]
2021	$ 460,000	4.000	0.130	RM8
2022	530,000	4.000	0.150	RN6
2023	550,000	2.000	0.200	RP1
2024	560,000	4.000	0.250	RQ9
2025	585,000	2.000	0.310	RR7
2026	595,000	4.000	0.400	RS5
2027	620,000	4.000	0.500	RT3
2028	645,000	4.000	0.600	RU0
2029	670,000	4.000	0.700	RV8
2030	700,000	3.000	0.800[(b)]	RW6
2031	720,000	2.000	0.900[(b)]	RX4
2032	735,000	2.000	1.000[(b)]	RY2
2033	750,000	1.250	1.250	RZ9
2034	755,000	1.375	1.400	SA3
2035	765,000	1.500	1.600	SB1
2036	780,000	1.625	1.700	SC9
2037	790,000	2.000	1.700[(b)]	SD7
2038	805,000	2.000	1.750[(b)]	SE5
2039	825,000	2.000	1.800[(b)]	SF2
2040	840,000	2.000	1.850[(b)]	SG0

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on and after June 1, 2030, on June 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. The Bonds may be subject to mandatory sinking fund redemption in the event the Purchaser elects to aggregate two or more consecutive maturities as a term Bond. (See "THE BONDS - Redemption Provisions" herein.)

(a) 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 CUSIP Services. Neither the County nor the Financial Advisor is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

(b) Yield is calculated based on the assumption the Bonds denoted and sold at a premium will be redeemed on June 1, 2029, the first optional redemption date for such Bonds, at the price of par plus accrued interest to such date of redemption.

MCLENNAN COUNTY, TEXAS

501 Washington, Room 214
Waco, Texas 76701
(254) 757-5049
(254) 757-5196 (Fax)

ELECTED OFFICIALS

Name	Title	Date First Elected	Term Expires
Scott Felton	County Judge	2012	2022
Kelly Snell	Commissioner, Precinct 1	2008	2020
Patricia Miller	Commissioner, Precinct 2	2018	2022
Will Jones	Commissioner, Precinct 3	2012	2020
Ben Perry	Commissioner, Precinct 4	2010	2022

ADMINISTRATION

Name	Position	Years With The County
Frances Bartlett	County Auditor	14 years
Dustin Chapman	County Administrator	8 Years
Andy Harwell	County Clerk	25 Years
Bill Helton	County Treasurer	27 Years
Randy Riggs	Tax Assessor-Collector	7 Years

CONSULTANTS AND ADVISORS

Bond Counsel	Norton Rose Fulbright US LLP Austin, Texas
Certified Public Accountants	Pattillo, Brown & Hill, L.L.P. Waco, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas

For Additional Information Please Contact:

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County Auditor
McLennan County
214 North 4th Street, Suite 100
Waco, Texas 76701
(254) 757-5156 (Phone)
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Mr. Mark McLiney
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afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

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

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

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	McLennan County, Texas (the "County" or "Issuer") was created and organized in 1850. The Issuer is a political subdivision of the State of Texas and operates using a commission form of government under the statutes and the Constitution of the State of Texas. The 2010 census for the County was 234,906, a 10.0% increase over the 2000 census. The County estimates the 2020 population at 256,623. (See "Appendix B - General Information Regarding McLennan County and the City of Waco, Texas" herein.)
The Bonds	The Bonds are being issued pursuant to the Constitution and the general laws of the State of Texas (the "State"), including Chapter 1251, as amended, Texas Government Code and Chapter 331, as amended, Texas Local Government Code, an election held within McLennan County, Texas on November 5, 2019 (the "Election"), and an order adopted by the Commissioners Court of the County (the "Order") on August 4, 2020 authorizing the issuance of the Bonds. (See "THE BONDS - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas Texas.
Security	The Bonds constitute direct obligations of the Issuer payable from the proceeds of an ad valorem tax levied against all taxable property in the County, within the limits prescribed by law, as provided in the Order. (See "THE BONDS - Security for Payment" herein.)
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature on and after June 1, 2030, on June 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. (See "THE BONDS - Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described herein, including the alternative minimum tax. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purposes of: (1) designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping zoo facilities (and any necessary or related removal of existing facilities), with priority given to an education and veterinary complex, penguin exhibit, hoof stock barn, and commissary remodel; and (2) paying the costs related to the issuance of the Bonds. (See "THE BONDS - Use of Bond Proceeds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner the Bonds may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Ratings	Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa1" to the Bonds. An explanation of the significance of such rating, once received, may be obtained from the rating agency. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Issuance of Additional Debt	The County does not anticipate the issuance of additional general obligation debt during the next twelve months, except for potentially refunding currently outstanding obligations for debt service savings.
Payment Record	The County has never defaulted on the payment of its tax-supported indebtedness.
Delivery	When issued, anticipated on or about September 1, 2020.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel.

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INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by McLennan County, Texas (the "County" or the "Issuer") of its $13,680,000 General Obligation Bonds, Series 2020 (the "Bonds") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas (the "State") and operates under the statutes and the Constitution of the State. The Bonds are being issued pursuant to the Constitution and the general laws of the State of Texas (the "State"), including Chapter 1251, as amended, Texas Government Code and Chapter 331, as amended, Texas Local Government Code, an election held within McLennan County, Texas on November 5, 2019 (the "Election"), and an order adopted by the Commissioners Court ("Commissioners Court") of the County (the "Order") on August 4, 2020 authorizing the issuance of the Bonds. (See "THE BONDS - Authority for Issuance" herein.)

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

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include executive orders which have, among other things, imposed limitations on social gatherings and closed school districts throughout the State through the remainder of the 2019-20 school year. In addition to the actions by the state and federal officials, certain local officials, including the County, have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy. The Governor's Report to Open Texas, issued on April 27, 2020, and subsequent executive orders, have instituted a gradual reopening of businesses on a staggered basis with adherence to specified health protocols. However, on June 26, 2020, due to substantial increases in COVID-19 positive cases, positivity rates and hospitalizations, the Governor issued adjustment to the re-opening plan, limiting and slowing the gradual reopening to reduce the growing spread of COVID-19. Further, on July 2, 2020 the Governor issued a new Executive Order requiring face coverings in certain counties and issued a proclamation related to limiting gathering sizes and requiring social distancing.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the County. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Bonds. The County, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the County. The Bonds are secured, in part, by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds and the County's operations and maintenance expenses. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the County on which the County collects taxes, charges, and fees. A reduction in the collection of taxes and other fees and charges may negatively impact the County's operating budget and overall financial condition.

The County collects a sales and use tax on all taxable transactions within the County's boundaries and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the County on which the County collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes and other fees and charges may negatively impact the County's operating budget and overall financial condition. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased County contributions to fund or pay retirement and other post-employment benefits in the future.

THE BONDS

General

The Bonds will be dated August 15, 2020 (the "Dated Date"). The Bonds are stated to mature on June 1 in the years and in the principal amounts set forth on page ii hereof. The Bonds shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable on each June 1 or December 1 commencing December 1, 2020 until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Bonds, initially BOKF, NA, Dallas, Texas. Interest on the Bonds shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

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

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and the general laws of the State, including Chapter 1251, as amended, Texas Government Code and Chapter 331, as amended, Texas Local Government Code, an election held within McLennan County, Texas on November 5, 2019 (the "Election"), and the Order) adopted on August 4, 2020 authorizing the issuance of the Bonds.

Security for Payment

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

Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used for the purposes of: (1) designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping zoo facilities (and any necessary or related removal of existing facilities), with priority given to an education and veterinary complex, penguin exhibit, hoof stock barn, and commissary remodel; and (2) paying the costs related to the issuance of the Bonds.

Redemption Provisions

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Bonds maturing on and after June 1, 2030 on June 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 by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Notice: Not less than thirty (30) days prior to a redemption date for the Bonds, the County shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and any other condition to redemption satisfied, all as provided above, the Bonds or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

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

Payment Record

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

Legality

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

Defeasance

The Order provides the Bonds shall be deemed to have been paid when the payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise) shall have been irrevocably deposited with the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment; (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds; or (3) a combination of both. In the event all or a portion of such deposit consists of Government Securities, an independent accounting firm the County's financial advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order, shall provide a report or findings which concludes such Government Securities will mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, to pay the full amount due and owed on such Bonds at and prior to their Stated Maturity or redemption date. The term "Government Securities" means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the Issuer, are rated as to investment quality by a nationally recognized statistical rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the Issuer, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under applicable laws of the State of Texas.

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

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

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

Amendments

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

Default and Remedies

The Order does not specify events of default with respect to the Bonds. If the County defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or 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 Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the County to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

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, bondholders may not be able to bring such a suit against the County for breach of the Bonds 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 Bonds. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9 and the pledge of a specific source of revenues, such as the surplus 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 bondholders of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Initially, the only registered owner of the Bonds 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 Bonds.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

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

Record Date

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

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

Future Registration

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

Limitation on Transferability

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

Replacement Bonds

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The County and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

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

Under 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.

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 May 31, 2020 (unaudited), the Issuer's investable funds were invested as shown below.

Fund and Investment Type	Governmental Operating Fund	McLennan Co Public Facility Corporation*	Total Investments Amount	Percentage of Total Portfolio
Certificates of Deposit	$ 38,562,133	-	$ 38,562,133	23.27%
TexPool/TexStar	105,166,977	-	105,166,977	63.47%
US Govt Agencies & Treasuries	8,000,000	-	8,000,000	4.83%
Collateralized Savings Accounts	6,032,911	$ 7,938,220	13,971,131	8.43%
Total Investments	**$ 157,762,021**	**$ 7,938,220**	**$ 165,700,241**	**100.00%**

* See "Appendix A – Table 3 – McLennan County Public Facility Corporation" for a description of this component unit of the County.

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 Global Ratings. 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.

POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Plan Description: The County's OPEB provides health benefits to eligible retired employees of the County and is a single employer plan administered by the County. Separately issued financial statements are not available for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The Commissioners Court has the authority to establish and amend the benefits of the plan.

Plan Participants: Members are eligible for retirement with TCDRS at age 60 with 8 years of service, or at any age with 30 years of service, or when age plus years of service equals 75.

Normal Retirement Benefits

Health Care Benefit Eligibility Conditions: With the exception of employees who come to work for the County on or after January 1, 2009, who do not qualify for retiree health care benefits, each full-time employee who separates from the service of McLennan County, and who, at the time of their separation, is eligible for retirement under Texas County and District Retirement System ("TCDRS") guidelines, and either (1) has total creditable service with TCDRS and continuous service as a full-time employee of McLennan County of twenty (20) years or more, or (2) has total creditable service with TCDRS and continuous service as an elected official of McLennan County of twelve (12) years or more; and whose full salary has been paid entirely from McLennan County funds or Grant funds received from Federal, State or other Local Governments by McLennan County, for 20 years or more, or (2) for twelve (12) years or more as an elected official, and is covered by the McLennan County group health program at the time of their retirement, will have the same dollar amount contributed towards their group medical premiums by the County that the County contributes towards such premiums for its full-time employees.

Retiree Health Care Benefit: For eligible retirees, premiums for medical coverage shall be paid by the County, at the same dollar amount contributed towards their group medical premiums by the County that the County contributes toward such premiums for its full-time employees. If the retiree qualifies (must have Medicare A & B, and may have to be 65 or older) and such plan is available through the County, the retiree may elect a senior health plan instead of a traditional group health plan. If the retiree elects a senior health plan and the premium amount is less than the premium amount the County contributes for its full-time employees, the County will pay the lower premium. Premiums for spouses and dependents shall be paid by the retiree.

Each full-time employee who separates from the service of McLennan County, and who is eligible for retirement under TCDRS, and who is covered by the McLennan County group health program at the time of such retirement, but does not meet the minimum requirements set forth above, will be permitted to continue their participation in current or future group health or senior health plan programs, provided by McLennan County for its employees and retirees, at their sole expense. Coverage for spouses and dependents who are participants in the County's group health program on the date of the employee's retirement may also be continued. Premiums for spouses and dependents shall also be paid by the retiree.

Early Retirement Benefits: Only members who have the required time of continuous service are eligible for retiree health benefits. There are no "early retirement benefits".

Deferred Retirement Benefits: Eligible members who terminate employment without retiring with TCDRS can continue the same medical coverage in which they were enrolled at termination. If eligible members elect not to continue medical coverage at termination, they are not eligible for retiree health care benefits when they activate their retirement from TCDRS.

Death-in-Service Retirement Benefits: Provided the County is able to secure an agreement with its insurance providers for such coverage and such does not cause an increase in the County's insurance costs which the County, in its sole discretion, finds unacceptable, in the event of the death of a retiree who has retired from service with McLennan County under TCDRS, the spouse and dependents will be allowed, at their own option and expense, to continue their participation in such health insurance plans as may be provided by the County. This eligibility extends only to persons covered by the retiree's insurance at the time of the death of the retiree. This eligibility for any spouse ceases at the end of the month in which the spouse marries.

Employees covered by benefit terms: As of December 31, 2017, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	232
Active Plan Members	847
	1,079

Total OPEB Liability: The County's total OPEB liability of $48,200,345 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs: The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.50%
Salary Increases	0.50% to 5.00%, not including was inflation of 3.25%
Discount Rate	3.71% as of December 31, 2018 The discount rate changed from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018
Healthcare Cost Trend Rates	Pre-65: Initial rate of 7.50% declining to an ultimate rate of 4.75% after 13 years; Ultimate trend rate includes a 0.50% adjustment for the excise tax Post-65: Initial rate of 6.50% declining to an ultimate rate of 4.25% after 15 years
Mortality	For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. Those rates are projected on a fully generational basis based on 110% or the ultimate rates of Scale MP-2014
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2016 as conducted for TCDRS; For the OPEB valuation, the standard TCDRS retirement rates were adjusted to reflect the impact or the County's retiree medical plan design
Participation Rates	95% of future retirees who are eligible for a County subsidy were assumed to receive retiree health care benefits through the County. Alternatively, only 20% of retirees who are not eligible for a subsidy were assumed to elect coverage.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of 09/30/18	$ 49,476,408
Service cost	1,358,936
Interest on total OPEB liability	1,649,709
Difference between expected and actual experience of the total OPEB liability	(351.686)
Changes of assumptions	3,301,575
Benefit payments	(631,447)
Net change in total OPEB liability	(1,276,063)
Balances as of 09/30/18	$ 48,200,345

Sensitivity of Total OPEB Liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 3.71%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher.

1% Decrease 2.71%	Current Discount Rate Assumption 3.71%	1% Increase 4.71%
$57,064,124	$48,200,345	$41,133,926

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher.

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
$39,932,032	$48,200,345	$58,932,623

Deferred Outflows and Deferred Inflows Related to OPEB

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		$ 309,344
Changes in assumptions	$ 3,026,234	2,904,077
Contributions subsequent to the measurement date	765,567*	-
Total	$ 3,791,801	$ 3,213,421

*$765,567 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020.

Deferred Outflows and Deferred Inflows to be Recognized in Future OPEB Expense

Year Ended September 30,	Deferred Outflows/Inflows
2020	$ 40,065
2021	40,065
2022	40,065
2023	40,065
2024	40,065
Thereafter	(387,512)
Total	$ (187,187)

EMPLOYEE RETIREMENT SYSTEM

Plan Description. The County participates in a nontraditional defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tcdrs.org. All full and part-time non-temporary position employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided. TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. Updated annuity purchase rates will go into effect for post-2017 benefit accruals earned after 2017. Benefits accrued before 2018 will not be impacted by this update. This change was reflected in the 2015 actuarial valuation.

Employees covered by benefit terms: At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	583
Inactive employees entitled to but no yet receiving benefits	89
Active employees	979
	1,651

Contributions The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participate over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the County were 14.34% and 13.26% in calendar years 2018 and 2019, respectively. The County's contributions to TCDRS for the year ended September 30, 2019, were $8,686,215 and were equal to the required contributions.

For more complete information regarding the County's retirement plan and net pension liability, see Notes to the excerpts of the Issuer's Audited Financial Statements contained herein as Appendix D.

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 McLennan County 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 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:

"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 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 Bonds. See "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" for a description of the debt service tax rate limitations applicable to the Bonds.

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 grants a local exemption of $35,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The County grants 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 allow discounts for the early payment of taxes or split (installment) payments except as provided by State law for persons 65 years of age and older.

The County took action before January 1, 1990 to tax Article VIII, Section 1-j ("freeport") exempt property. The County took action on December 12, 2000 to grant freeport exemptions effective January 1, 2002.

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

The County participates in four Tax Increment Reinvestment Zones with a cumulative captured TIRZ Value of $506,752,562. The estimated loss of County tax revenue to the TIRZs is $2,459,270.

The County has 14 active Tax Abatements with businesses and has adopted criteria which is a prerequisite to the executions of any abatement agreements. For the 2019 Tax Year, the total aggregate assessed valuation loss due to the abatement agreements equals $ 268,968,279 and the latest expiration date for any of the abatements is 2028. On July 2, 2019, the Commissioners Court approved the framework of a tax abatement program with Prairie Hill Wind Project, LLC, which proposes placing 100 turbines in the County and Limestone County, Texas. Under the terms of the agreement, the County would receive $50,000 payments annually from the developer during the 10-year life of the abatement contract. The County may consider additional abatements in the future if they happen to meet the adopted criteria.

TAX MATTERS

Tax Exemption

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

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

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

Tax Changes

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

Ancillary Tax Consequences

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

Tax Accounting Treatment of Discount Bonds

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

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

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

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

Tax Accounting Treatment of Premium Bonds

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the County has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information from MSRB".

Annual Reports

Under Texas law, including, but not limited to, Chapter 115, as amended, Texas Local Government Code, the County must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified or permitted public accountant and must maintain each audit report with the County Auditor. The County's fiscal records and audit reports are available for public inspection during the regular business hours of the County Auditor. Additionally, upon the filing of these financial statements and the annual audit, these documents are subject to the Texas Public Information Act, as amended, Texas Government Code, Chapter 552. Thereafter, any person may obtain copies of these documents upon submission of a written request to the County Auditor at the McLennan County Auditor, 214 North 4th Street, Suite 100, Waco, Texas 76701, and upon paying the reasonable copying, handling, and delivery charges for providing this information.

The Issuer will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type disclosed in Tables 1, 2, 6, 7 and 11 of Appendix A. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2020. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Issuer will file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

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

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

Notice of Certain Events

The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten Business Days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (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 Bonds nor the Order make any provision for debt service reserves, liquidity enhancement, or credit enhancement. In the Order, the County adopted 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 Bonds at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

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

Compliance with Prior Agreements

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.

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

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

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

Litigation

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

Future Debt Issuance

The County does not anticipate the issuance of additional general obligation debt during the next twelve months except for potentially refunding obligations for debt service savings.

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

Legal Opinions and No-Litigation Certificate

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

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

Ratings

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aa1" to the Bonds. An explanation of the significance of such ratings, once received, may be obtained from the rating agency. A rating reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

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

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

Winning Bidder

On August 4, 2020, the Bonds were awarded to Robert W. Baird & Co. Incorporated (the "Purchaser" or the "Initial Purchaser") through a competitive bid process. The initial reoffering yields shown on page ii of the Official Statement will produce compensation to the Purchaser of approximately $102,407.25.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate executed by the proper officials of the County acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the County contained in its Official Statement relating to the Bonds, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Bonds, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the County and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the County and its activities, contained in such Official Statement are concerned, such statements and data have been obtained from sources which the County believes to be reliable and the County has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the County since September 30, 2019, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

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

Forward-Looking Statements Disclaimer

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

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

Concluding Statement

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

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

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

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

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

MCLENNAN COUNTY, TEXAS

/s/ Scott Felton
County Judge
McLennan County, Texas
Scott Felton

ATTEST:

/s/ Andy Harwell
County Clerk
McLennan County, Texas
Andy Harwell

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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)[(a)]		$ 27,108,523,143
Less Exemptions:		
Optional Over-65 and/or Disabled	$ 688,922,320	
Optional Percentage Homestead	1,664,073,908	
Disabled and Deceased Veterans Exemption	324,153,740	
Freeport Exemption	465,633,970	
Pollution Exemption	152,987,147	
Productivity Value Loss	1,613,501,785	
Abatement & Property Redevelopement	268,968,279	
Other	12,663,384	
10% Homestead Cap Loss	325,794,453	
Totally Exempt Property	3,355,026,241	8,871,725,227
2019 Certified Net Taxable Assessed Valuation		$ 18,236,797,916
Less Adjustments:		
Value Captured by Tax Increment Reinvestment Zones		506,699,050
2019 Freeze Adjusted Net Taxable Assessed Valuation		$ 17,730,098,866
2020 Estimated Net Taxable Assessed Valuation		$ 19,191,260,485

Source: McLennan County Appraisal District

GENERAL OBLIGATION BONDED DEBT — TABLE 2

General Obligation Debt Principal Outstanding: (As of July 1, 2020-unaudited)	
General Obligation Refunding Bonds, Series 2011	$ 685,000
General Obligation Refunding Bonds, Series 2014	1,430,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	7,950,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017	7,205,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019	21,460,000
Total General Obligation Debt Principal Outstanding:	$ 38,730,000
Current Issue General Obligation Debt Principal	
General Obligation Bonds, Series 2020 (the "Bonds")	$ 13,680,000
Total General Obligation Debt Principal Outstanding Following Issuance of the Certificates:	$ 52,410,000
General Obligation Interest and Sinking Fund Balance as of May 31, 2020	$ 1,666,855
Ratio of General Obligation Debt Principal to 2019 Adjusted Net Taxable Assessed Valuation	0.30%
2019 Freeze Adjusted Net Taxable Assessed Valuation[(a)]	$ 17,730,098,866
Population: 1980 - 170,755; 1990 -189,123; 2000 - 213,517; 2010 - 234,906; Current Estimate -	256,623
Per Capita 2019 Freeze Adjusted Net Taxable Assessed Valuation -	$69,090
Per Capita General Obligation Debt Principal -	$204

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

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

Capital Leases:

As of September 30, 2019, the County has no Capital Leases outstanding.

McLennan County Public Facility Corporation:

McLennan County, Texas (the "County") formed the McLennan County Public Facility Corporation (the "Corporation"), a nonprofit corporation organized under Chapter 303 of the Texas Local Government Code. The Corporation is treated in the County's financial statements as a blended component unit, which while legally a separate entity, is in substance, part of the County's operations.

At September 30, 2019, the Corporation, presented as a blended component unit of McLennan County, had $39,745,000 million in revenue bonds outstanding. The revenue bonds are the liability of the Corporation but are subject to appropriation from the County if the facility does not generate sufficient Project Revenues. The County has previously appropriated funds for debt service. Revenues from rental of jail space to third party entities is the source of funding for debt service on the revenue bonds and is used to cover all the expenses of the acquired jail's operations. The revenue bonds are rated "AA-" by S&P Global Ratings, a division of S&P Global Inc. ("S&P").

The following table sets forth the debt service requirements for the Corporation's Bonds.

Fiscal Year Ended 9/30	Principal	Interest	Total
2020	$1,725,000	$1,626,394	$3,351,394
2021	1,770,000	1,579,302	3,349,302
2022	1,820,000	1,530,627	3,350,627
2023	1,875,000	1,476,027	3,351,027
2024	1,940,000	1,415,089	3,355,089
2025	2,010,000	1,344,085	3,354,085
2026	2,085,000	1,265,695	3,350,695
2027	2,170,000	1,184,380	3,354,380
2028	2,255,000	1,099,750	3,354,750
2029	2,345,000	1,011,805	3,356,805
2030	2,430,000	920,350	3,350,350
2031	2,545,000	807,112	3,352,112
2032	2,665,000	688,515	3,353,515
2033	2,790,000	564,326	3,354,326
2034	2,920,000	434,312	3,354,312
2035	6,400,000	298,240	6,698,240
	$39,745,000	$17,246,008	$56,991,008

The County took control of the Jack Harwell Detention Center on October 1, 2019 after LaSalle Corrections agreed to the transfer in May 2019. The County built the 1,162-bed jail adjacent to the McLennan County Jail in 2010 and hired private for-profit companies to run it since it opened. In fiscal year 2019 total revenues were $16,927,615 and operating expenditures totaled $12,985,627.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS — TABLE 4

Fiscal Year 30-Sep	Currently Outstanding Debt Service	The Bonds Principal	The Bonds Interest	The Bonds Total	Combined Debt Service
2020	$ 4,246,526.67	$ -	$ -	$ -	$ 4,246,526.67
2021	3,792,985.00	460,000.00	274,167.75	734,167.75	4,527,152.75
2022	3,142,785.00	530,000.00	326,706.26	856,706.26	3,999,491.26
2023	3,157,360.00	550,000.00	305,506.26	855,506.26	4,012,866.26
2024	2,665,385.00	560,000.00	294,506.26	854,506.26	3,519,891.26
2025	2,669,335.00	585,000.00	272,106.26	857,106.26	3,526,441.26
2026	2,662,385.00	595,000.00	260,406.26	855,406.26	3,517,791.26
2027	2,663,785.00	620,000.00	236,606.26	856,606.26	3,520,391.26
2028	2,662,085.00	645,000.00	211,806.26	856,806.26	3,518,891.26
2029	2,668,385.00	670,000.00	186,006.26	856,006.26	3,524,391.26
2030	2,661,285.00	700,000.00	159,206.26	859,206.26	3,520,491.26
2031	2,660,235.00	720,000.00	138,206.26	858,206.26	3,518,441.26
2032	2,666,535.00	735,000.00	123,806.26	858,806.26	3,525,341.26
2033	2,665,500.00	750,000.00	109,106.26	859,106.26	3,524,606.26
2034	2,667,250.00	755,000.00	99,731.26	854,731.26	3,521,981.26
2035	2,661,850.00	765,000.00	89,350.00	854,350.00	3,516,200.00
2036	2,664,440.00	780,000.00	77,875.00	857,875.00	3,522,315.00
2037	2,064,450.00	790,000.00	65,200.00	855,200.00	2,919,650.00
2038	1,511,850.00	805,000.00	49,400.00	854,400.00	2,366,250.00
2039	1,514,100.00	825,000.00	33,300.00	858,300.00	2,372,400.00
2040	-	840,000.00	16,800.00	856,800.00	856,800.00
	$ 54,068,511.67	$ 13,680,000.00	$ 3,329,799.13	$ 17,009,799.13	$ 71,078,310.80

TAX ADEQUACY — TABLE 5

2019 Freeze Adjusted Net Taxable Assessed Valuation	$ 17,730,098,866
Maximum Annual Debt Service Requirements (Fiscal Year Ending September 30, 2021)	$ 4,527,153
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.02605

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

TAX RATE DISTRIBUTION **TABLE 6**

Fund	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016
Maintenance & Operations Fund	$0.4615	$0.4610	$0.4806	$0.5009	$0.5111
Interest & Sinking Fund	0.0238	0.0243	0.0247	0.0244	0.0242
General Fund Totals	$0.4853	$0.4853	$0.5053	$0.5253	$0.5353

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

PROPERTY TAX RATES AND COLLECTIONS **TABLE 7**

Tax Year	Certified Net Taxable Assessed Valuation [(a)]	Tax Rate	Total Tax Levy	% Collections Current	% Collections Total	Fiscal Year Ending
2010	$ 10,622,174,138	$ 0.46420	$ 47,796,849	97.97%	99.69%	9/30/2011
2011	11,203,030,413	0.46420	50,223,877	98.21%	99.69%	9/30/2012
2012	11,450,251,128	0.48430	53,633,113	98.55%	99.74%	9/30/2013
2013	11,341,983,976	0.53530	61,764,543	98.57%	99.70%	9/30/2014
2014	12,166,662,707	0.53530	66,378,591	98.55%	99.65%	9/30/2015
2015	12,868,539,628	0.53530	70,140,088	98.80%	99.59%	9/30/2016
2016	13,882,214,538	0.52530	74,440,714	98.87%	99.44%	9/30/2017
2017	15,028,017,600	0.50530	77,595,446	98.80%	98.80%	9/30/2018
2018	16,440,957,159	0.48530	81,634,786	98.28%	98.28%	9/30/2019
2019	17,730,098,866	0.48530	85,658,570	96.72% [(b)]	97.05% [(b)]	9/30/2020

(a) *Figures represent Net Taxable Assessed Valuation after Tax Increment Reinvestment Zones' captured value adjustment.*
(b) As of June 30, 2020.
Sources: Texas Municipal Reports, the McLennan County Appraisal District and the Issuer's Comprehensive Annual Financial Report.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE **TABLE 8**
(As of July 1, 2020)

Fiscal Year Ending 9/30	Principal Repayment Schedule: Principal Outstanding	The Bonds	Total	Obligations Unpaid at End of Year	Percent of Principal Retired (%)
2021	$ 2,675,000	$ 460,000	$ 3,135,000	$ 49,275,000	5.98%
2022	2,100,000	530,000	2,630,000	46,645,000	11.00%
2023	2,165,000	550,000	2,715,000	43,930,000	16.18%
2024	1,725,000	560,000	2,285,000	41,645,000	20.54%
2025	1,775,000	585,000	2,360,000	39,285,000	25.04%
2026	1,825,000	595,000	2,420,000	36,865,000	29.66%
2027	1,885,000	620,000	2,505,000	34,360,000	34.44%
2028	1,935,000	645,000	2,580,000	31,780,000	39.36%
2029	2,015,000	670,000	2,685,000	29,095,000	44.49%
2030	2,085,000	700,000	2,785,000	26,310,000	49.80%
2031	2,130,000	720,000	2,850,000	23,460,000	55.24%
2032	2,195,000	735,000	2,930,000	20,530,000	60.83%
2033	2,255,000	750,000	3,005,000	17,525,000	66.56%
2034	2,320,000	755,000	3,075,000	14,450,000	72.43%
2035	2,380,000	765,000	3,145,000	11,305,000	78.43%
2036	2,450,000	780,000	3,230,000	8,075,000	84.59%
2037	1,920,000	790,000	2,710,000	5,365,000	89.76%
2038	1,425,000	805,000	2,230,000	3,135,000	94.02%
2039	1,470,000	825,000	2,295,000	840,000	98.40%
2040	-	840,000	840,000	-	100.00%
	$ 38,730,000	$ 13,680,000	$ 52,410,000		

TAXABLE ASSESSED VALUATION **TABLE 9**

Tax Year	Certified Net Taxable Assessed Valuation [a]	Change From Preceding Year Amount ($)	Change From Preceding Year Percent
2009-10	$10,371,382,237	$ 448,179,634	4.52%
2010-11	10,622,174,138	250,791,901	2.42%
2011-12	11,203,030,413	580,856,275	5.47%
2012-13	11,450,251,128	247,220,715	2.21%
2013-14	11,341,983,976	(108,267,152)	(0.95%)
2014-15	12,166,662,707	824,678,731	7.27%
2015-16	12,868,539,628	701,876,921	5.77%
2016-17	13,882,214,538	1,013,674,910	7.88%
2017-18	15,028,017,600	1,145,803,062	8.25%
2018-19	16,440,957,159	1,412,939,559	9.40%
2019-20	17,730,098,866	1,289,141,707	7.84%

[a] *Represents Net Taxable Assessed Valuation after Tax Increment Reinvestment Zones' captured value adjustment.*
Source: Texas Municipal Reports, the McLennan County Appraisal District and the Issuer's Comprehensive Annual Financial Report.

OPTIONAL ADDITIONAL SALES AND USE TAX **TABLE 10**

Fiscal Year	½% Tax Collections	Percent of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2009	$ 12,336,697	25.95%	0.12
2010	12,495,585	26.97%	0.13
2011	12,523,388	26.25%	0.12
2012	12,942,889	25.77%	0.12
2013	13,848,846	25.82%	0.13
2014	15,013,354	24.12%	0.13
2015	15,999,202	24.03%	0.13
2016	16,777,302	23.92%	0.13
2017	17,303,231	23.24%	0.12
2018	18,197,657	23.45%	0.12
2019	18,686,610	22.89%	0.11
2020	9,462,935 [a]	11.05%	0.05

[a] *Current fiscal year collections are through June 19, 2020; unaudited.*
Source: Texas Comptroller of Public Accounts and the Issuer.

PRINCIPAL TAXPAYERS 2019 **TABLE 11**

Name	Type of Property	2019 Net Taxable Assessed Valuation	% of Total 2019 Net Taxable Assessed Valuation
ONCOR Electric Delivery Company	Electric - Utility	$ 161,165,624	0.91%
Sandy Creek Energy Assoc LP ETAL	Electric - Utility	158,312,768	0.89%
Mars Snackfood US LLC	Candy Manufacturing	131,502,484	0.74%
Allergan, Inc.	Contact Lens Products Manufacturing	98,374,926	0.55%
Coca-Cola Company	Soft Drink Manufacturing	95,751,647	0.54%
Ferguson Enterprises Inc.	Contractor Supplies Distributing	77,951,308	0.44%
Sanderson Farms Inc.	Poultry Processing	70,572,293	0.40%
L-3 Communications	Aircraft Integrated Systems	67,869,000	0.38%
Atmos Energy/Mid-Tex	Disribution Natural Gas-Utility	63,120,660	0.36%
3503 RP Waco Central LP	Retail Shopping	62,219,025	0.35%
	Total	$ 986,839,735	5.57%

Based on a 2019 Freeze Adjusted Net Taxable Assessed Valuation of $ 17,730,098,866

Source: McLennan County Appraisal District and the Issuer.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 12

Category	2019-2020	% of Total	2018-2019	% of Total	2017-2018	% of Total	2016-2017	% of Total	2015-2016	% of Total
Real, Residential, Single Family	$ 10,755,103,792	39.67%	$ 10,044,079,804	39.31%	$ 8,841,057,172	38.31%	$ 7,976,213,366	36.35%	$ 7,427,614,732	36.60%
Real, Residential, Multi-Family	1,461,983,129	5.39%	1,406,864,894	5.51%	1,248,540,859	5.41%	1,043,120,213	4.75%	885,215,408	4.36%
Real, Vacant Lots/Tract	369,259,028	1.36%	375,310,408	1.47%	333,065,339	1.44%	326,574,884	1.49%	307,984,096	1.52%
Real Acreage (Land Only)	1,741,221,363	6.42%	1,679,325,723	6.57%	1,333,686,263	5.78%	1,331,721,698	6.07%	1,289,574,544	6.35%
Farm and Ranch Improvements	1,284,850,004	4.74%	1,180,671,103	4.62%	1,064,178,538	4.61%	973,426,562	4.44%	881,009,159	4.34%
Real, Commercial	3,429,083,560	12.65%	3,269,581,482	12.80%	3,076,616,548	13.33%	2,804,291,322	12.78%	2,554,604,414	12.59%
Real, Industrial	1,098,390,180	4.05%	1,027,563,103	4.02%	983,772,823	4.26%	1,369,309,187	6.24%	1,337,432,221	6.59%
Real, Oil, Gas & Other Minerals	24,380	0.00%	73,036	0.00%	82,475	0.00%	90,566	0.00%	83,381	0.00%
Real & Tangible Personal, Utilities	563,437,751	2.08%	533,895,502	2.09%	496,488,907	2.15%	477,089,960	2.17%	469,614,930	2.31%
Tangible Personal, Commercial	1,994,258,000	7.36%	1,873,661,080	7.33%	1,722,271,387	7.46%	1,702,755,470	7.76%	1,653,589,820	8.15%
Tangible Personal, Industrial	871,847,460	3.22%	805,163,100	3.15%	830,548,983	3.60%	826,652,220	3.77%	771,039,780	3.80%
Tangible Personal, Mobile Homes	43,264,292	0.16%	40,817,109	0.16%	41,267,652	0.18%	40,830,580	0.19%	40,623,160	0.20%
Real Residential, Inventory	56,727,360	0.21%	39,056,412	0.15%	32,443,932	0.14%	38,412,460	0.18%	37,032,368	0.18%
Special Inventory	72,203,070	0.27%	59,645,870	0.23%	60,990,390	0.26%	63,902,020	0.29%	62,593,240	0.31%
Totally Exempt Property	3,366,869,774	12.42%	3,215,923,970	12.59%	3,009,708,672	13.04%	2,970,030,135	13.53%	2,575,008,172	12.69%
Total Appraised Value	$ 27,108,523,143	100.00%	$ 25,551,632,596	100.00%	$ 23,074,719,939	100.00%	$ 21,944,420,643	100.00%	$ 20,293,019,425	100.00%
Less Exemptions:										
Optional Over-65/Disabled	$ 688,922,320		$ 675,960,819		$ 667,040,243		$ 651,651,695		$ 635,027,664	
Optional Percentage Homestead	1,664,073,908		1,580,605,153		1,423,842,382		1,289,395,266		1,202,726,637	
Disabled and Deceased Veterans	324,153,740		274,852,735		233,436,102		198,175,890		173,214,763	
Freeport Exemption	465,633,970		436,445,867		412,250,787		415,785,387		420,049,060	
Pollution Control	152,987,147		138,962,433		140,887,922		266,462,290		266,036,565	
Productivity Value Loss	1,613,501,785		1,555,059,895		1,205,061,621		1,206,885,268		1,170,945,936	
Abatement & Property Redevelop	268,968,279		270,940,457		257,493,891		491,862,786		570,248,230	
10% Homestead Cap Loss	325,794,453		454,790,134		247,780,613		144,103,804		85,474,244	
Other	12,663,384		12,158,109		12,407,390		11,771,799		320,449	
Totally Exempt Property	3,355,026,241		3,204,147,273		2,997,808,784		2,958,792,295		2,575,008,172	
Total Exemptions	$ 8,871,725,227		$ 8,603,922,875		$ 7,598,009,735		$ 7,634,886,480		$ 7,099,051,720	
Net Taxable Assessed Valuation	$ 18,236,797,916		$ 16,947,709,721		$ 15,476,710,204		$ 14,309,534,163		$ 13,193,967,705	
Value Captured by Tax Increment Reinvestment Zone (TIRZ)	$ 506,699,050		$ 506,752,562		$ 448,692,604		$ 427,319,625		$ 325,428,077	
Net Taxable Assessed Valuation after TIRZ	$ 17,730,098,866		$ 16,440,957,159		$ 15,028,017,600		$ 13,882,214,538		$ 12,868,539,628	

Source: McLennan County 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 this Official Statement may not match these certified valuations.

OVERLAPPING DEBT DATA AND INFORMATION **TABLE 13**

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

Taxing Body	Gross Debt Principal	As of	% Overlapping	Amount Overlapping
Axtell ISD	$ -	05/31/2020	93.38	$ -
Bellmead, City of	10,685,000	05/31/2020	100.00	10,685,000
Bosqueville ISD	7,800,000	05/31/2020	100.00	7,800,000
Bruceville-Eddy ISD	5,350,000	05/31/2020	84.91	4,542,685
Bruceville-Eddy, City of	395,000	05/31/2020	94.43	372,999
China Spring ISD	34,650,000	05/31/2020	97.67	33,842,655
Connally ISD	13,555,000	05/31/2020	100.00	13,555,000
Crawford ISD	5,795,000	05/31/2020	86.43	5,008,619
Crawford, City of	1,286,771	05/31/2020	100.00	1,286,771
Hallsburg ISD	2,065,000	05/31/2020	100.00	2,065,000
Hewitt, City of	45,840,000	05/31/2020	100.00	45,840,000
La Vega ISD	36,683,821	05/31/2020	100.00	36,683,821
Lacy-Lakeview, City of	-	05/31/2020	100.00	-
Lorena ISD	27,167,373	05/31/2020	98.03	26,632,176
Lorena, City of	6,812,945	05/31/2020	100.00	6,812,945
Mart ISD	9,825,000	05/31/2020	60.77	5,970,653
Mart, City of	13,000,000	05/31/2020	100.00	13,000,000
McGregor ISD	23,584,223	05/31/2020	100.00	23,584,223
McGregor, City of	18,550,000	05/31/2020	98.34	18,242,070
McLennan Co JCD	55,350,000	05/31/2020	100.00	55,350,000
Midway ISD [McLennan]	212,339,005	05/31/2020	100.00	212,339,005
Moody ISD	9,534,999	05/31/2020	65.12	6,209,191
Moody, City of	72,726	05/31/2020	100.00	72,726
Oglesby ISD	-	05/31/2020	1.15	-
Riesel ISD	25,067,999	05/31/2020	97.39	24,413,724
Riesel, City of	-	05/31/2020	100.00	-
Robinson ISD	20,835,000	05/31/2020	99.02	20,630,817
Robinson, City of	42,885,000	05/31/2020	100.00	42,885,000
Valley Mills ISD	14,580,000	05/31/2020	26.55	3,870,990
Valley Mills, City of	176,500	05/31/2020	2.66	4,695
Waco ISD	146,050,000	05/31/2020	100.00	146,050,000
Waco, City of	491,620,000	05/31/2020	100.00	491,620,000
West ISD	2,214,187	05/31/2020	98.26	2,175,660
West, City of	2,405,000	05/31/2020	100.00	2,405,000
Woodway, City of	15,730,000	05/31/2020	100.00	15,730,000
Total Gross Overlapping Debt Principal				$ 1,279,681,425
McLennan County	52,410,000 [a]		100.00%	$ 52,410,000 [a]
Total Direct and Overlapping Debt Principal				$ 1,332,091,425 [a]

Ratio of Direct and Overlapping Debt to 2019 Adjusted Net Taxable Assessed Valuation	$ 0.07304 [a]
Ratio of Direct and Overlapping Debt to 2019 Actual Market Value	$ 0.04914 [a]
Per Capita Direct and Overlapping Debt	$ 5,190.85 [a]

[a] *Includes the Bonds. (See "Table 2 - General Obligation Bonded Debt" herein.)*

Source: Municipal Advisory Council of Texas

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES **TABLE 14**

Issuer	Election Date	Purpose	Amount Authorized	Issued To Date	Unissued
West ISD	11/5/2019	School Building	$ 21,485,000	$ -	$ 21,485,000
The County	11/5/2019	Zoo Facilities	$ 14,545,000	$ 14,545,000 [1]	$ -

Source: Municipal Advisory Council of Texas

[1] *The Bonds, includes a portion of premium allocated to the authorized amount.*

INTEREST AND SINKING FUND MANAGEMENT INDEX — TABLE 15

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2019	$	1,954,958
2019-20 Interest and Sinking Fund Tax Levy of $0.0238 at 98% Collections Produces [(a)]		4,135,368
Total Available for Debt Service	$	6,090,326
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-20	$	4,246,527
Estimated Surplus at Fiscal Year Ending 9-30-20	$	1,843,800

[(a)] *Does not include delinquent tax collections, penalties and interest on delinquent tax collection or investment earnings.*

FUND BALANCES* — TABLE 16

(As of May 31, 2020)

	McLennan County	McLennan County Public Facility Corp. [(1)]	Entity Wide
General Fund	$ 80,236,032	-	$ 80,236,032
Special Revenue Funds	9,115,813	-	9,115,813
Debt Service Fund	1,666,855	$ 3,690,960	5,357,815
Capital Projects Fund	32,326,334	-	32,326,334
Total	$ 123,345,034	$ 3,690,960	$ 127,035,994

Source: Issuer

** Unaudited*

[(1)] See "Table 3 - OTHER OBLIGATIONS" herein for further information regarding the McLennan County Public Facility Corporation.

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE — TABLE 17

	Fiscal Year Ended September 30				
	2019	**2018**	**2017**	**2016**	**2015**
REVENUES:					
Taxes	$ 91,216,796	$ 89,580,791	$ 86,371,382	$ 82,398,125	$ 78,282,521
Licenses and Permits	5,000	3,500	4,000	5,500	3,500
Intergovernmental	2,547,931	2,802,493	1,825,159	2,378,497	2,116,480
Charges for Services	11,319,064	11,173,705	10,921,943	10,421,575	10,565,291
Fines and Forfeits	827,597	865,938	638,445	630,745	716,867
Contributions and Donations	2,000	-	-	-	-
Investment Earnings	1,360,818	996,827	685,613	-	-
Miscellaneous	1,405,509	1,481,738	1,730,183	2,020,144	1,946,507
Total Revenues	$ 108,684,715	$ 106,904,992	$ 102,176,725	$ 97,854,586	$ 93,631,166
EXPENDITURES:					
Current					
General Government	$ 27,856,515	$ 26,120,815	$ 26,152,878	$ 24,927,790	$ 22,379,884
Judicial	6,907,863	6,599,263	6,291,730	5,895,176	5,835,730
Public Safety	36,763,925	34,365,291	31,484,531	29,571,236	30,564,100
Public Transportation	12,380,510	10,848,113	10,786,788	9,140,109	9,362,379
Health	9,040,746	8,197,446	7,545,019	7,429,632	4,428,594
Welfare	6,964,246	6,865,115	6,857,556	6,367,541	5,775,027
Culture-Recreation	6,307	15,557	38,551	22,093	76,483
Conservation	241,471	227,738	233,047	233,634	228,893
Economic Development and Assistance	511,109	2,199,826	1,826,232	1,363,949	1,529,468
Debt Service:					
Principal	-	-	24,670	2,792,307	1,002,874
Interest and Fiscal Charges	-	-	414	71,723	142,242
Capital Projects	-	-	-	-	-
Total Expenditures	$ 100,672,692	$ 95,439,164	$ 91,241,416	$ 87,815,190	$ 81,325,674
Excess (Deficiency) of Revenue Over Expenditures	$ 8,012,023	$ 11,465,828	$ 10,935,309	$ 10,039,396	$ 12,305,492
Other Financing Sources (Uses)					
Transfers In	$ -	$ 207	$ 1,500	$ -	$ 5,843,143
Transfers Out	(6,940,151)	(9,482,156)	(5,845,464)	(7,988,169)	(4,876,401)
Issuance of General Obligation Bonds	-	-	-	24,670	566,452
Premium on Issuance of Bonds	-	-	-	-	-
Sale of Capital Assets	58,981	204,951	278,933	128,188	67,325
Total Other Financing Sources	$ (6,881,170)	$ (9,276,998)	$ (5,565,031)	$ (7,835,311)	$ 1,600,519
Net Change in Fund Balance	1,130,853	2,188,830	5,370,278	2,204,085	13,906,011
Fund Balances at Beginning of Year	54,608,217	52,419,387	47,049,109	44,845,024	30,939,013
Fund Balances at End of Year	$ 55,739,070	$ 54,608,217	$ 52,419,387	$ 47,049,109	$ 44,845,024

The County Auditor currently estimates that the Fiscal Year Ending September 30, 2020 General Fund Fund Balance will be approximately $58,000,000.

Source: The Issuer's Comprehensive Annual Financial Reports.

COUNTY LIBRARY SYSTEM HISTORICAL REVENUES — TABLE 18

	2019	**2018**	**2017**	**2016**	**2015**
Year Revenues ($)	$ 150,365	$ 149,387	$ 144,511	$ 138,973	$ 132,823

Source: Issuer

Solely to comply with State law allowing the certificates of obligation to be sold for cash, certificates of obligation sold by the County are additionally secured, together with the currently outstanding previously issued Parity Obligations, by and payable from a lien on and pledge of not more than $1,000 derived from the net revenues of the County's library system, such lien and pledge, however, being subordinate and inferior to any lien thereon and pledge thereof now or hereafter existing that secures the payment of any Prior Lien Bonds or Junior Lien Bonds hereinafter issued by the County.

The Pledge

The McLennan County, Texas Venue Project Revenue and Refunding Bonds (Combined Venue Tax), Series 2018A (the "Bonds") were previously authorized by the Commissioners Court (the "Court") of McLennan County, Texas (the "County") and issued pursuant to the provisions of Chapter 1207, as amended, Texas Government Code ("Chapter 1207"), Chapter 1371, as amended, Texas Government Code, Chapter 334, as amended, Texas Local Government Code, an election held in the County on May 6, 2017, and an order to be adopted on June 19, 2018 by the Court (the "Order").

The Bonds constitute special, limited obligations of the County, payable solely from and secured by a lien on and pledge of certain County revenues (as identified and described in the order as the "Pledged Revenues"). Payment of the Bonds is secured primarily by (i) a first and prior lien on and pledge of the Hotel Occupancy Tax Revenues (defined herein) and (ii) a first and prior lien on and pledge of the Motor Vehicle Rental Tax Revenues (defined herein). The Bonds were issued by the County to (i) refund the County's then outstanding obligations, (ii) fund additional costs of the Venue Project (as described below), (iii) fund a debt service reserve account, and (iv) pay the costs of their issuance.

The Venue Project

The Venue Project is located at the Heart of Texas Fairgrounds (now known as the Extraco Events Center and referred to herein as the "Heart of Texas Fairgrounds") off of Bosque Boulevard in the City of Waco, Texas (the "City") and is expected to include development, construction and renovation of new and existing facilities located thereat, including a multi-purpose arena, adjacent support facilities and any related infrastructure. The Venue Project has been designated as a "sports and community venue project" within the County in accordance with and as defined by Chapter 334.

The Heart of Texas Fairgrounds hosts the Heart Of Texas Fair & Rodeo and, among other things, conventions, trade shows, consumer and public shows, livestock and equine shows, concerts, festivals, and expositions and competitions, and covers approximately 60 acres of land containing modernized facilities, 700 livestock stalls, 250 recreational vehicle hook-ups and parking areas able to accommodate over 3,800 vehicles. Its facilities consist of the Heart Of Texas Coliseum, Back Porch Club, Show Pavilion, General Exhibits Building, Creative Arts Building and the Stall Barn. Through the Venue Project, the Heart of Texas Fairgrounds is expected to be developed, as a result of collaboration among the County, the City, and Waco Independent School District, to include a state-of-the-art multi-purpose arena, new sports facilities, including baseball and softball fields and a soccer and track complex, additional equine and livestock facilities, including new stalls and show arena, and replace certain existing buildings and infrastructure, including street improvements, utilities, lighting, landscaping and graphics. The multi-purpose arena is expected to be approximately 80,000 square feet, including approximately 53,000 square feet of exhibit space, to connect to the Heart Of Texas Coliseum and host, among other events, a variety of trade shows, livestock and equine shows, consumer and public shows, expositions, conventions, sporting events, concerts, festivals, recreational and collegiate competitions, telecasts and banquets.

The following table sets forth the debt service requirements for the Venue Tax Bonds.

Fiscal Year Ended 9/30	Principal	Interest	Total
2020	$ 340,000.00	$ 1,535,637.50	$ 1,875,637.50
2021	350,000.00	1,525,437.50	1,875,437.50
2022	365,000.00	1,511,437.50	1,876,437.50
2023	380,000.00	1,496,837.50	1,876,837.50
2024	395,000.00	1,481,637.50	1,876,637.50
2025	415,000.00	1,461,887.50	1,876,887.50
2026	435,000.00	1,441,137.50	1,876,137.50
2027	455,000.00	1,419,387.50	1,874,387.50
2028	480,000.00	1,396,637.50	1,876,637.50
2029	500,000.00	1,372,637.50	1,872,637.50
2030	525,000.00	1,347,637.50	1,872,637.50
2031	555,000.00	1,321,387.50	1,876,387.50
2032	580,000.00	1,293,637.50	1,873,637.50
2033	610,000.00	1,264,637.50	1,874,637.50
2034	630,000.00	1,243,287.50	1,873,287.50
2035	665,000.00	1,211,787.50	1,876,787.50
2036	695,000.00	1,178,537.50	1,873,537.50
2037	730,000.00	1,143,787.50	1,873,787.50
2038	765,000.00	1,107,287.50	1,872,287.50
2039	805,000.00	1,069,037.50	1,874,037.50
2040	845,000.00	1,028,787.50	1,873,787.50
2041	890,000.00	986,537.50	1,876,537.50
2042	935,000.00	942,037.50	1,877,037.50
2043	980,000.00	895,287.50	1,875,287.50
2044	1,030,000.00	846,287.50	1,876,287.50
2045	1,070,000.00	805,087.50	1,875,087.50
2046	1,115,000.00	762,287.50	1,877,287.50
2047	1,155,000.00	717,687.50	1,872,687.50
2048	1,205,000.00	671,487.50	1,876,487.50
2049	1,250,000.00	623,287.50	1,873,287.50
2050	1,305,000.00	571,725.00	1,876,725.00
2051	1,355,000.00	517,893.75	1,872,893.75
2052	1,415,000.00	462,000.00	1,877,000.00
2053	1,470,000.00	403,631.25	1,873,631.25
2054	1,530,000.00	342,993.75	1,872,993.75
2055	1,595,000.00	279,881.25	1,874,881.25
2056	1,660,000.00	214,087.50	1,874,087.50
2057	1,730,000.00	145,612.50	1,875,612.50
2058	1,800,000.00	74,250.00	1,874,250.00
	$ 35,010,000.00	$ 38,114,550.00	$ 73,124,550.00

APPENDIX B

GENERAL INFORMATION REGARDING MCLENNAN COUNTY, TEXAS AND THE CITY OF WACO, TEXAS

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GENERAL INFORMATION REGARDING MCLENNAN COUNTY AND THE CITY OF WACO, TEXAS

Location and Economy

McLennan County (the "County") is located in central Texas and comprises the Waco Metropolitan Statistical Area (MSA). The County's economy is based primarily on manufacturing and agriculture, with higher education also making a significant impact on the economy. The County is traversed by interstate Highway 35; United States Highways 77, 81 and 84; State Highways 6, 31, and 317; and 29 farm-to-market and park roads. The County's 2010 census was 234,906, an increase of 10.0% over the 2000 census of 213,517.

The City of Waco (the "City") is the county seat and center for manufacturing, tourism, conventions and agribusiness for central Texas. The City is located 90 miles south of the City of Dallas on Interstate Highway I-35. The City is the approximate geographic center of the Texas population, being within 100 miles of 31% of the State's population of almost 15 million people. The central location makes the City a popular distribution center for trade goods. The City is the site of the majority of principal employers within the County and several institutions of higher learning. The City's 2010 census is 124,805, a 9.7% increase over the 2000 census of 113,726.

Map of Texas Counties showing location of McLennan County

Population Trends

Year	City of Waco	McLennan County
Current Estimate	139,236	256,623
2010 Census	124,805	234,906
2000 Census	113,726	213,517
1990 Census	103,590	189,123
1980 Census	101,261	170,755
1970 Census	95,326	147,553

Sources: U.S. Census Bureau and the Issuer

Leading Employers – McLennan County

Employer	Type of Business	Estimated Number of Employees 2019
Baylor University	Education	2,986
Providence Health Center	Healthcare	2,397
Waco Independent School District	Public Education	2,373
Baylor Scott & White Medical Center-Hillcrest	Healthcare	2,177
H.E. Butt Grocery Co. (all stores)	Retail	2,000
Texas State Technical College	Education	1,706
City of Waco	Local Government	1,578
Sanderson Farms Inc.	Manufacturing	1,200
Midway Independent School District	Public Education	1,081
McLennan County	County Government	964
Wal-Mart (all locations)	Retail	947

Source: Issuer's 2019 Comprehensive Annual Financial Report - Statistical Section

Labor Force Statistics

	McLennan County		City of Waco		Waco MSA	
	May 2020	May 2019	May 2020	May 2019	May 2020	May 2019
Civilian Labor Force	111,941	118,574	57,859	60,799	118,029	125,126
Total Employed	100,718	115,138	51,531	58,908	106,265	121,496
Total Unemployed	11,223	3,436	6,328	1,891	11,764	3,630
% Unemployed	10.0%	2.9%	10.9%	3.1%	10.0%	2.9%
% Unemployed (Texas)	12.7%	3.1%	12.7%	3.1%	12.7%	3.1%
% Unemployed (United States)	13.0%	3.4%	13.0%	3.4%	13.0%	3.4%

Source: Texas Workforce Commission, Labor Market Information Department.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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NORTON ROSE FULBRIGHT

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United States

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Fax +1 512 536 4598
nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the "McLennan County, Texas General Obligation Bonds, Series 2020" (the *Bonds*), dated August 15, 2020, in the aggregate principal amount of $13,680,000, we have reviewed the legality and validity of the issuance thereof by the Commissioners Court of McLennan County, Texas (the *County*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity), and have Stated Maturities of June 1 in each of the years 2021 through 2040, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

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

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

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of "MCLENNAN COUNTY, TEXAS GENERAL OBLIGATION BONDS, SERIES 2020"

valid and legally binding obligations of the County enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the County.

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

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

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

Norton Rose Fulbright US LLP

APPENDIX D

EXCERPTS FROM MCLENNAN COUNTY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

(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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McLENNAN COUNTY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Prepared by:
FRANCES BARTLETT, CPA
COUNTY AUDITOR

McLENNAN COUNTY, TEXAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2019

TABLE OF CONTENTS

McLENNAN COUNTY, TEXAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2019

TABLE OF CONTENTS

McLENNAN COUNTY, TEXAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2019

TABLE OF CONTENTS

McLENNAN COUNTY
TEXAS

INTRODUCTORY SECTION

Frances Bartlett, CPA
County Auditor

214 N. Fourth Street, Suite 100
Waco, Texas
Voice (254) 757-5156
Fax (254) 757-5157
Frances.Bartlett@co.Mclennan.tx.us

March 31, 2020

Honorable District Judges
Honorable County Judge
Honorable County Commissioners

The Comprehensive Annual Financial Report of McLennan County, Texas, for the fiscal year ended September 30, 2019, is submitted herewith in accordance with Chapter 114.025 of the Local Government Code. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and audited in accordance with auditing standards generally accepted in the United States of America by a firm of certified public accountants.

This report consists of management's representations concerning the finances of McLennan County, Texas. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, McLennan County management has established a comprehensive internal control framework designed both to protect governmental assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). McLennan County's comprehensive framework, because the cost of internal controls should not outweigh their benefits, has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

McLennan County's financial statements have been audited by Pattillo, Brown and Hill LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditors concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on McLennan County's financial statements for the fiscal year ended September 30, 2019 that they are fairly presented in conformity with generally accepted accounting principles. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile of the Government

Located in Central Texas, McLennan County was incorporated in 1850 and both the County and the County Seat were named after the pioneer, Neil McLennan. The County's population continues to grow and is now 234,906 according to the 2010 census. This is up 10% over the 2000 census of 213,517 and 24.2% over the 1990 census of 189,123. The County has a land area of 1,042 square miles. The decennial census levels in Texas determine which of the various State statutes apply to each particular Texas County.

The County operates as specified under the Constitution and Statutes of the State of Texas, which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical precincts. The County Judge is elected for a term of four years and the Commissioners for four-year staggered terms.

The County provides the full range of county services contemplated by the Constitution and Statutes of the State of Texas. The primary functions include general government, judiciary, public safety, county roads, environmental protection, health, welfare, culture and recreation, conservation, and infrastructure.

The annual budget serves as the foundation for McLennan County's financial planning and control. All departments of the County are required to submit requests for appropriation to the County Auditor's Office. The County Auditor, who serves as the Budget Officer, presents these requests to Commissioners Court. The County Auditor is also responsible for estimating the revenues for the budget. Through budget workshops the Commissioners Court creates a budget which is voted on and becomes the proposed budget. The proposed budget must be filed with the County Clerk. The Court is required to publish specific information, notices, and hold public hearings as defined by State Statute. After all these requirements are met, the Court may adopt the budget and the tax rate by September 1 or as soon thereafter as is practical. The appropriated budget is adopted by fund, then by department, then by individual line item. Budget-to-actual comparisons are provided in this report for all of the funds for which a budget is adopted by the Commissioners Court.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which McLennan County operates.

Local economy

McLennan County experiences the same economic concerns being felt across Texas and the Nation. However, the tough economy is mitigated to a great degree in McLennan County by its diversified and stable economic base, including manufacturing, high technology companies, retail, higher education institutions, service industries, aviation industry and others. McLennan County provides a high quality labor force, attractive real estate opportunities, favorable tax treatment and abundant natural resources.

McLennan County is strategically located at the approximate geographic center of Texas, often referred to as the "Heart of Texas," and is within 200 miles of 70 percent of the Texas population. Major cities such as Austin, Dallas, Fort Worth, Houston, and San Antonio are within minimal driving distances. The NAFTA (North American Free Trade Agreement) continues to have a strong impact on the County. Interstate Highway 35, considered a main gateway to Mexico, passes through the middle of the County.

Long-term financial planning

The Commissioners Court continues to be very active in economic development to insure and promote continued growth. Vigorous efforts by the McLennan County Commissioners Court and the Greater Waco Chamber of Commerce to attract new industry to the area are continuing, and the prospect of continued growth in the local economy is very encouraging at this time. The establishment of the Waco/McLennan County Economic Development Corporation, a joint venture with the Greater Waco Chamber of Commerce, the Waco Industrial Foundation, the City of Waco and McLennan County, has been a significant instrument in promoting economic development in our area. Both McLennan County and the City of Waco provide the funding for the Corporation, which provides economic incentives to companies meeting certain social and economic performance standards.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to McLennan County, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2018. This was the thirty-fourth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the County Auditor's Office. I would like to express my appreciation to everyone who assisted and contributed in the preparation of this report. Credit also must be given to the Board of District Judges for their support in maintaining the highest standard of professionalism, and to the McLennan County Commissioners Court for its management of McLennan County's finances and for their work in helping develop information related to reporting infrastructure and for providing the necessary related software tools.

Respectfully submitted,

Frances Bartlett

Frances Bartlett, CPA
McLennan County Auditor

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

McLennan County

Texas

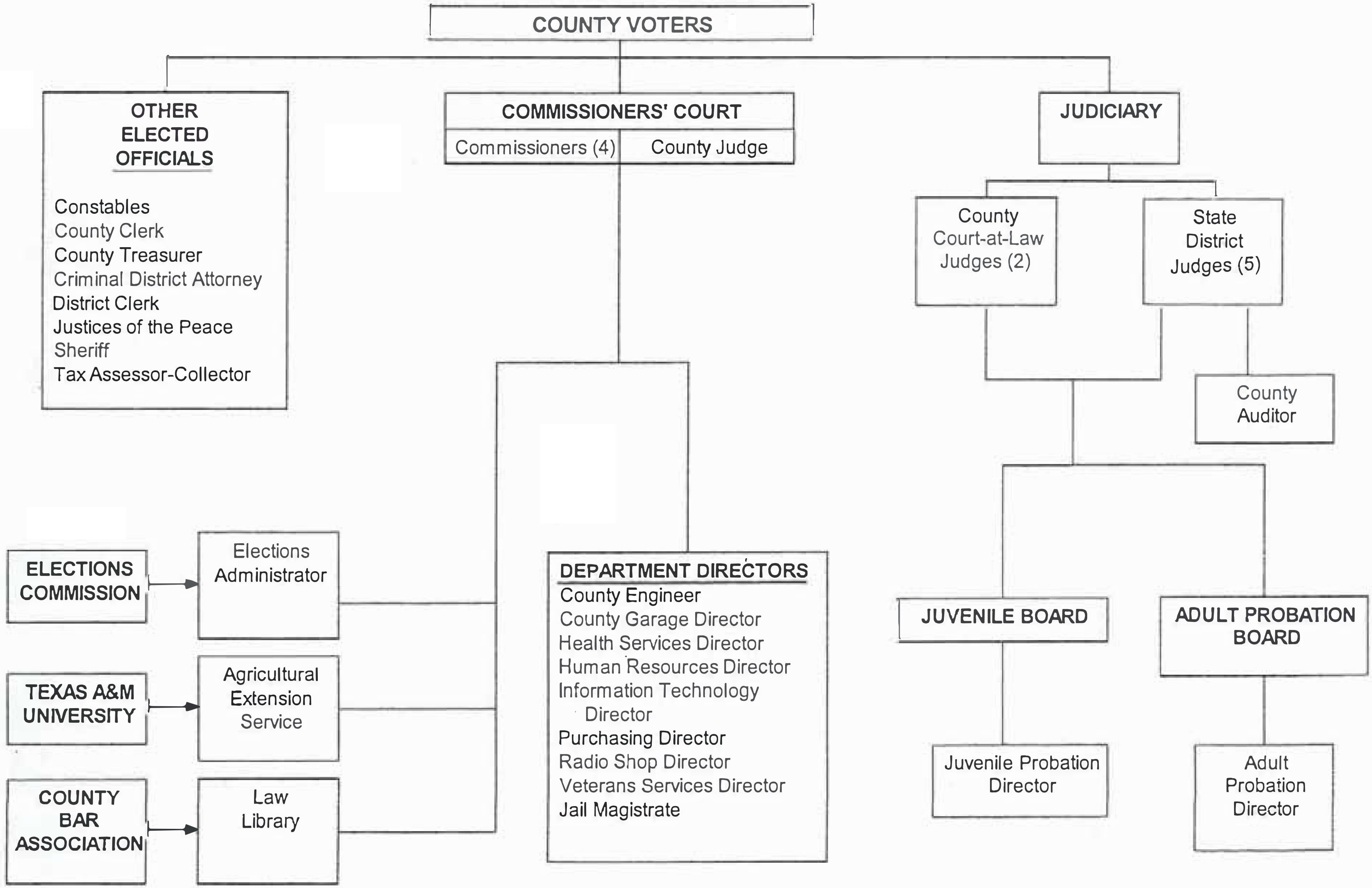
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morrill

Executive Director/CEO

McLENNAN COUNTY, TEXAS ORGANIZATION



MCLENNAN COUNTY, TEXAS

PRINCIPAL OFFICIALS
As of September 30, 2019

ELECTED OFFICIALS

District Officials

Judge, 19th Judicial District	Ralph Strother
Judge, 54th Judicial District	Matt Johnson
Judge, 74th Judicial District	Gary Coley, Jr.
Judge, 170th Judicial District	Jim Meyer
Judge, 414th Judicial District	Vicki Menard
Criminal District Attorney	Barry Johnson

County Officials

County Judge	Scott Felton
Judge, County Court at Law, No. 1	Vikram Deivanayagam
Judge, County Court at Law, No. 2	Bradley Cates
Commissioner, Precinct 1	Kelly Snell
Commissioner, Precinct 2	Patricia Miller
Commissioner, Precinct 3	Will Jones
Commissioner, Precinct 4	Ben Perry
County Clerk	J.A. "Andy" Harwell
District Clerk	Jon Gimble
County Sheriff	Parnell McNamara
County Treasurer	Bill Helton
County Tax Assessor-Collector	Randy Riggs
Constable, Precinct 1	Walt Strickland
Constable, Precinct 2	John Johnson
Constable, Precinct 3	David Maler
Constable, Precinct 4	Stan Hickey
Constable, Precinct 5	Freddie Cantu
Justice of the Peace, Precinct 1, Place 1	Dianne Hensley
Justice of the Peace, Precinct 1, Place 2	Walter Peterson
Justice of the Peace, Precinct 2	James Lee
Justice of the Peace, Precinct 3	David Pareya
Justice of the Peace, Precinct 4	Brian Richardson
Justice of the Peace, Precinct 5	Fernando Villarreal

APPOINTED OFFICIALS

County Auditor	Frances Bartlett
Director of Juvenile Probation	Collin Coker
Director of Adult Probation	William Seigman
Elections Director	Kathy Van Wolfe

PRINCIPAL OFFICIALS (continued)
As of September 30, 2019

DEPARTMENTAL DIRECTORS

Purchasing Director	Kenneth Bass
Maintenance of Equipment Director	Wayne Canaday
County Engineer	Zane Dunnam
Human Resources Director	Amanda Talbert
Health Services Director	Eva Cruz Hamby
Mental Health Court Director	Tessa Slovak
Veterans Services Director	Steve Hernandez
Building Maintenance Director	Timothy Jackson
Information Technology Director	Lisa Fetsch
Jail Magistrate	Virgil Bain

FINANCIAL SECTION

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable County Judge and
Commissioners' Court
McLennan County, Texas

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McLennan County, Texas as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprises McLennan County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McLennan County, Texas, as of September 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and required supplementary information, as listed in the table of contents, 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 McLennan County, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2020, on our consideration of the McLennan County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McLennan County, Texas' internal control over financial reporting and compliance.

Chris Pruitt

Waco, Texas
March 31, 2020

This discussion and analysis provides readers of the financial statements of McLennan County, Texas (the County) a narrative overview and analysis of the County's financial activities for the fiscal year that ended September 30, 2019. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers of this discussion and analysis should consider the information presented here in conjunction with additional information that we have furnished in our accompanying letter of transmittal and in the basic financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of McLennan County exceeded its liabilities and deferred inflows at September 30, 2019, by $89.0 million. Net investment in capital assets (net of depreciation and related debt) accounts for almost 49.9% of this amount, with a value of $44.4 million. Restricted net position totaled $47.5 million or 53.4% of net position. Of the remaining net position, a deficit of $2.9 million exists as unrestricted net position.

- The County's total net position increased by a total of $11.5 million for the year ended September 30, 2019 when compared to the total net position reported for the year ended September 30, 2018.

- Income from general sources of revenue totaled $106.7 million, with total expenses in excess of program revenues of $95.2 million.

- As of September 30, 2019, McLennan County's governmental funds reported combined ending fund balances of $165.2 million. Of that amount, $122.1 million was restricted for or committed for specific purposes. $42.0 million was unassigned for spending at the government's discretion in the Governmental Funds, and $1.1 million was nonspendable due to the nature of the asset as a prepaid asset.

- The unassigned fund balance for the General Fund of $42.1 million at September 30, 2019 was 41.83% of the total $100.7 million of General Fund expenditures for fiscal year 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to McLennan County's basic financial statements. The annual report presented herein is a series of financial statements and notes to those statements, as well as other required supplementary information and schedules. These statements and schedules are organized so the reader can understand McLennan County as a financial operating entity. As the reader moves through the statements, there is ever increasing detail to further explain information presented. The basic financial statements are comprised of three components:

1) Government-wide financial statements,

2) Fund financial statements, and

3) Notes to the financial statements

This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

There are two government-wide financial statements that are designed to provide readers a broad overview of McLennan County's finances in a manner similar to the financial statements of a private-sector business.

The statement of net position presents information on all of McLennan County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources; the difference between the four is reported as net position. This statement is similar to that of the balance sheet of a private-sector business (with primary sections in a business balance sheet being assets, liabilities, and equity). 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 2019. Because the statement of activities separates program revenue (that is, revenue generated by specific programs through charges for services, fees, licenses, grants received, and other contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on general revenues for funding.

All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector businesses. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of cash being received or paid. This differs from the fund accounting statements, which are recorded using the modified accrual method to primarily record the inflows and outflows of cash. Items such as uncollected taxes, unpaid vendor invoices for items received in 2019, and earned but unused vacation leave are included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed in 2019.

McLennan County has no separately identified discretely-presented component units included in the government-wide financial statements. By virtue of the County's authority to exercise influence over its operations, the Community Supervision and Corrections Department (Adult Probation Fund) and Juvenile Probation Department are reflected as blended component units and special revenue funds and their financial data is included in governmental activities.

In addition McLennan County Public Facilities Corporation (the Corporation or PFC), a nonprofit corporation created under Texas Local Government Code Section 303 on September 2, 2008 is a blended component unit. All of the members of the Board of Directors of the Corporation are appointed by the County's Commissioners Court, and indeed consists of the same individuals that comprise the Commissioners Court. During 2009 the Corporation issued revenue bonds to fund the construction of a new 816 bed detention facility. The new detention facility was completed in 2010 and started operating in June of that year. The Corporation refunded the Series 2009 revenue bonds by issuing Project Revenue Refunding Bonds Taxable Series 2014 in the 2016 fiscal year.

You will find further information regarding these blended component units in the Summary of Significant Accounting Policies in Note I of the notes to the financial statements.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. McLennan County, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial and legal requirements. All funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

1) Governmental Funds are used to account for essentially the same functions reported in the governmental activities in the government-wide financial statements, but unlike the activity statement, the measurement focus is on available resources.

2) Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

3) Proprietary Funds are used to account for the County's health, dental, and vision insurance. The County maintains one type of proprietary fund, Internal Service Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The Internal Service Funds have been included within governmental activities in the government-wide financial statements.

Governmental Funds

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present a separate column of financial data for the General Fund, Debt Service Fund, the Permanent Improvement Fund, the Local Provider Participation Fund, the PFC Jail Operating Fund, PFC Debt Service Fund, Venue Project Fund, and Venue Project Debt Service Fund as the major funds. Data from the remaining governmental funds (i.e., non-major funds) are combined into a single, aggregated presentation. The "governmental fund" financial statements can be found immediately following the "government-wide" financial statements. Individual fund data for each of the non-major governmental funds is provided in the Combining and Individual Fund Statements and Schedules following Required Supplementary Information.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. As mentioned earlier, government-wide financial statements are reported using accrual accounting; governmental fund financial statements focus on near-term inflows and outflows, as well as balances of available resources. In other words, revenue is reported when earned, provided it is collectible within the reporting period or soon enough afterwards to be used to pay liabilities of the current period. Likewise, liabilities are recognized as expenditures only when payment is due since they must be liquidated with available cash. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources.

The focus of governmental fund financial statements is more limited than that of government-wide financial statements. Because of the difference in the two types of statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers should better understand the results and long-term impact of near-term financing decisions. The reader is assisted in this comparison between the two bases of accounting by reconciliation statements between the governmental fund balance sheet and the statement of net position, as well as the governmental fund statement of revenues, expenditures, and changes in fund balances and the statement of activities.

McLennan County utilizes and maintains budgetary controls over its operating funds. Budgetary controls are used to ensure compliance with legal provisions required under state statute governing the annual appropriated budget. Budgets for governmental funds are established in accordance with state law and are adopted at the department and account line item levels for all funds. Specific equipment items included in capital outlays are approved on a capital equipment schedule. Appropriations for Capital Projects Funds are approved on an annual basis. A budgetary comparison schedule is provided for the General Fund in this management's discussion and analysis section. Also, the Required Supplementary Information contains an additional budget comparison for the General Fund. The comparison schedule is used to demonstrate compliance with the budget both as originally adopted and as finally amended.

Budgetary comparisons are not presented for the Adult Probation Fund because its budget is determined by a State grantor agency. A budget for the Public Facilities Corporation (PFC) funds is not presented because its budget, which there is none, would have been prepared by its separate corporate board. A Public Facilities Corporation is not required to prepare or adopt a formal budget under Texas Statutes.

Proprietary Funds

The Internal Service Funds are used to finance, administer and account for McLennan County's self-insured health, vision, and dental programs, whose purposes are to provide health, vision, and dental insurance to employees of the County. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside McLennan County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs and expenses of McLennan County. Fiduciary funds are accounted for on the accrual basis. Agency funds are used as clearing accounts for assets held by McLennan County in its role as custodian until the funds are allocated to the parties, organizations, or other government agencies to which they belong. The basic fiduciary fund financial statements can be found following the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Notes to the Financial Statements

The notes provide additional information essential to a complete understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

Statement of Net Position

The table following is a condensed Government-wide Summary of Net Position as of September 30, 2019 and 2018:

Summary of Net Position

September 30, 2019

($ in thousands)

		2019		2018
Current and other assets	$	190,034	$	163,380
Capital assets (net of accumulated depreciation) and construction in progress		98,756		90,075
Total assets	$	288,790	$	253,455
Deferred Losses on Refundings of Debt	$	2,152	$	1,415
Deferred Outflow Related to OPEB		3,792		3,885
Deferred Outflow Related to Pensions		21,401		7,486
Total deferred outflows of resources	$	27,345	$	12,786
Current and other liabilities	$	13,800	$	13,456
Unearned revenues		798		160
Long-term liabilities		208,202		171,126
Total liabilities	$	222,800	$	184,742
Deferred Inflow Related to Pensions	$	1,152	$	4,041
Deferred Inflow Related to OPEB		3,214		-
Deferred Gains on Refundings of Debt		9		-
Total deferred inflows of resources	$	4,375	$	4,041
Net investment in capital assets	$	44,353	$	41,409
Restricted		47,464		86,775
Unrestricted		(2,857)		(50,725)
Total net position	$	88,960	$	77,459

As noted earlier, net position (and the change in net position from year to year) may serve over time as a useful indicator of a government's financial condition. McLennan County's net position at September 30, 2019 totaled $89.0 million, representing a $11.5 million increase from the September 30, 2018 balance.

McLennan County's total assets were $288.8 million as of September 30, 2019. Of this amount, $98.8 million is accounted for by capital assets, which includes net infrastructure of $9.2 million. Of the remaining County assets, approximately $175.3 million were accounted for in cash, cash equivalents, and investments; $8.9 million in taxes and accounts receivable; and $4.7 million due from other governments.

Cash and cash equivalents increased $26.7 million from $148.6 million at September 30, 2018 to $175.3 million at September 30, 2019.

At September 30, 2019, the County had outstanding liabilities of $220.6 million, with approximately $206 million in total noncurrent liabilities. Of the long-term liabilities, $7.8 million was due within a year, with the remainder of $198.2 million due over an extended period of time. There is a more in-depth discussion of long-term debt in the notes to the financial statements beginning on page 60.

Included in other liabilities in the Statement of Net Position is $12.8 million in accounts payable and accrued liabilities.

A large portion of the County's net position (53.4%) reflects the amount subject to restrictions on how it may be used (restricted by either statute or contractual agreement). An amount representing 49.9% of the County's net position reflects its investment in capital assets such as equipment, facilities, infrastructure, etc., less any outstanding related debt used to acquire those assets. Capital assets are used to provide services to citizens. The remaining deficit balance of $2.9 million (unrestricted net position) represents the amount that may be used to meet the County's ongoing obligations. The deficit balance is due to the fact that the County has long-term liabilities that are funded by appropriating resources each year as payments come due.

Statement of Activities

The net position of McLennan County increased from governmental operations by $11.5 million in 2019. Key elements in changes in net position are shown in the table and graphs on the following pages.

Total revenues from all governmental activities for McLennan County were $172.6 million in 2019 compared to $168.1 million in 2018, for an increase of $4.5 million. The primary components of the revenues changes are as follows:

- Property tax revenue, accounting for 45.9% of total revenues, increased $3.2 million from $76 million in 2018 to $79.2 million in 2019. Although the property tax rate was decreased by two pennies compared to 2018, this increase was primarily due to the increase of property values and the addition of new property.

- Sales tax accounted for 10.8% of total revenues, increasing approximately $600 thousand from $18 million in 2018 to $18.6 million in 2019. Sales tax collections have continued to increase over the years due to continued economic growth within the County.

- Grants and contributions accounted for 17.5% of total revenues, showing an decrease of $5.1 million from $35.3 million in 2018 to $30.2 million in 2019. A large portion of the decrease is due to the decrease in revenues related to the Local Provider Participation Fund and the absence of the Natural Resources Conservation Service grant in 2019.

- Charges for services totaled approximately $32.3 million in 2018 comprising 19.2% of total revenue in 2018, compared to $35.6 million of charges for services in 2019, which represented 20.6% of total revenue in 2019.

- The remaining 5.2% of revenue in 2019 was provided by other taxes, interest income, and miscellaneous sources for a total of $8.9 million. In 2018 this same group of revenues comprised 3.9% of revenues for a total of $6.5 million. The increase is primarily due to an increase in investment earnings of $1 million and an increase of $1.2 million in revenue related to the sale of capital assets.

Expenses for the year totaled about $161.1 million in 2019 compared to $155.7 million in 2018. This represents a 3.5% or $5.4 million increase in 2019 compared to 2018.

Highlights of the expenses, by activity are as follows:

- General administration activities accounted for 18.5% of expenses in 2019, decreasing by $255 thousand, or .85%, in 2019 compared to 2018. This function of expense remained consistent with the prior year.

- Judicial activities accounted for 4.9% of expenses in 2018, increasing by $532 thousand in 2019 compared to 2018. This function of expense remained consistent with the prior year after factoring in cost of living salary adjustments and related taxes and fringe benefits.

- Public Safety activities accounted for 41.9% of expenses in 2019 increasing by $3.7 million or 5.8%, in 2019 compared to 2018. Personnel expenses included in the public safety function increased by $926 thousand compared to 2018. This increase is due to an increase in the number of personnel, cost of living salary adjustments, and related taxes and fringe benefits. The increase from the prior year is also due to a $563 thousand increase in inmate housing costs in the PFC Jail Operating Fund. In addition, expenses in the Juvenile Probation Local Fund increased by $552 thousand compared to the prior year. Another portion of this increase is due to the increase in pension related expenses that are included in the government wide statements.

- Public Transportation activities accounted for 8.4% of expenses in 2019, increasing by $2.3 million, or 20% in 2019 compared to 2018. Included in this function are the line items for road construction materials, which are for supplies and costs associated with maintaining County roads, as well as all other costs incurred in road construction and maintenance. The actual expenses associated with road construction materials were $1.1 million more than in the prior year. Another portion of this increase is due to the increase in pension related expenses that are included in the government wide statements.

- Health activities accounted for 18.3% of expenses in 2019, decreasing by $88 thousand compared to 2018. This function of expense remained consistent with the prior year.

- Welfare activities accounted for 4.3% of expenses in 2019, increasing by $99.3 thousand compared to 2018. This function of expense remained consistent with the prior year.

- Culture–Recreation activities accounted for 0.53% of expenses in 2019 increasing by $14.7 thousand from 2018. This function of expense remained consistent with the prior year.

- Conservation activities accounted for 0.17% of expenses in 2019 decreasing by $569 thousand from 2018. The decrease was due to the County not receiving the Natural Resources Conservation Service Grant for fiscal year 2019.

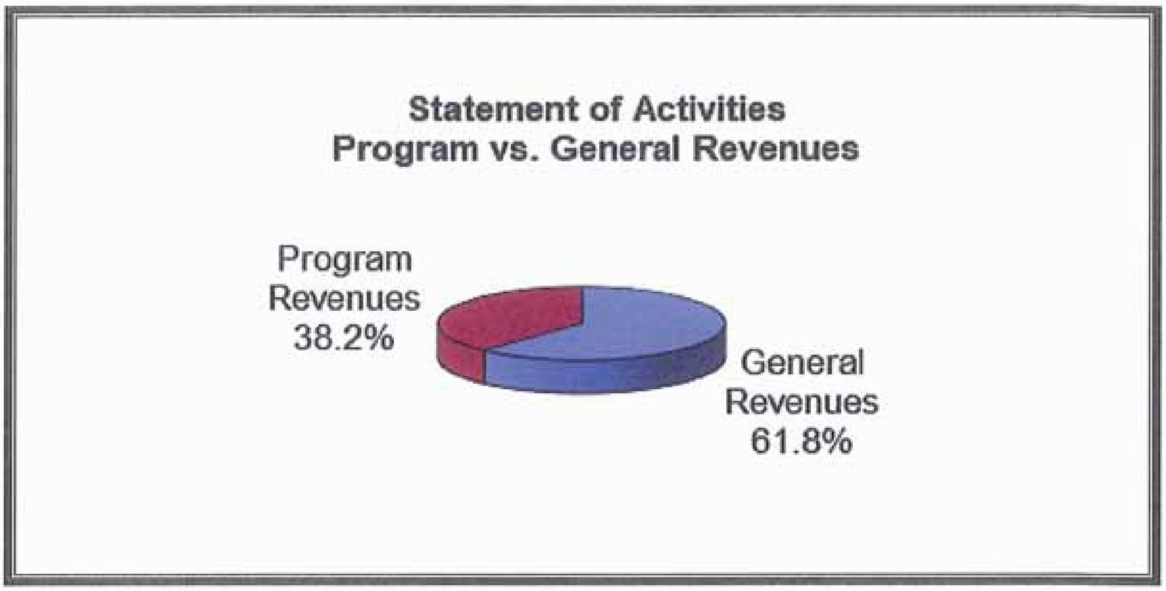
- Economic Development and Assistance activities accounted for .32% of expenses in 2019 decreasing by $1.7 million from 2018. The increase is due to the change in economic development related projects from year to year.

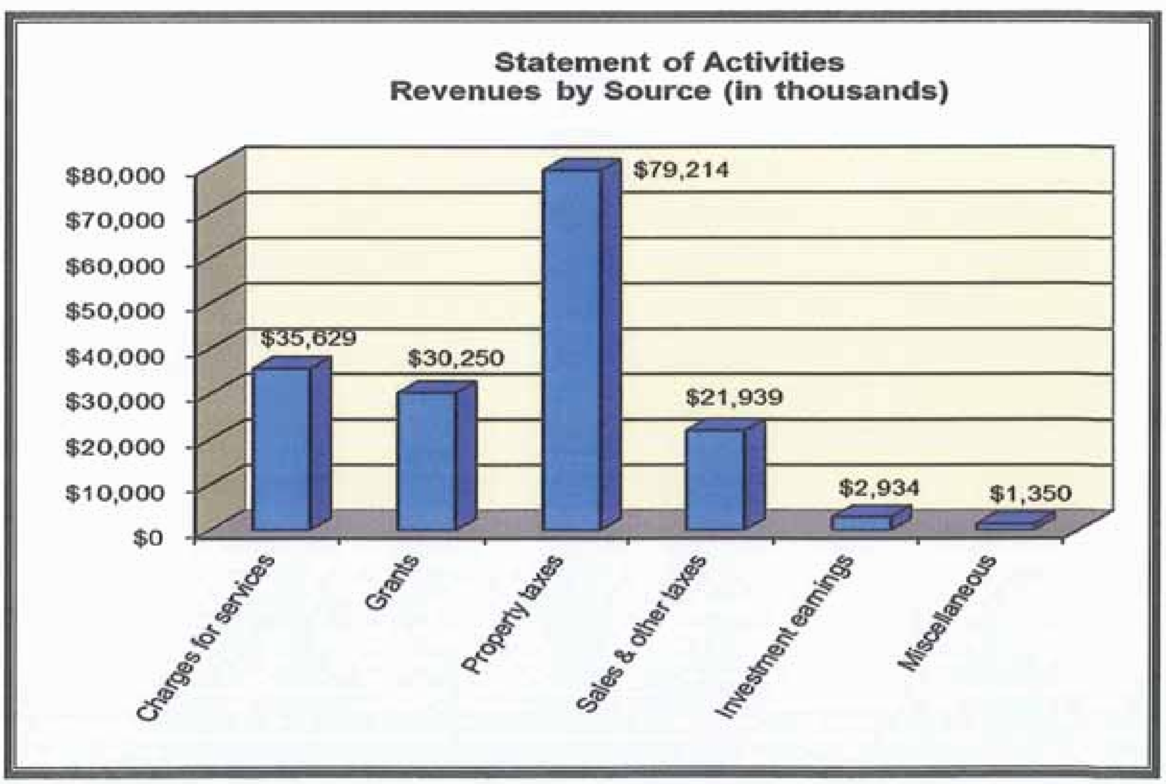
- Interest and fiscal charges accounted for 2.6% of expenses increasing by $1.5 million in 2019 from 2018. The increase is primarily due to the fact that the first debt service payment was made on the Venue Project Revenue and Refunding Bonds Series 2018A.

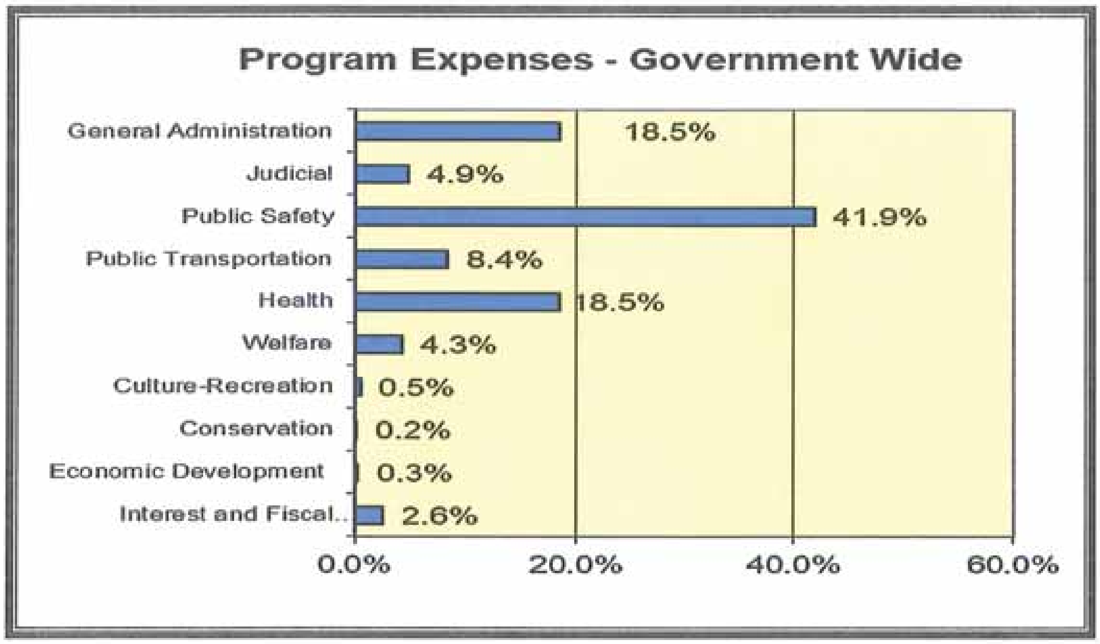
Summary of Changes in Net Position
For the Fiscal Years Ended September 30, 2018 and September 30, 2019
($ in thousands)

	2019 Governmental Activities	2018 Governmental Activities
Revenues		
Program Revenues		
Charges for services	$35,630	$32,286
Operating grants and contributions	30,250	35,335
	65,880	67,621
General Revenues		
Property Taxes	79,214	76,022
Sales Taxes	18,615	17,996
Other Taxes	3,324	3,217
Unrestricted investment earnings	2,934	1,866
Miscellaneous	2,651	1,350
Total General Revenues	106,738	100,451
Total Revenues	172,618	168,072
Expenses		
General administration	29,824	30,079
Judicial	7,832	7,364
Public safety	67,511	63,833
Public transportation	13,597	11,337
Health	29,527	29,616
Welfare	6,983	6,883
Culture-Recreation	857	842
Conservation	278	847
Economic development	511	2,200
Interest and fiscal charges	4,197	2,680
Total expenses	161,117	155,681
Change in net position	11,501	12,391
Net position - beginning	77,459	82,091
Prior Period Adjustment	-	(17,023)
Net position, ending	$88,960	$77,459

The following graphic representations show the relationships between various revenue and expense components presented on the Statement of Activities.







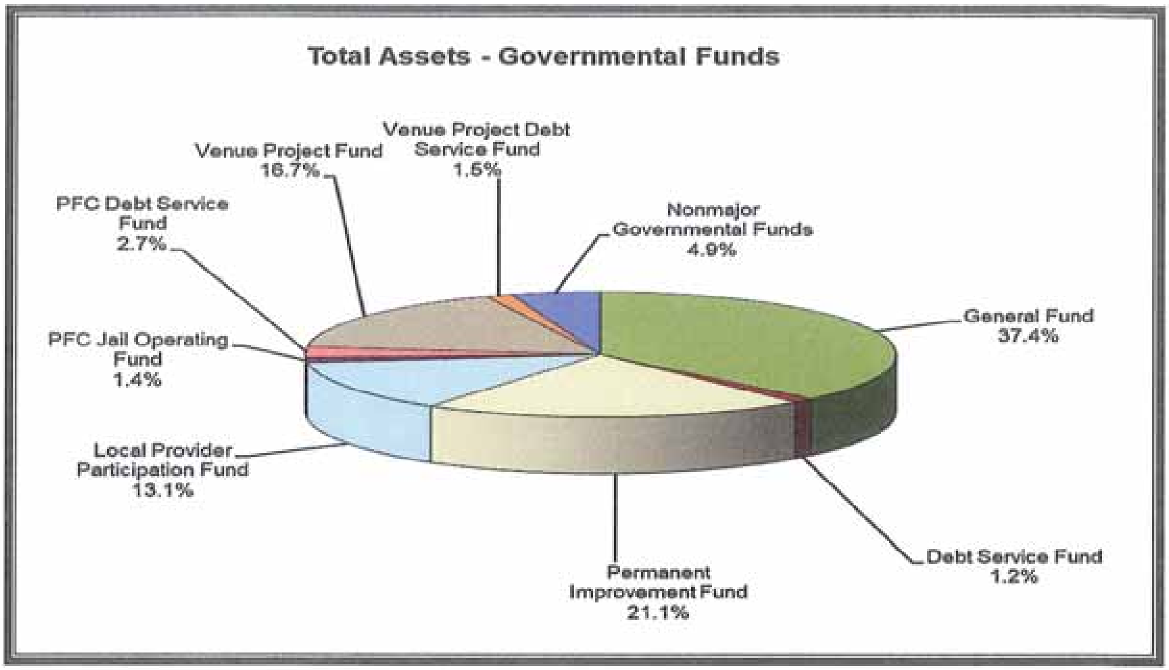
FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, McLennan County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a financial analysis of the County's governmental funds:

Governmental Funds Balance Sheet Analysis

The General Fund, Debt Service Fund, Permanent Improvement Fund, Local Provider Participation Fund, PFC Jail Operating Fund, PFC Debt Service Fund, Venue Project Fund, and Venue Project Debt Service Fund are the funds considered to be major funds in 2019. The General Fund accounted for 43.4% of the total governmental fund assets and 33.7% of the total governmental fund balances. The Debt Service Fund accounted for 1.4% of the total governmental fund assets and 1.2% of the total governmental fund balances. The Permanent Improvement Fund accounted for 24.4% of the total governmental fund assets and 22.5% of the total governmental fund balances. The Local Provider Participation Fund accounted for 15.2% of the total governmental fund assets and 14.7% of the total governmental fund balances. The PFC Jail Operating Fund accounted for 1.7% of the total governmental fund assets. The PFC Debt Service Fund accounted for 1.4% of the total governmental fund assets and 3.1% of the total governmental fund balances. The Venue Project Fund accounted for 19.3% of the total governmental fund assets and 18.2% of the total governmental fund balances. The Venue Project Debt Service Fund accounted for 1.7% of the total governmental fund assets and 1.9% of the total governmental fund balances.

A chart showing the relative value of the assets of each major fund, as well as nonmajor governmental funds, follows:

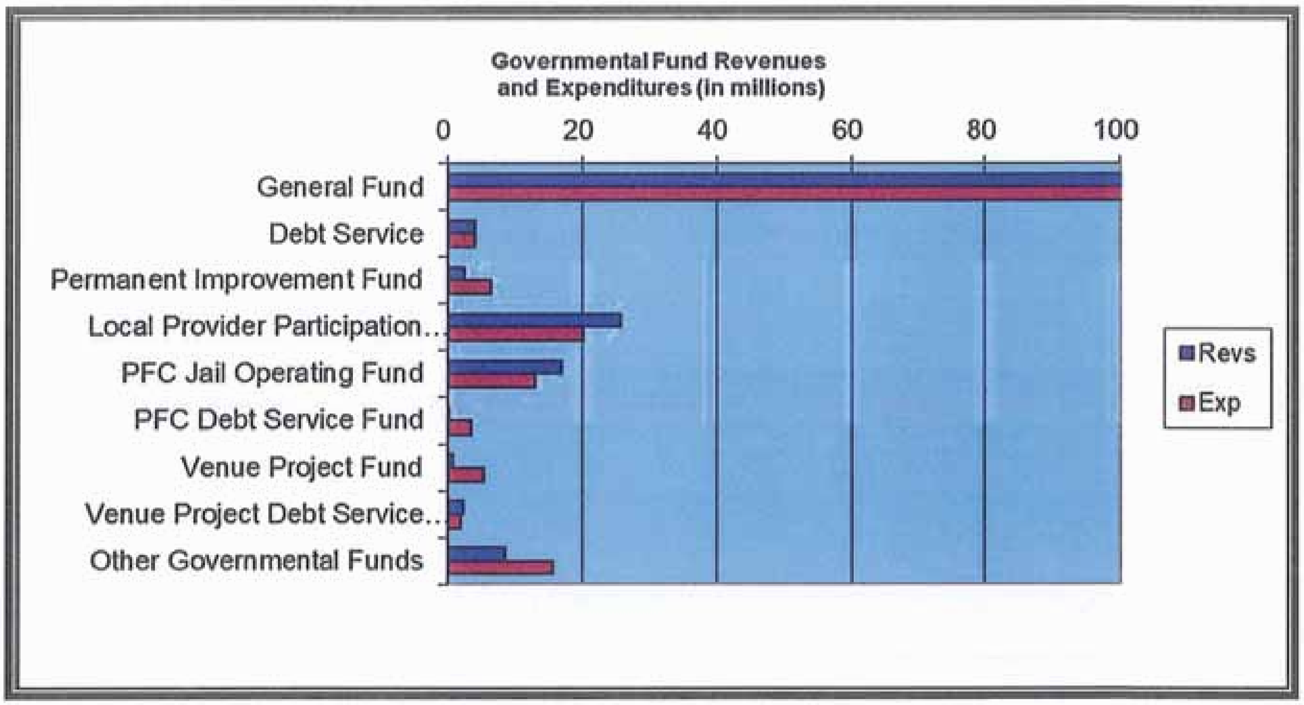


The focus of McLennan County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of September 30, 2019, the County's governmental funds reported combined ending fund balances of $165.2 million. Of this total amount, $42.1 million (25.5%) is unassigned and available for spending without restrictions for general governmental purposes from the General Fund. $12.5 million (7.6%) is committed for economic development expenditures in the General Fund. $2.0 million (1.2%) is restricted for debt service expenditures in the Debt Service Fund. $37.1 million (22.5%) is committed for capital projects expenditures in the Permanent Improvement Fund. $24.2 million (14.7%) is restricted for health expenditures in the Local Provider Participation Fund. $5.0 million (3.1%) is restricted for debt service expenditures in the PFC Debt Service Fund. $8.0 million (4.8%) is restricted for specific expenditures being stated in the individual Special Revenue Funds. $1.1 million (less than 1%) is classified as nonspendable due to the nature of the balance sheet item.

The fund balance for the General Fund increased by $1.1 million from 2018 to 2019. The fund balance of the Debt Service Fund increased by $20 thousand in 2019 compared to 2018. The fund balance of the Permanent Improvement Fund increased by $20.8 million in 2019 compared to 2018 due to the fact that the County issued the Combination Tax and Limited Pledge Revenue Certificates of Obligation Series 2019 totaling $21,985,000. The fund balance of the Venue Project Fund decreased by $4.6 million due to the fact that the bond proceeds are being utilized for capital projects. The fund balance of the PFC Debt Service Fund increased by $693 thousand in 2019 compared to 2018 due to the fact that the hotel occupancy taxes and vehicle rental taxes being collected exceeded the debt service for the year.

Governmental Funds Revenue/Expenditure Analysis

The following chart shows the revenue and expenditure amounts for the General Fund, Debt Service Fund, Permanent Improvement Fund, Local Provider Participation Fund, PFC Jail Operating Fund, PFC Debt Service Fund, Venue Project Fund, Venue Project Debt Service Fund, and all nonmajor governmental funds. The Debt Service Fund, Permanent Improvement Fund, Local Provider Participation Fund, PFC Jail Operating Fund, PFC Debt Service Fund, Venue Project Fund, and the Venue Project Debt Service Fund qualify as major funds due to the relative size of their assets, liabilities, revenue or expenditures or their relevant importance to the financial statements as a whole.



The revenues in the above chart do not include other financing sources which includes proceeds from new debt and the sale of assets, nor does it include other financing uses. The General Fund accounts for 64.0% of all governmental fund revenue and 59.0% of expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Adopted Budget Compared to Final Budget

The following table shows the changes between the original adopted budget and the final budget, as amended, for the General Fund budget for the year ended September 30, 2019:

Comparison of Original Budget and Final Budget
Year Ended September 30, 2019
($ in Thousands)

	Budgeted Amounts		Variance with Final Budget Under
	Original	Final	(Over)
Revenues:			
Taxes	$ 90,392	$ 90,392	$ -
Licenses and Permits	3	3	-
Intergovernmental	2,379	2,379	-
Charges for Services	10,301	10,301	-
Fines and Forfeits	652	652	-
Investment Earnings	550	550	-
Miscellaneous	581	789	208
Total Revenues	104,858	105,066	208
Expenditures:			
Current:			
General Government	30,893	29,683	1,210
Judicial	7,296	7,544	(248)
Public Safety	37,253	37,586	(333)
Public Transportation	12,817	13,018	(201)
Health	8,521	9,176	(655)
Welfare	7,258	7,259	(1)
Culture-Recreation	14	31	(17)
Conservation	250	252	(2)
Economic Development and Assistance	14,375	14,376	(1)
Debt Service:			
Principal	1	1	-
Interest and Fiscal Charges	1	1	-
Total Expenditures	118,679	118,927	(248)
Excess (Deficiency) of Revenue over Expenditures	(13,821)	(13,861)	(40)
Other Financing Sources (Uses):			
Transfers Out	(6,940)	(6,940)	-
Total Other Financing Sources	(6,940)	(6,940)	-
Net Change in Fund Balance	(20,761)	(20,801)	(40)
Fund Balance at Beginning of Year	54,993	54,993	-
Fund Balance at End of Year	$ 34,232	$ 34,192	$ (40)

Under Texas Local Government Code Section 111.0707 through 111.07075, "the county auditor shall certify to the Commissioners Court the receipt of revenue from a new source not anticipated before the adoption of the budget and not included in the budget for that fiscal year. On certification, the court may (or may not, at their option) adopt a special supplemental budget amendment for the purpose of spending the revenue for general purposes or for any of its intended purposes." Due to this statute, the increase in revenue totaling $208 thousand was certified in the General Fund and added to miscellaneous revenues that were in the original budget. The increase in total budgeted expenditures is due to the supplemental budget adopted along with the certification of this revenue.

Actuals Compared to Final Budget

The following is a comparison between the General Fund final amended budget and the final actual revenues and expenditures for the fiscal year ended September 30, 2019:

General Fund Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
Year Ended September 30, 2019
($ in Thousands)

	Final Budget	Final Actual	Variance with Final Budget Under (Over)
Revenues:			
Taxes	$ 90,392	$ 91,217	$ (825)
Licenses and Permits	3	5	(2)
Intergovernmental	2,379	2,548	(169)
Charges for Services	10,301	11,319	(1,018)
Fines and Forfeits	652	828	(176)
Contributions and Donations	-	2	(2)
Investment Earnings	550	1,361	(811)
Miscellaneous	789	1,405	(616)
Total Revenues	105,066	108,685	(3,619)
Expenditures:			
Current:			
General Government	29,683	27,857	1,826
Judicial	7,544	6,908	636
Public Safety	37,586	36,764	822
Public Transportation	13,018	12,381	637
Health	9,176	9,041	135
Welfare	7,259	6,964	295
Culture-Recreation	31	6	25
Conservation	252	241	11
Economic Development and Assistance	14,376	511	13,865
Debt Service:			
Principal	1	-	1
Interest and Fiscal Charges	1	-	1
Total Expenditures	118,927	100,673	18,254
Excess (Deficiency) of Revenue over Expenditures	(13,861)	8,012	(21,873)
Other Financing Sources (Uses):			
Transfers Out	(6,940)	(6,940)	-
Sale of Capital Assets	-	59	59
Total Other Financing Sources	(6,940)	(6,881)	59
Net Change in Fund Balance	(20,801)	1,131	21,932
Fund Balance at Beginning of Year	54,993	54,608	(385)
Fund Balance at End of Year	$ 34,192	$ 55,739	$ 21,547

Actual Revenues Compared to Estimated Revenues

Actual revenues in the General Fund are about $3.6 million above estimated revenues in the budget. Highlights of these differences are as follows:

- Sales tax collections exceeded the estimated collections by $1.0 million and is due to the continued increase of economic activity within the County.

- Revenues from charges for services exceeded the estimated collections by $1.0 million. This is due to increases in the amounts of fines and fees collected in most departments of the County and is due to the increases in population and County activity.

- Revenues from investment earnings and miscellaneous activities exceeded the estimated collections by $1.4 million. This includes excess interest earnings of $811 thousand over estimated collections and excess miscellaneous revenue of $616 thousand over estimated collections.

Actual Expenditures Compared to Budgeted Expenditures

Actual expenditures in the General Fund were $18.3 million less than what was budgeted. The main reasons for the variance include:

- Expenditures in the Economic Development and Assistance function were $13.9 million less than what was budgeted. The variance is due to the fact that the entire fund balance for Economic Development and Assistance is budgeted each year in case a project arises that would utilize the funds.

- Expenditures in the General Government function were $1.8 million less than what was budgeted. The primary reason for the variance is the difference between budgeted and actual expenditures for payroll related items which was $1.8 million underbudget for 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

McLennan County's total investment in capital assets, including construction in progress, for governmental type activities as of September 30, 2019, amounts to approximately $98.8 million (net of accumulated depreciation) compared to $90.1 million at September 30, 2018. This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress.

Depreciation on capital assets is recognized in the government-wide financial statements. Depreciation provided for the current fiscal year was $7.2 million as compared to $7 million for the year ended September 30, 2018.

Major capital activity during the current fiscal year included additions of approximately $2.8 million in buildings and improvements to buildings, approximately $2 million in assets relating to the public transportation function (equipment to be used in road and bridge construction and repair activities), $2.3 million in capital purchases related to the public safety function, and an increase of $8.7 million to construction in progress at year-end due to various road and bridge projects, improvements to existing buildings, and new buildings. A condensed analysis of the County's capital assets is as follows:

Capital Assets (net of accumulated depreciation)

	September 30,		
	2019	2018	Increase/ (Decrease)
Land	4,558,601	4,546,195	12,406
Buildings	60,996,709	62,545,942	(1,549,233)
Improvements, other than buildings	600,609	641,884	(41,275)
Machinery and equipment	10,967,020	9,583,586	1,383,434
Infrastructure	9,211,372	9,005,726	205,646
Construction in progress	12,421,591	3,751,747	8,669,844
	98,755,902	90,075,080	8,680,822

Additional information about McLennan County's capital assets can be found in the notes to the financial statements beginning on page 58.

Long-Term Debt

At September 30, 2019, McLennan County had approximately $41.9 million in total general obligation debt outstanding. All of the debt of the County's general obligation debt is backed by the full faith and credit of McLennan County. For internal purposes, various names are used to reference how the debt is used. For example, refunding, permanent improvement, and certificates of obligation are some of the names used to identify the indebtedness. McLennan County maintains a credit rating of AA1 from Moody's Investor Services and a rating of AA from Standard & Poors. There are no special assessment bonds of McLennan County at September 30, 2019.

At September 30, 2019, the McLennan County Public Facilities Corporation, presented as a blended component unit of McLennan County, had approximately $39.7 million in revenue bonds outstanding. The revenue bonds are the liability of the Corporation. Revenues from rental of jail space to third party entities is the source of funding for debt service on the revenue bonds and is used to cover all the expenses of the new jail's operations. The revenue bonds were rated AA- by Standard & Poors.

At September 30, 2019, McLennan County had approximately $35.0 million in revenue bonds outstanding related to the Venue Project (Heart of Texas fairgrounds renovation). Hotel occupancy taxes and motor vehicle rental taxes are the source of funding for debt service on the revenue bonds. The revenue bonds were rated AA- by Standard & Poors.

Additional information on the County's long-term debt can be found in the notes to the financial statements beginning on page 60.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

There have been several State of Texas and Federal legislative changes that have already impacted the finances of McLennan County and will continue to have an impact on future finances of the County. A listing of conditions and decisions that may impact the future financial condition of the County follows:

- The County adopted the same combined tax rate (.485293) in 2020 as in 2019. Although the tax rate remains the same, the property values have increased and new property was added. This will raise an estimated $6.1 million more in current property tax collections in 2020 than in 2019.

- In fiscal year 2020, the County became the operator of the Jack Harwell Detention Center, which is the criminal detention and correctional facility under the responsibility of the Public Facility Corporation (blended component unit of the County). The County expects the cost of housing inmates and cost of indigent defense to continue to increase in the coming years. However, measures are being taken in an effort to decrease the expenditures related to both of these areas.

Requests for Information

This financial report is designed to provide a general overview of McLennan 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 Office of County Auditor, McLennan County, 214 N. 4th Street, Suite 100, Waco, TX 76701.

BASIC FINANCIAL STATEMENTS

MCLENNAN COUNTY, TEXAS

Statement of Net Position

September 30, 2019

ASSETS		
Cash and Investments	$	175,341,938
Receivables (net of allowances for estimated uncollectibles):		
Taxes		3,304,362
Accounts		5,637,400
Due from Other Governments		4,656,616
Prepaid Assets		1,093,654
Capital Assets (net of accumulated depreciation)		
Land		4,558,601
Buildings and system		60,996,709
Improvements other than buildings		600,609
Machinery and equipment		10,967,020
Infrastructure		9,211,372
Construction in progress		12,421,591
Total Assets	$	288,789,872
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to Pensions	$	21,401,229
Deferred Outflow Related to OPEB		3,791,801
Deferred Losses on Refundings of Debt		2,152,066
Total Deferred Outflows of Resources	$	27,345,096
LIABILITIES		
Accounts Payable	$	11,350,723
Accrued Interest Payable		1,467,789
Due to Other Governments		722,070
Estimated Claims Incurred but Not Reported		259,267
Unearned Revenue		798,012
Noncurrent liabilities:		
Due within one year		7,839,815
Due in more than one year		200,362,685
Total Liabilities	$	222,800,361
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to Pensions	$	1,152,256
Deferred Inflow Related to OPEB		3,213,421
Deferred Gains on Refundings of Debt		9,146
Total Deferred Outflows of Resources	$	4,374,823
NET POSITION		
Net Investment in Capital Assets	$	44,352,506
Restricted Net Position		
Restricted for General Government		2,220,957
Restricted for Judicial Functions		1,371,709
Restricted for Public Safety Functions		4,443,669
Restricted for Transportation Functions		32,516
Restricted for Health Functions		24,239,783
Restricted for Welfare Functions		284
Restricted for Capital Projects		4,890,724
Restricted for Debt Service		10,264,429
Unrestricted		(2,856,793)
Total Net Position	$	88,959,784

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

MCLENNAN COUNTY, TEXAS

Statement of Activities

For the Year Ended September 30, 2019

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
General Administration	$ 29,824,131	$ 8,853,275	$ 99,235	$ (20,871,621)
Judicial	7,832,343	3,776,156	-	(4,056,187)
Public Safety	67,510,405	22,557,655	4,097,373	(40,855,377)
Public Transportation	13,597,466	228,829	-	(13,368,637)
Health	29,527,371	188,286	25,811,359	(3,527,726)
Welfare	6,982,474	-	242,406	(6,740,068)
Culture-Recreation	856,793	2,030	-	(854,763)
Conservation	277,782	23,146	-	(254,636)
Economic Development and Assistance	511,109	-	-	(511,109)
Interest and Fiscal Charges	4,197,307	-	-	(4,197,307)
Total Governmental Activities	$ 161,117,181	$ 35,629,377	$ 30,250,373	$ (95,237,431)
General Revenues:				
Property Taxes				79,214,133
Sales Tax				18,615,442
Other Taxes				3,324,001
Unrestricted Investment Earnings				2,934,225
Miscellaneous				2,650,578
Total General Revenues				106,738,379
Change in Net Position				11,500,948
Net Position - Beginning				77,458,836
Net Position - Ending				$ 88,959,784

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

MCLENNAN COUNTY, TEXAS

Balance Sheet

Governmental Funds

September 30, 2019

	General Fund	Debt Service Fund	Permanent Improvement Fund	Local Provider Participation Fund	PFC Jail Operating Fund	PFC Debt Service Fund	Venue Project Fund	Venue Project Debt Service Fund	Other Governmental Funds	Total
ASSETS										
Assets:										
Cash and Investments	$60,184,600	$ 2,012,561	$38,954,232	$24,239,783	$ 1,449,234	$ 4,485,995	$30,810,866	$ 2,924,169	$ 8,963,718	$174,025,158
Receivables (net of allowances for estimated uncollectibles):										
Taxes	3,002,852	205,564	63,422	-	-	-	-	-	32,524	3,304,362
Accounts	178,890	-	11,867	-	-	-	116,250	138,584	39,946	485,537
Due from Other Funds	402,962	-	-	-	1,220,291	558,582	-	-	-	2,181,835
Due from Other Governments	4,553,995	-	-	-	-	-	-	-	102,621	4,656,616
Prepaid Assets	1,085,654	-	-	-	-	-	-	-	8,000	1,093,654
Total Assets	$69,408,953	$ 2,218,125	$39,029,521	$24,239,783	$ 2,669,525	$ 5,044,577	$30,927,116	$ 3,062,753	$ 9,146,809	$185,747,162
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE										
Liabilities:										
Accounts Payable	$ 5,980,914	$ -	$ 1,823,206	$ -	$ 2,110,943	$ -	$ 896,785	$ 3,423	$ 441,731	$ 11,257,002
Interest Payable	-	48,761	-	-	-	-	-	-	-	48,761
Due to Other Funds	3,801,218	-	-	-	558,582	-	-	-	65,275	4,425,075
Due to Other Governments	722,070	-	-	-	-	-	-	-	-	722,070
Unearned Revenue	-	-	-	-	-	-	-	-	534,398	534,398
Total Liabilities	10,504,202	48,761	1,823,206	-	2,669,525	-	896,785	3,423	1,041,404	16,987,306
Deferred Inflows of Resources:										
Unavailable Revenue										
Property Taxes	3,165,681	214,406	68,274	-	-	-	-	-	31,418	3,479,779
Other	-	-	-	-	-	-	-	-	88,197	88,197
Total Deferred Inflows of Resourc	3,165,681	214,406	68,274	-	-	-	-	-	119,615	3,567,976
Fund Balances:										
Nonspendable	1,085,654	-	-	-	-	-	-	-	8,000	1,093,654
Restricted for:										
General Government	-	-	-	-	-	-	-	-	2,220,957	2,220,957
Judicial	-	-	-	-	-	-	-	-	1,371,709	1,371,709
Public Safety	2,995	-	-	-	-	-	-	-	4,440,674	4,443,669
Public Transportation	-	-	-	-	-	-	-	-	32,516	32,516
Health	-	-	-	24,239,783	-	-	-	-	-	24,239,783
Welfare	-	-	-	-	-	-	-	-	131	131
Debt Service	-	1,954,958	-	-	-	5,044,577	-	3,059,330	-	10,058,865
Committed for:										
Welfare	153	-	-	-	-	-	-	-	-	153
Capital Projects	-	-	37,138,041	-	-	-	30,030,331	-	-	67,168,372
Economic Development	12,538,375	-	-	-	-	-	-	-	-	12,538,375
Unassigned	42,111,893	-	-	-	-	-	-	-	(88,197)	42,023,696
Total Fund Balance	55,739,070	1,954,958	37,138,041	24,239,783	-	5,044,577	30,030,331	3,059,330	7,985,790	165,191,880
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$69,408,953	$ 2,218,125	$39,029,521	$24,239,783	$ 2,669,525	$ 5,044,577	$30,927,116	$ 3,062,753	$ 9,146,809	$185,747,162

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

MCLENNAN COUNTY, TEXAS

Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position

September 30, 2019

Total fund balances - governmental funds		$ 165,191,880
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. These capital assets (net of accumulated depreciation) consist of:		
Land	$ 4,558,601	
Buildings	60,996,709	
Improvements other than buildings	600,609	
Machinery and equipment	10,967,020	
Infrastructure	9,211,372	
Construction in progress	12,421,591	
Total capital assets		98,755,902
Some fines and fees earned in the current fiscal year, which are not available to provide for current financial resources, are not recorded in the governmental funds.		5,151,863
Some property taxes earned in the current fiscal year, which are not available to provide for current financial resources, are deferred in the governmental funds.		3,304,362
An Internal Service Fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Fund are not included in the governmental funds but are included in the Statement of Net Position.		3,207,032
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Those liabilities consist of:		
Interest Payable	(1,419,028)	
General Obligation Bonds	(3,160,000)	
Revenue Bonds	(2,065,000)	
Compensated Absences	(2,614,815)	
Total Current Liabilities		(9,258,843)
General Obligation Bonds	(38,730,000)	
Revenue Bonds	(72,690,000)	
Unamortized Deferred Amount on Refunding	(9,146)	
Unamortized Deferred Original Issue Premium	(2,178,963)	
Unamortized Deferred Amount on Refunding	2,152,065	
Net Pension Liability	(37,909,672)	
Deferred Resources Related to Pensions	20,248,973	
Other Post Employment Benefits	(48,200,345)	
Deferred Resources Related to OPEB	578,380	
Compensated Absences	(653,704)	
Total Non-current Liabilities		(177,392,412)
Net Position		$ 88,959,784

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

MCLENNAN COUNTY, TEXAS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended September 30, 2019

	General Fund	Debt Service Fund	Permanent Improvement Fund	Local Provider Participation Fund	PFC Jail Operating Fund	PFC Debt Service Fund	Venue Project Fund	Venue Project Debt Service Fund	Other Governmental Funds	Total
Revenues:										
Taxes	$ 91,216,796	$ 3,941,471	$ 2,167,419	$ -	$ -	$ -	$ -	$ 2,377,082	$ 4,372	$ 99,707,140
Licenses and Permits	5,000	-	-	-	-	-	-	-	-	5,000
Intergovernmental	2,547,931	-	-	-	-	-	-	-	4,074,533	6,622,464
Charges for Services	11,319,064	-	-	-	16,900,709	-	-	-	4,021,048	32,240,821
Fines and Forfeits	827,597	-	-	-	-	-	-	-	234,153	1,061,750
Contributions and Donations	2,000	-	-	25,811,359	-	-	-	-	-	25,813,359
Investment Earnings	1,360,818	57,517	447,483	-	26,906	102,579	862,301	48,724	179,055	3,085,383
Miscellaneous	1,405,509	-	9,191	-	-	-	-	-	849	1,415,549
Total Revenues	108,684,715	3,998,988	2,624,093	25,811,359	16,927,615	102,579	862,301	2,425,806	8,514,010	169,951,466
Expenditures:										
Current:										
General Government	27,856,515	-	-	-	-	-	-	19,017	1,137,721	29,013,253
Judicial	6,907,863	-	-	-	-	-	-	-	275,134	7,182,997
Public Safety	36,763,925	-	-	-	12,985,627	-	-	-	14,182,399	63,931,951
Public Transportation	12,380,510	-	-	-	-	-	-	-	8,066	12,388,576
Health	9,040,746	-	-	20,246,450	-	-	-	-	-	29,287,196
Welfare	6,964,246	-	-	-	-	-	-	-	6,732	6,970,978
Culture-Recreation	6,307	-	-	-	-	-	-	-	11,500	17,807
Conservation	241,471	-	-	-	-	-	-	-	-	241,471
Economic Development and Assistance	511,109	-	-	-	-	-	-	-	-	511,109
Debt Service:										
Principal	-	3,345,000	-	-	-	1,685,000	-	500,000	-	5,530,000
Interest and Fiscal Charges	-	634,060	-	-	-	1,666,497	-	1,374,037	-	3,674,594
Bond Issue Costs	-	-	322,024	-	-	-	-	-	-	322,024
Capital Projects	-	-	6,133,267	-	-	-	5,455,212	-	-	11,588,479
Total Expenditures	100,672,692	3,979,060	6,455,291	20,246,450	12,985,627	3,351,497	5,455,212	1,893,054	15,621,552	170,660,435
Excess (Deficiency) of Revenue over Expenditures	8,012,023	19,928	(3,831,198)	5,564,909	3,941,988	(3,248,918)	(4,592,911)	532,752	(7,107,542)	(708,969)
Other Financing Sources (Uses):										
Transfers In	-	-	-	-	-	3,941,988	-	-	6,940,151	10,882,139
Transfers Out	(6,940,151)	-	-	-	(3,941,988)	-	-	-	-	(10,882,139)
Issuance of General Obligation Bonds	-	-	21,985,000	-	-	-	-	-	-	21,985,000
Premium on Issuance of Bonds	-	-	1,337,024	-	-	-	-		-	1,337,024
Sale of Capital Assets	58,981	-	1,348,842	-	-	-	-	-	-	1,407,823
Total Other Financing Sources (Uses)	(6,881,170)	-	24,670,866	-	(3,941,988)	3,941,988	-	-	6,940,151	24,729,847
Net Change in Fund Balance	1,130,853	19,928	20,839,668	5,564,909	-	693,070	(4,592,911)	532,752	(167,391)	24,020,878
Fund Balance at Beginning of Year	54,608,217	1,935,030	16,298,373	18,674,874	-	4,351,507	34,623,242	2,526,578	8,153,181	141,171,002
Fund Balance at End of Year	$ 55,739,070	$ 1,954,958	$ 37,138,041	$ 24,239,783	$ -	$ 5,044,577	$ 30,030,331	$ 3,059,330	$ 7,985,790	$ 165,191,880

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

MCLENNAN COUNTY, TEXAS

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

For the Year Ended September 30, 2019

Net change in fund balances - governmental funds		$ 24,020,878
Amounts reported for governmental activities in the statement of activities are different because:		
An Internal Service Fund is used by management to charge the costs of health insurance to individual funds. The net activities of the Internal Service Fund are included in the governmental activities in the statement of activities.		1,227,014
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 15,505,225	
Depreciation expense	(7,238,974)	
Excess of depreciation expense over capital outlay		8,266,251
Governmental funds report the full amount of proceeds from capital asset sales. However, in the statement of activities, only the gains or losses associated with those sales are reported. In the current period these amounts are:		
Sales of capital assets	$ (1,407,823)	
Net gain on sale of capital assets	930,093	
		(477,730)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		892,301
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period these changes are:		
Property taxes receivable	$ 499,516	
Fines and fees receivable	332,961	
Total receivables		832,477
The liabilities for compensated absences are accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as expense in the statement of activities.		(63,513)
The OPEB obligation per GASB 75 are accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as expense in the statement of activities.		(2,030,614)
Accrued interest reported as expense in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(408,616)
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date.		(2,851,379)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current period these differences are:		
Issuance of debt	(21,985,000)	
Amortization of deferred refunding amount	(114,097)	
Premium on Issuance of Bonds	(1,337,024)	
Debt repayment	5,530,000	
Total long-term debt		(17,906,121)
Change in net position of governmental activities		$ 11,500,948

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

MCLENNAN COUNTY, TEXAS

Statement of Net Position

Proprietary Fund

September 30, 2019

	Health Insurance Fund	Nonmajor Dental and Vision Insurance Fund	Total Governmental Activities Internal Service Fund
ASSETS:			
Current Assets:			
Cash and Investments	$ 1,214,737	$ 102,043	$ 1,316,780
Due from Other Funds	2,580,927	-	2,580,927
Total Assets	3,795,664	102,043	3,897,707
LIABILITIES:			
Current Liabilities:			
Accounts Payable	$ 89,508	$ 4,213	$ 93,721
Estimated Claims Incurred But Not Reported	259,267	-	259,267
Due to Other Funds	337,687	-	337,687
Total Liabilities	686,462	4,213	690,675
NET POSITION - Unrestricted	$ 3,109,202	$ 97,830	$ 3,207,032

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

MCLENNAN COUNTY, TEXAS

Statement of Revenues, Expenses
and Changes in Net Position

Proprietary Fund

For the Year Ended September 30, 2019

	Health Insurance Fund	Nonmajor Dental and Vision Insurance Fund	Total Governmental Activities Internal Service Fund
OPERATING REVENUES			
Charges for Services	$ 8,394,891	$ 343,210	$ 8,738,101
Insurance Recovery	115,158	-	115,158
Misc Recovery	1,347	-	1,347
Total operating revenues	8,511,396	343,210	8,854,606
OPERATING EXPENSES			
Insurance Claims	6,132,899	207,644	6,340,543
Co Insurance Premiums	763,469	-	763,469
Administrative Costs	496,426	38,946	535,372
Total operating expenses	7,392,794	246,590	7,639,384
OPERATING INCOME/(LOSS)	1,118,602	96,620	1,215,222
NON-OPERATING REVENUES (EXPENSES)			
Investments Earnings	10,582	1,210	11,792
Total non-operating revenues (expenses)	10,582	1,210	11,792
CHANGE IN NET POSITION	1,129,184	97,830	1,227,014
NET POSITION, BEGINNING	1,980,018	-	1,980,018
NET POSITION, ENDING	$ 3,109,202	$ 97,830	$ 3,207,032

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

MCLENNAN COUNTY, TEXAS

Statement of Cash Flows

Proprietary Fund

For the Year Ended September 30, 2019

	Health Insurance Fund	Nonmajor Dental and Vision Insurance Fund	Total Governmental Activities Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from insurance claims recovery	$ 115,158	$ -	$ 115,158
Cash received from customers	6,375,257	339,242	6,714,499
Cash paid to suppliers for goods and services	(6,933,578)	(238,409)	(7,171,987)
Net cash used by operating activities	(443,163)	100,833	(342,330)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on investments	10,582	1,210	11,792
Net cash provided by investing activities	10,582	1,210	11,792
NET INCREASE IN CASH AND CASH EQUIVALENTS	(432,581)	102,043	(330,538)
CASH AND CASH EQUIVALENTS, BEGINNING	1,647,318	-	1,647,318
CASH AND CASH EQUIVALENTS, ENDING	$ 1,214,737	$ 102,043	$ 1,316,780
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating Income/(Loss)	$ 1,118,602	$ 96,620	$ 1,215,222
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Change in assets and liabilities:			
Decrease (increase) in assets:			
Due from other funds	(2,019,634)	-	(2,019,634)
(Decrease) increase in liabilities:			
Accounts payable	89,508	4,213	93,721
Due to other funds	337,136	-	337,136
Claims payable	31,225	-	31,225
Net cash used by operations	$ (443,163)	$ 100,833	$ (342,330)

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

MCLENNAN COUNTY, TEXAS

Statement of Fiduciary Net Position

Fiduciary Funds

September 30, 2019

	Private Purpose Trust Funds	Agency Funds
Assets:		
Cash and Investments	$ 71,126	$ 13,308,841
Total Assets	$ 71,126	$ 13,308,841
Liabilities:		
Due to Other Governments	$ -	$ 572,435
Due to Others	-	12,736,406
Total Liabilities	$ -	$ 13,308,841
Net Position:		
Held in Trust for Pool Participants	$ 71,126	$ -
Total Net Position	$ 71,126	$ -

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

MCLENNAN COUNTY, TEXAS

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended September 30, 2019

	Private Purpose Trust Funds
Additions:	
Investment Earnings:	
Interest	$ 1,365
Total Investment Earnings	1,365
Total Additions	1,365
Deductions:	-
Total Deductions	-
Change in Net Position	1,365
Net Position, Beginning of Year	69,761
Net Position, End of Year	$ 71,126

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of McLennan County, Texas (the County) reflected in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards.* This financial report has been prepared in accordance with GASB Statement No. 34 (Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments) issued in June 1999. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

(a) Reporting Entity

1. Primary Government

McLennan County (the County) is a public corporation and political subdivision of the State of Texas. The Commissioners Court, comprised of the County Judge and four Commissioners, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: justice administration (courts, juries, constables, district attorney, clerks, investigators, sheriff, jail), tax collection, road and bridge maintenance, public health, agricultural extension services, fairgrounds venue, juvenile services, assistance to indigents and area economic development.

2. Blended Component Units

The accompanying basic financial statements present the government as defined according to criteria in GASB Statement No. 14, *The Financial Reporting Entity* and in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement 14.* Blended component units, while legally separate entities, are, in substance, part of the government's operations.

The McLennan County Community Supervision and Corrections Department (also referred to as the Adult Probation Department and CSCD) is a blended component unit of McLennan County and is governed by the McLennan County Board of District Judges, who appoints the Director of the CSCD. The McLennan County Commissioners Court is required by statute to provide facilities, utilities and equipment for the operation of this department. In addition, the County provides administrative functions including accounting, risk management, payroll preparation and purchasing. The McLennan County CSCD is responsible for the management and monitoring of adult residents of McLennan County who are on criminal probation. Funding for salaries of CSCD personnel and many operating expenses is from various State grants.

The McLennan County Juvenile Probation/Detention Department is also a blended component unit of McLennan County and is governed by the McLennan County Juvenile Board, an entity defined by the Texas Legislature. The Juvenile Board appoints the Director of the department. The County holds and accounts for the funds of the department. Commissioners Court does have some level of legal authority in the budget process by approving the amount of the transfer from the "General Fund" to the "Juvenile Probation Local Fund." The Juvenile Board is responsible for approving the budget details that relate to this fund.

On September 2, 2008, the Commissioners Court of McLennan County issued a certificate for order that created a nonprofit public facilities corporation under Chapter 303 of the Texas Local Government Code. The McLennan County Public Facility Corporation (the "Corporation") was organized for the purpose of financing, on behalf of the County, an eligible criminal detention and correctional facility and to be responsible for the operations of such facility. The operations of the facility will be financed on an ongoing basis by the rental of jail space to third party entities, such as Federal agencies and other local governments. All of the members of the Board of Directors of the Corporation are appointed by the Commissioners Court of the County and at September 30, 2019 consisted of the individuals that comprise the Commissioners Court. The Corporation is included in the Comprehensive Annual Financial Report as a blended component unit. The Corporation's funds consist of an Operating Fund and a Debt Service Fund.

(b) Government–wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report on all the non-fiduciary activities of the County and its blended component units. The effect of inter-fund transfers has been removed from these statements but continues to be reflected on the fund statements. Primary support of governmental activities is derived from taxes, intergovernmental revenues and charges for services.

The statement of activities exhibits the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, 2) fines and fees assessed offenders by the judicial system, and 3) 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 in program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, Debt Service Fund, Permanent Improvement Fund, Local Provider Participation Fund, PFC Jail Operating Fund, PFC Debt Service Fund, Venue Project Fund, and Venue Project Debt Service Fund meet the criteria or have been selected by management as *major governmental funds.* Each major fund is reported in separate columns in the fund financial statements. Nonmajor funds include other Special Revenue Funds and a Capital Projects Fund. The combined amounts for these funds are reflected in a single column in the fund financial statements. Detailed statements for nonmajor funds are presented within Combining and Individual Fund Statements and Schedules.

(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. 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. Major revenue types, which have been accrued, are district clerk and county clerk fines and fees, justice of the peace fines and fees, revenue from investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements are met.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unavailable revenue. Property taxes, sales and other taxes, state and federal grants, federal prisoner reimbursements and detention center revenues 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. Property taxes levied prior to September 30, 2018 that were due October 1, 2018, have been assessed to finance the budget of the fiscal year ending September 30, 2019. In accordance with the modified accrual basis of accounting, the balances outstanding at September 30, 2019, and beyond the 60 days after year-end have been reflected as unavailable revenue and taxes receivable in the fund financial statements. Property taxes and interest earned as of September 30 and received within 60 days of year-end are accrued as income in the current period. Expenditures generally are recorded when a liability is incurred; however, debt service expenditures, claims and judgments, and compensated absences are recorded only when payment is made.

1. The government reports the following major governmental funds:

The General Fund is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment interest income. Primary expenditures are for general administration, judicial, public safety, health services, welfare services, capital acquisition, and debt service.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Debt Service Funds are required only when they are legally mandated and/or if resources are being accumulated for general long-term debt principal and interest payments maturing in future years. The principal source of revenues for the Debt Service Fund is ad valorem taxes.

The Permanent Improvement Fund is a constitutional fund used to account for the acquisition of and improvements to land and buildings on a continuing basis. The Commissioners Court in its annual budget includes specific appropriations for expenditures from this fund. The principal source of revenues for the Permanent Improvement Fund is ad valorem taxes.

The Local Provider Participation Fund was established to allow local hospital providers to access more federal funds, to ensure access to care, and reduce the level of uncompensated care in the community. The County is authorized to collect a mandatory payment from each institutional health care provider located in the County and to use the funds for certain intergovernmental transfers and indigent care programs.

The PFC Jail Operating Fund was established to account for the operations related to the McLennan County Public Facility Corporation's Jack Harwell Detention Center. There is no statutory requirement for a budget for this fund by the Commissioners Court as all of its activity is governed by the Board of Directors of the Public Facilities Corporation. The principal source of revenues for the PFC Jail Operating Fund is revenue generated from leasing the facility to McLennan County.

The PFC Debt Service Fund was established to account for the accumulation of resources, as required in the trust indenture, in an interest and sinking fund for use in future principal and interest obligations related to the McLennan County Public Facility Corporation (the "PFC) Revenue Bonds Series 2009. There is no statutory requirement for a budget for this fund by the Commissioners' Court as all of its activity is governed by the trust indenture and the Board of Directors of the Public Facilities Corporation.

The Venue Project Fund was established to account for the Venue Project located at the Heart of Texas fairgrounds in Waco, Texas. The project includes development, construction, and renovation of new and existing facilities including a multi-purpose arena, adjacent support facilities, and related infrastructure.

The Venue Project Debt Service Fund was established to account for the accumulation of resources, as required in the trust indenture, in an interest and sinking fund for use in future principal and interest obligations related to the McLennan County Venue Project Revenue Bonds Series 2018. The source of revenues for this fund is hotel occupancy taxes and motor vehicle rental taxes.

2. The government reports the following nonmajor governmental funds:

Special revenue funds are used to account for specific revenue sources (other than for capital projects) that are legally restricted to expenditures for specified purposes. These legal restrictions can come from outside the County or from Commissioners Court.

3. Additionally, the government reports the following fund types:

Agency funds are used to account for situations where the County's role is strictly custodial in nature. As a result, all assets reported in an agency fund are offset by a liability to the party on whose behalf the assets are held. Most of these funds are held for legal reasons. Those reasons vary from funds held in trust for minors to funds placed in escrow awaiting a decision and order by the presiding court. Additional agency funds are used to account for cash on hand for tax collections for other governmental entities or for fees collected on behalf of the State and other governmental entities.

Private-purpose trust funds are used to report any trust arrangement under which principal and income benefit individuals, private organizations, or other government.

Internal service funds are used to finance, administer, and account for McLennan County's self-insured health, dental, and vision programs, whose purposes are to provide health, dental, and vision insurance to employees of the County. Due to the fact that these services predominantly benefit governmental rather than business-type functions, the fund has been included with the governmental activities in the government-wide statements.

When both restricted and unrestricted resources are available for use, it is McLennan County's policy to use restricted resources first, then unrestricted resources as they are needed.

(d) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/ Fund Balance

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 an original maturity of three months or less from the date of acquisition.

Investments for the County are reported at fair value, except for the position in investment pools. The County's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

State statutes and the County's official Investment Policy authorize the County to invest in obligations of the U.S. Treasury and Governmental Agencies, commercial paper, repurchase agreements, bankers' acceptances, money market mutual funds and direct obligations of the State of Texas.

2. Receivables and Payables

Property taxes are recognized as revenues in the period for which the taxes are levied, regardless of the lien date. Property taxes for the County are levied based on taxable value on the lien date of January 1 prior to September 30 of the same year. They become due October 1 of that same year and delinquent after January 31 of the following year. Accordingly, receivables and revenues for prior-year levies delinquent at year-end are reflected on the government-wide statement based on the full accrual method of accounting and under the modified accrual method in the fund statements.

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

Reimbursements for services performed are recorded as receivables and revenues when they become eligible for accrual in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements.

Receivables are shown net of an allowance for uncollectable accounts.

Lending or borrowing between funds is reflected as "due to" or "due from" (current portion) or "advances to/from other funds" (noncurrent). 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. Inter-fund activity reflected in "due to" or "due from" is eliminated on the government-wide statements.

3. Inventories and Prepaid Items

Inventories of the governmental funds consist of expendable supplies and materials held for consumption. The purchase method is used to account for inventory in the governmental funds. The cost is recorded as an expenditure at the time individual items are purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost is recorded as a prepaid item at the time of purchase, but year-end adjustments are made to show the consumption of those items. Prepaid items are considered to be nonspendable fund balance.

4. Capital Assets — Primary Government

Capital assets, which include land, buildings and improvements, equipment, and infrastructure, are reported in the government-wide financial statements. The capitalization threshhold for the capitalization of assets is set forth in the following schedule:

Asset Category	Capitalization Threshold
Land and Land Improvements	Capitalize all
Improvements Other than Buildings	$5,000
Buildings and Building Improvements	
Buildings and Building Improvements	$50,000
Building Improvements performed/acquired after building acquisition	$5,000
Infrastructure	
Roads constructed, acquired or donated since 1980	Capitalize all
New Roads constructed 10/01/03	$300,000 per mile
Major road renovations and improvements	$100,000 per mile
Bridges	$20,000
Furniture, Equipment and Other Personal Property	$5,000
Leasehold Improvements	$5,000
Works of Art and Historical Treasures	$5,000

Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend the asset's life are expensed rather than capitalized.

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

Asset Category	Years
Buildings	30
Building and land improvements	10 to 25
Infrastructure - Bridges	25 to 45
Infrastructure - Roads	20
Furniture and Fixtures	10
General Equipment	5 to 15
Computer hardware	3 to 5
Passenger vehicles	5
Road maintenance equipment	10

5. Longevity Pay

Substantially all employees of the County are compensated on a salary basis. However there are some employees, mostly part-time or temporary, who are compensated on an hourly basis. Prior to the 2014 fiscal year, longevity pay was added to the salary of each official and each salaried employee of the County at the rate of $5 per month for each full year of continuous service by the employee. As of October 1, 2013, these total amounts were frozen and no additional longevity amounts were added to salaries.

6. Compensated Absences

Vacation leave is accrued by each salaried employee of the County each month at the rate of 0.0385 hours for each hour worked, up to a maximum balance of 200 hours. After 120 months of continuous service, the accrual rate is increased to 0.0577 hours for each hour worked. Upon termination, employees are paid for all accrued and unused vacation time.

Sick leave accrues at the rate of 0.0462 hours for each hour worked, up to a maximum balance of 480 hours. Sick leave may be used only for sickness and other specified purposes, and no payment is made for any unused sick leave.

A liability for unused vacation and compensatory time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences: a) leave or compensation is attributable to services already rendered, and b) leave or compensation is not contingent on a specific event (such as illness).

GASB Interpretation 6 indicates that liabilities for compensated absences should only be recognized in the fund statements to the extent the liabilities have matured and are payable out of current available resources. Compensated absences are paid from the same respective governmental operating funds as the ones from which the related employees' salaries were paid.

Compensated absences are accrued in the government-wide statements.

7. Health & Life Insurance Benefits

The County, at its expense, provides term life insurance coverage in the face amount of $10,000 for each official and each salaried employee.

Each official and each salaried employee is provided medical coverage through the County's self-insured health program. The County pays medical coverage premiums for eligible employees up to the lowest premium amount for the base plan of the County. Covered officials and employees may, at their own option and expense, have their spouses or dependents included in this medical coverage.

8. Other Benefits

Deferred Compensation Plan - The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits the deferral of Federal Income Tax on the deferred portion of the employee's compensation until future years. The deferred portion of compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, and becomes subject to Federal Income Tax when constructively received by the employee.

The assets of the Plan are not subject to the claims of the general creditors of the County, and, in accordance with GASB 32 "Accounting for Deferred Compensation Plans," the County does not present the assets and liabilities related to the Plan in the agency funds.

Cafeteria Plan - All salaried employees have the option of participating in a cafeteria plan created in accordance with Internal Revenue Code Section 125. This plan affords tax savings to the employee by allowing the County to provide certain benefits under an agreement with the employee that reduces the employee's taxable income while increasing his actual net income.

9. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities. On new bond issues, bond premiums and discounts, as well as deferred gains or losses on refunding of debt, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance 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.

10. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- ***Nonspendable***: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- ***Restricted***: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- ***Committed:*** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by court resolution of the Commissioners Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Court removes or changes the specified use by means of a majority vote of Commissioners Court during an open meeting. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- ***Assigned:*** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners Court.

- ***Unassigned***: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

11. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Commissioners Court is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The 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.

Fund balances by program as of September 30, 2019 pursuant to GASB No. 54 are as follows:

	General Fund	Debt Service Fund	Permanent Improvement Fund	Local Provider Participation Fund	PFC Debt Service Fund	Venue Project Fund	Venue Project Debt Service Fund	Other Governmental Funds	Total
Fund Balances:									
Nonspendable:									
Prepaid Assets	$ 1,085,654	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,000	$ 1,093,654
Restricted for:									
Adult Probation	-	-	-	-	-	-	-	816,251	816,251
Alcohol/Drug Abuse Prevention/Treatment	-	-	-	-	-	-	-	42,053	42,053
Alcohol/Drug Court Program	-	-	-	-	-	-	-	198,824	198,824
Asset Forfeitures	-	-	-	-	-	-	-	567,850	567,850
Child Abuse Prevention	-	-	-	-	-	-	-	40,073	40,073
Contract Elections	-	-	-	-	-	-	-	390,998	390,998
County & District Court Technology	-	-	-	-	-	-	-	8,182	8,182
County Clerk Records Management	-	-	-	-	-	-	-	172,779	172,779
Courthouse Security	-	-	-	-	-	-	-	189,480	189,480
Court-Initiated Guardianship	-	-	-	-	-	-	-	85,020	85,020
Court Records Preservation	-	-	-	-	-	-	-	156,333	156,333
Court Reporter Service	-	-	-	-	-	-	-	137,216	137,216
Debt Service	-	1,954,958	-	-	5,044,577	-	3,059,330	-	10,058,865
Dispute Resolution	-	-	-	-	-	-	-	44,704	44,704
District Attorney Programs	-	-	-	-	-	-	-	692,823	692,823
District Clerk Errors & Omissions	-	-	-	-	-	-	-	116,923	116,923
District Clerk Records Management	-	-	-	-	-	-	-	90,542	90,542
District Clerk Records Technology	-	-	-	-	-	-	-	51,213	51,213
Elections	-	-	-	-	-	-	-	1,174	1,174
Family Protection	-	-	-	-	-	-	-	131	131
Farm-to-Market/Flood Control	-	-	-	-	-	-	-	32,516	32,516
Jail Commissary	-	-	-	-	-	-	-	397,917	397,917
Justice Court Building Security	-	-	-	-	-	-	-	73,178	73,178
Justice Technology	-	-	-	-	-	-	-	171,593	171,593
Juvenile Delinquency Prevention	-	-	-	-	-	-	-	1,220	1,220
Juvenile Probation	-	-	-	-	-	-	-	2,356,616	2,356,616
Law Enforcement Officer Standards and Education	-	-	-	-	-	-	-	50,619	50,619
Law Library	-	-	-	-	-	-	-	433,005	433,005
Local Provider Participation	-	-	-	24,239,783	-	-	-	-	24,239,783
Records Management	-	-	-	-	-	-	-	269,912	269,912
Sheriff's Office-Supplies	2,995	-	-	-	-	-	-	-	2,995
Tax Office Administration	-	-	-	-	-	-	-	235,080	235,080
Title IV-E	-	-	-	-	-	-	-	234,812	234,812
Truancy Court	-	-	-	-	-	-	-	3,800	3,800
Unclaimed Juvenile Restitution	-	-	-	-	-	-	-	2,927	2,927
Waco Foundation Grant	-	-	-	-	-	-	-	223	223
Committed for:									
Child Protective Services	153	-	-	-	-	-	-	-	153
Capital Projects	-	-	37,138,041	-	-	30,030,331	-	-	67,168,372
Economic Development	12,538,375	-	-	-	-	-	-	-	12,538,375
Unassigned	42,111,893	-	-	-	-	-	-	(88,197)	42,023,696
Total Fund Balance	$ 55,739,070	$ 1,954,958	$ 37,138,041	$ 24,239,783	$ 5,044,577	$ 30,030,331	$ 3,059,330	$ 7,985,790	$ 165,191,880

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has the following items that qualify for reporting in this category.

- Pension/OPEB contributions after measurement date - These contributions are deferred and recognized in the following year.

- Difference in projected and actual earnings on pension assets - This difference is deferred and amortized over a closed five year period.

- Deferred charges on refundings - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category.

- Difference in expected and actual pension experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Deferred inflows from property taxes - This amount represents property taxes collected for the next year that are recognized as a deferred inflow opposed to recognizing revenue in the current fiscal year.

14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the County for benefits due and payable that are not reimbursed by plan assets. Information regarding the County's total OPEB liability is obtained from a report prepared by a consulting actuary, Gabriel Roeder Smith & Company.

II. DETAILED NOTES ON ALL FUNDS

(a) Deposits and Investments

Investments in the local government investment pool TexPool (rated AAAm by S&P) are stated at fair value, which is the same as the value of the pool shares. Investments in the mutual funds and collateralized savings accounts are stated at fair value, which is the same as the value of the fund shares.

Regulatory oversight for the operations of these external investment pools is found in the Public Funds Investment Act of the State of Texas. Required oversight for the pools includes compliance with investment guidelines, annual independent audits and the establishment of oversight committees.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs such as comparable securities and various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values; and Level 3 inputs are significant unobservable inputs.

1. Interest Rate Risk

In accordance with the County's investment policy, exposure to declines in fair values is managed by limiting the weighted average maturity of its investment portfolio to two years for individual securities and 90 days for investment pools.

As of September 30, 2019, the County had the following investments:

Investment Type	Maturity Date	Fair Value	Weighted Average Maturity (Days)	Rating
Collateralized Certificates of Deposit:				
Central National Bank (CD)	10/31/2019	4,144,480	31	N/A
BBVA Compass	11/1/2019	11,120,659	32	N/A
Central National Bank (CD)	12/16/2019	5,346,301	77	N/A
Central National Bank (CD)	1/2/2020	2,087,033	94	N/A
Central National Bank (CD)	4/30/2020	2,668,289	213	N/A
Central National Bank (CD)	7/20/2020	4,288,816	294	N/A
BBVA Compass	8/28/2020	7,011,518	333	N/A
Central National Bank (CD)	4/30/2021	2,625,673	578	N/A
Investment Pools, Money Market Mutual Funds, and Collateralized Savings Accounts:				
BBVA Compass	N/A	8,669,783	N/A	N/A
Texas Class	N/A	10,344,906	50	AAAm
Texas Class	N/A	8,016,485	50	AAAm
TexPool	N/A	9,460,791	34	AAAm
TexPool	N/A	8,017,002	34	AAAm
TexPool	N/A	24,881,624	34	AAAm
TexPool	N/A	2,082,097	34	AAAm
TexPool	N/A	8,295,725	34	AAAm
US Government Agencies and Treasuries:				
Fair Value Measurement Using Level 2:				
Federal Farm Credit Bank	10/19/2020	1,987,616	385	AA+
Federal National Mortgage Association	7/21/2021	1,979,450	660	AA+
Federal Home Loan Mortgage Corp.	8/25/2021	3,964,566	695	AA+
Federal Home Loan Banks	9/30/2021	1,980,428	731	AA+
Federal National Mortgage Association	10/28/2021	1,979,683	759	AA+
Federal Home Loan Banks	10/24/2022	1,998,300	1120	AA+
Federal Home Loan Banks	8/26/2022	1,999,294	1061	AA+
Federal National Mortgage Association	8/24/2020	3,985,259	329	AA+
Federal Home Mortgage Corp.	9/29/2022	1,997,698	1095	AA+
Federal Home Loan Mortgage Corp.	10/12/2022	1,999,881	1108	AA+
Portfolio Weighted Average Maturity			90	

2. Credit Risk

According to County policy, all of its cash deposits are required to be in an institution that either has its main office or a branch in Texas, and are guaranteed by the Federal Deposit Insurance Corporation or are secured as principal by obligations described in clauses (1) through (4). Furthermore, the County limits its exposure to credit risk by limiting its investments to (1) obligations of the United States or its agencies; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full credit and good faith of the State of Texas or the United States or their respective agencies; (4) obligations of states, agencies, counties, cities and other political subdivisions of the State of Texas rated as to investment quality by a nationally recognized investment rating firm not less than an A or its equivalent; (5) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (4) or in any other manner and amount provided by law for county and district deposits; (6) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligation described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the state of Texas; (7) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by two nationally recognized credit rating agencies; (8) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a weighted average stated maturity of 90 days or less; (9) no-load mutual funds registered with the Securities and Exchange Commission that have a weighted average maturity of less than two years, invest exclusively in obligations described in this policy and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and (10) government investment pools that invest solely in such obligations, provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service.

3. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County mitigates these risks by requiring diversification in the investment portfolio in its investment policy. All funds must be sufficiently diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

4. 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. At September 30, 2019, all cash deposits with financial institutions were insured by a combination of FDIC coverage, FHLB letters of credit, or collateralized securities.

5. 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. At September 30, 2019, the County has no custodial risk with regard to its investments.

(b) Property Taxes and Other Receivables

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied prior to September 30, become due on October 1 and are delinquent after January 31. The County bills and collects property taxes for itself and for the following entities: Cities of Bellmead, Beverly Hills, Bruceville-Eddy, Crawford, Gholson, Hallsburg, Hewitt, Lacy-Lakeview, Leroy, Lorena, Mart, McGregor, Moody, Riesel, Robinson, Waco, West, Woodway; McLennan Community College; Independent School Districts of Axtell, Bosqueville, Bruceville-

Eddy, China Spring, Connally, Crawford, Gholson, Hallsburg, LaVega, Lorena, Mart, McGregor, Midway, Moody, Riesel, Robinson, Waco, West; Special Districts of Castleman Creek, Elm Creek Watershed, Downtown Public Improvement District, and McLennan and Hill Counties Tehuacana Creek Water Control District #1. The County is the only taxing entity controlled by the Commissioners Court; and the County Tax Assessor/Collector acts only as an intermediary in the collection and distribution of property taxes to the other entities. The County collects and distributes delinquent tax collection fees for law firms.

Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor/Collector's Agency Fund. Tax collections are recorded as payable to entities at gross amount due before tax collection commission with the exception of McLennan Community College and the Special Districts of Elm Creek Watershed and the McLennan and Hill Counties Tehuacana Creek Water Control District #1 Benefit Tax. Collection commissions are recorded for the County as a receivable from the entities, with the exception of McLennan County's own taxes, whereas the commission is applied to the receivable when received from the entity. Tax collections deposited for the County are distributed on a monthly basis to the General Fund, Permanent Improvement Fund, and Debt Service Fund of the County. Distribution to the funds is based on the tax rate established for each fund by Commissioners Court order for the tax year for which the collections are made.

The County participates in three Tax Increment Finance (TIF) Districts. When a TIF District is created with the approval of all participating governmental taxing entities, the property included in the District has its assessed valuation frozen at the base year value. As projects are developed which increase the assessed valuation of the property, the resulting increases in taxes in years after the base year is returned to the TIF zones which financed the improvements, with taxes on the base year provided to the governmental taxing entities.

The County collects taxes on behalf of a taxing entity having a Special Improvement District (SID), reports delinquencies to the taxing entity, and does not manage the collection of delinquencies for the taxing entity.

Governmental funds report unavailable 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. Grant receivables are monies not yet received from Grantor Agencies to pay for the current period budgeted expenditures.

The County is authorized by the Constitution of Texas to levy taxes up to $0.80 per $100 of assessed valuation for general governmental services and the payment of principal and interest on certain permanent improvement long-term debt. In addition, the County is authorized to levy taxes up to $0.30 per $100 of assessed valuation to be used exclusively for the construction and maintenance of farm-to-market roads or flood control.

At the end of the current fiscal year, the various components of property taxes and other receivables reported in the governmental funds were as shown in the table following:

Delinquent Property Taxes Receivable:		Taxes		Allowance		Net
General Fund	$	3,336,502	$	(333,650)	$	3,002,852
Debt Service Fund		228,404		(22,840)		205,564
Permanent Improvement Fund		70,469		(7,047)		63,422
Other Governmental Funds		36,138		(3,614)		32,524
Total Delinquent Property Taxes Receivable	$	3,671,513	$	(367,151)	$	**3,304,362**

Due from Other Funds:		
General Fund	$	402,962
PFC Jail Operating Fund		1,220,291
PFC Debt Service Fund		558,582
Total Due from Other Funds	$	**2,181,835**
Due from Other Governments:		
General Fund	$	4,553,995
Other Governmental Funds		102,621
Total Due from Other Governments	$	**4,656,616**
Miscellaneous Receivables:		
General Fund	$	178,890
Permanent Improvement Fund		11,867
Venue Project Fund		116,250
Venue Project Debt Service Fund		138,584
Other Governmental Funds		39,946
Total Miscellaneous Receivables	$	**485,537**
Total Receivables	$	**10,628,350**

(c) Capital Assets

Capital assets are recorded at cost or, if donated, at acquisition costs, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. In accordance with GASB 34, depreciation policies were adopted to include useful lives and classification by function. Infrastructure assets are valued in two ways: either actual historical cost where the amount can be determined from existing records or using current cost deflated to the year of construction. Once the historical cost is determined, regardless of how it is determined, the asset is then depreciated over its useful life.

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	$4,546,195	$ 141,866	$ (129,460)	$4,558,601
Construction in progress	3,751,747	9,215,646	(545,802)	12,421,591
Total capital assets, not being depreciated	8,297,942	9,357,512	(675,262)	16,980,192
Capital assets being depreciated:				
Buildings	132,070,357	2,844,150	(1,060,623)	133,853,884
Improvements, other than buildings	1,545,089	35,858	(28,802)	1,552,145
Machinery and equipment	32,605,656	3,887,418	(1,130,491)	35,362,583
Infrastructure	39,127,064	842,790	(10,315)	39,959,539
Total assets being depreciated	205,348,166	7,610,216	(2,230,231)	210,728,151
Less accumulated depreciation for:				
Buildings	(69,524,415)	(4,075,676)	742,916	(72,857,175)
Improvements, other than buildings	(903,205)	(66,068)	17,737	(951,536)
Machinery and equipment	(23,022,070)	(2,460,086)	1,086,593	(24,395,563)
Infrastructure	(30,121,338)	(637,144)	10,315	(30,748,167)
Total accumulated depreciation	(123,571,028)	(7,238,974)	1,857,561	(128,952,441)
Total capital assets being depreciated, net	81,777,138	371,242	(372,670)	81,775,710
Governmental activities, net	$ 90,075,080	$ 9,728,754	$ (1,047,932)	$ 98,755,902

Depreciation expense for FY 2019 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	$ 916,933
Judicial	383,591
Public safety	3,377,759
Public transportation	1,673,279
Health	28,629
Welfare	11,496
Culture and recreation	838,986
Conservation	8,301
Total depreciation expense — governmental activities	$ 7,238,974

(d) Long-Term Liabilities

1. General Obligation Bonds

McLennan County issues general obligation bonds and tax notes to finance major capital projects. The following listing of debt is for general obligation bonds and tax notes outstanding at September 30, 2019; the debt is for governmental activities only:

Description	Interest Rates	Fiscal Year of Issue	Date of Maturity	Bonds Outstanding
Refunding Bonds Series 2011	2.0 – 4.0%	2011	2021	$ 1,340,000
Refunding Bonds Series 2014	1.5%	2015	2023	2,710,000
Certificates of Obligation Series 2016	2.0 – 3.0%	2016	2036	8,345,000
Certificates of Obligation Series 2017	3.0 – 4.0%	2017	2037	7,510,000
Certificates of Obligation Series 2019	2.0 – 5.0%	2019	2039	21,985,000
Total General Obligation Debt				$ 41,890,000

Refunding Bonds Series 2011 totaling $5,885,000, dated July 11, 2011 were issued to refund general obligation bonds series 2001 issued by the County. These bonds were issued at an effective rate of 2.42%. The proceeds were deposited with an escrow agent for the purpose of redeeming the refunded bonds on July 28, 2011. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position.

Refunding Bonds Series 2014 totaling $8,800,000, dated August 26, 2014 were issued to refund Certificates of Obligation Series 2003 and Refunding Bonds Series 2005 issued by the County. These bonds were issued at an effective rate of 1.5%. The proceeds were deposited with an escrow agent for the purpose of redeeming the refunded bonds on September 3, 2014. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position.

Certificates of Obligation Series 2016 totaling $9,550,000 dated August 1, 2016 were issued to pay, in whole or in part, contractual obligation incurred in connection with (1) acquiring, designing, constructing, renovating, repairing, and improving County roads and bridges (including any utilities relocation) and drainage incidental thereto; (2) acquiring, designing, constructing, renovating, repairing, and improving various existing County facilities and buildings (to include Americans with Disabilities Act improvements and modifications), including County Courthouse, County Records Building, County Annex Building, and Shrine Building; (3) 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 (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. These serial bonds were issued at an average coupon rate of 2.34%.

Certificates of Obligation Series 2017 totaling $9,415,000 dated August 1, 2017 were issued to pay, in whole or in part, contractual obligation incurred in connection with (1) acquiring, designing, constructing, renovating, repairing, and improving County roads and bridges (including any utilities relocation) and drainage incidental thereto; (2) acquiring, designing, constructing, renovating, repairing, and improving various existing County facilities and buildings (to include Americans with Disabilities Act improvements and modifications), including County Courthouse, County Records Building, County Annex Building, and Shrine Building; (3) 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 (4) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. These serial bonds were issued at an average coupon rate of 3.143%.

Combination Tax and Limited Pledge Revenue Certificates of Obligation Series 2019 totaling $21,985,000 dated July 30, 2019 were issued to pay, in whole or in part, contractual obligation incurred in connection with (1) acquiring, designing, constructing, renovating, repairing, and improving County roads and bridges (including any utilities relocation) and drainage incidental thereto; (2) acquiring, designing, constructing, renovating, repairing, and improving various existing County facilities and buildings (to include Americans with Disabilities Act improvements and modifications and HVAC improvements), including County Courthouse, County Records Building, Downtown County Jail, County Archives Building, and County Annex Building; (3) acquiring, equipping, installing new, and improving existing technology, emergency response, and communications systems, including software, hardware, and other infrastructure; (4) acquiring, designing, constructing, renovating, repairing, and improving parks and recreation facilities at Tradinghouse Park; (5) acquiring, designing, construction, panning, expanding, improving, and equipping facilities for the County Court system, including any necessary purchase of land therefor; (6) materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes relating to the aforementioned capital improvements; and (7) the payment of professional services related to the design, construction, project management, and financing of the aforementioned projects. These serial bonds were issued at an average coupon rate of 2.507%.

2. Contractual Maturities of General Obligation Bonds

The annual debt service for general obligation bonds is as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2020	3,160,000	1,086,527	4,246,527
2021	2,675,000	1,117,985	3,792,985
2022	2,100,000	1,042,785	3,142,785
2023	2,165,000	992,360	3,157,360
2024	1,725,000	940,385	2,665,385
2025 – 2029	9,435,000	3,890,975	13,325,975
2030 – 2034	10,985,000	2,335,805	13,320,805
2035 – 2039	9,645,000	771,690	10,416,690
Total	$ 41,890,000	$ 12,178,512	$ 54,068,512

3. Revenue Bonds

Project Revenue Refunding Bonds Taxable Series 2014 totaling $50,045,000, dated November 1, 2014 were issued to refund Revenue Bonds Series 2009 issued by the McLennan County Public Facility Corporation, a blended component unit of the County. The bonds were issued to refund certain outstanding obligations of the issuer issued to finance and refinance the costs of constructing and equipping a multi-classification secure detention center and pay certain costs of issuance relating to the bonds. The Revenue Bonds Series 2009 (the "Bonds") were issued to provide funds to (i) finance a project that consists of the development, design, construction and equipping of an 816 bed secure detention center on land in McLennan County, adjacent to the County's existing detention facility (the land, improvements and its operations are collectively referred to as the "Project"), (ii) to establish a reserve fund for the payment of the Bonds; (iii) to pay interest on the Bonds for a period of approximately 16 months from the date of issuance; (iv) to pay certain operating expenses during construction and for up to one year following completion of construction; and (v) to pay costs of issuing the Series 2009 Bonds. The land on which the detention center is built is subject to a ground lease between the County and the PFC.

In relation to the Project, The County has entered into a lease (the "Lease") with the PFC, wherein the County will lease the new detention center from the PFC. The consideration to be paid by the County to the PFC will be all rental payments received from third party entities that pay the County to house their inmates in the new detention facility.

The Revenue Refunding Bonds Series 2014 are payable from and secured by a pledge of all of the PFC's right, title and interest in the Lease, all project revenues, including the right to receive the rental payments (from the third parties housing their inmates in the detention center), other amounts due under the Lease, amounts deposited in the debt service fund, and all other accounts established under the Indenture.

The County is required under the Lease to pay rental payments which are sufficient in both time and amount, to pay when due, the principal and interest on the Bonds. The County's obligation to pay the rental payments and other additional amounts required pursuant to the Lease, including operation and maintenance costs, is payable solely from the County's project revenues (rentals from third parties) and other available money appropriated annually for such purpose by the Commissioners Court for such purpose. If the County fails to appropriate available money which, together with the County's project revenues, is sufficient for the payment of all such amounts in any fiscal year of the County, the Lease will terminate and the PFC may take possession of the Project.

Venue Project Revenue and Refunding Bonds (Combined Venue Tax), Series 2018A totaling $35,510,000, dated June 19, 2018 were issued to refund Venue Project Revenue Bonds (Combined Venue Tax), Series 2018. The refunded obligations were originally issued to provide short-term, interim financing to pay certain costs of the Venue Project and are now refunded into long-term financing to take advantage of low costs of borrowing and to restructure the outstanding County debt secured by and payable from pledged revenues. The Venue Project is located at the Heart of Texas fairgrounds in Waco, Texas and will include development, construction, and renovation of new and existing facilities including a multi-purpose arena, adjacent support facilities, and any related infrastructure. The County refunded the Series 2018 bonds in order to reduce the total debt service payments by $32,135,250 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1,371,103.

The Venue Project Revenue and Refunding Bonds Series 2018A are payable from and secured by a pledge of the collection of a hotel occupancy tax and a motor vehicle rental tax. These taxes were adopted as an order by the County on June 20, 2017.

Description	Interest Rate	Fiscal Year of Issue	Date of Maturity	Bonds Outstanding
McLennan County Public Facility Corporation Project Revenue Refunding Bonds, Taxable Series 2014	Variable	2014	2035	$ 39,745,000
Venue Project Revenue and Refunding Bonds (Combined Venue Tax), Series 2018A	Variable	2018	2058	$ 35,010,000

4. Contractual Maturities of Revenue Bonds

The annual debt service for revenue bonds is as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2020	2,065,000	3,162,032	5,227,032
2021	2,120,000	3,104,739	5,224,739
2022	2,185,000	3,042,064	5,227,064
2023	2,255,000	2,972,864	5,227,864
2024	2,335,000	2,896,727	5,231,727
2025 – 2029	13,150,000	12,997,403	26,147,403
2030 – 2034	16,250,000	9,885,203	26,135,203
2035 – 2039	10,060,000	6,008,678	16,068,678
2040 – 2044	4,680,000	4,698,938	9,378,938
2045 – 2049	5,795,000	3,579,838	9,374,838
2050 – 2054	7,075,000	2,298,244	9,373,244
2055 – 2059	6,785,000	713,832	7,498,832
Total	$ 74,755,000	$ 55,360,562	$ 130,115,562

5. Debt Related to Capital Assets

The following table presents the amount of the different types of debt that are related to the County's capital assets:

Type of Debt	Total Debt	Debt Related to Capital Assets
General Obligation Bonds	$ 41,890,000	$ 8,908,799
Revenue Bonds	74,755,000	45,458,553
Total	$ 116,645,000	$ 54,367,352

6. Changes in Noncurrent Liabilities

Noncurrent liabilities for the year ended September 30, 2019, all of which were from governmental activities, were as follows:

	General Obligation Bonds	Revenue Bonds	Premiums on Bonds	Compensated Absences	Net Pension Liability	Other Post Employment Benefits	Total Governmental Activity
PRINCIPAL:							
Beginning balance	$ 23,250,000	$ 76,940,000	$ 902,641	$ 3,205,006	$ 18,254,873	$ 49,476,408	$ 172,028,928
Additions	21,985,000	-	1,337,023	3,074,559	19,654,799	-	46,051,381
Reductions	3,345,000	2,185,000	60,700	3,011,046	-	1,276,063	9,877,809
Ending Balance	41,890,000	74,755,000	2,178,964	3,268,519	37,909,672	48,200,345	208,202,500
Due within one year	$ 3,160,000	$ 2,065,000	-	$ 2,614,815	-	-	$ 7,839,815

Debt service for general obligation bonds and revenue bonds is provided by the Debt Service Funds and compensated absences and OPEB are liquidated by the same funds in which the respective employees are employed.

(f) Post Employment Benefits Other Than Pension Benefits (OPEB)

1. Plan Description

The County's OPEB provides health benefits to eligible retired employees of the County and is a single employer plan administered by the County. Separately issued financial statements are not available for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. McLennan County Commissioners Court has the authority to establish and amend the benefits of the plan.

2. Plan Participants

Members are eligible for retirement with TCDRS at age 60 with 8 years of service, or at any age with 30 years of service, or when age plus years of service equals 75.

3. Normal Retirement Benefits

<u>Health Care Benefit Eligibility Conditions</u>

With the exception of employees who come to work for the County on or after January 1, 2009, who do not qualify for retiree health care benefits, each full-time employee who separates from the service of McLennan County, and who, at the time of their separation, is eligible for retirement under Texas County and District Retirement System (TCDRS) guidelines, and either (1) has total creditable service with TCDRS and continuous service as a full-time employee of McLennan County of twenty (20) years or more, or (2) has total creditable service with TCDRS and continuous service as an elected official of McLennan County of twelve (12) years or more; and whose full salary has been paid entirely from McLennan County funds or Grant funds received from Federal, State or other Local Governments by McLennan County, for 20 years or more, or (2) for twelve (12) years or more as an elected official, and is covered by the McLennan County group health program at the time of their retirement, will have the same dollar amount contributed towards their group medical premiums by the County that the County contributes towards such premiums for its full-time employees.

<u>Retiree Health Care Benefit</u>

For eligible retirees, premiums for medical coverage shall be paid by the County, at the same dollar amount contributed towards their group medical premiums by the County that the County contributes toward such premiums for its full-time employees. If the retiree qualifies (must have Medicare A & B, and may have to be 65 or older) and such plan is available through the County, the retiree may elect a senior health plan instead of a traditional group health plan. If the retiree elects a senior health plan and the premium amount is less than the premium amount the County contributes for its full-time employees, the County will pay the lower premium. Premiums for spouses and dependents shall be paid by the retiree.

Each full-time employee who separates from the service of McLennan County, and who is eligible for retirement under TCDRS, and who is covered by the McLennan County group health program at the time of such retirement, but does not meet the minimum requirements set forth above, will be permitted to continue their participation in current or future group health or senior health plan programs, provided by McLennan County for its employees and retirees, at their sole expense. Coverage for spouses and dependents who are participants in the County's group health program on the date of the employee's retirement may also be continued. Premiums for spouses and dependents shall also be paid by the retiree.

Early Retirement Benefits

Only members who have the required time of continuous service are eligible for retiree health benefits. There are no "early retirement benefits".

Deferred Retirement Benefits

Eligible members who terminate employment without retiring with TCDRS can continue the same medical coverage in which they were enrolled at termination. If eligible members elect not to continue medical coverage at termination, they are not eligible for retiree health care benefits when they activate their retirement from TCDRS.

Death-in-Service Retirement Benefits

Provided the County is able to secure an agreement with its insurance providers for such coverage and such does not cause an increase in the County's insurance costs which the County, in its sole discretion, finds unacceptable, in the event of the death of a retiree who has retired from service with McLennan County under TCDRS, the spouse and dependents will be allowed, at their own option and expense, to continue their participation in such health insurance plans as may be provided by the County. This eligibility extends only to persons covered by the retiree's insurance at the time of the death of the retiree. This eligibility for any spouse ceases at the end of the month in which the spouse marries.

4. Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	232
Active Plan Members	847
Total Plan Members	1,079

5. Total OPEB Liability

The County's total OPEB liability of $48,200,345 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	0.50% to 5.00%, not including wage inflation of 3.25%
Discount Rate	3.71% as of December 31, 2018 The discount rate changed from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018
Healthcare Cost Trend Rates	Pre-65: Initial rate of 7.50% declining to an ultimate rate of 4.75% after 13 years; Ultimate trend rate includes a 0.50% adjustment for the excise tax Post-65: Initial rate of 6.50% declining to an ultimate rate of 4.25% after 15 years
Mortality	For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. Those rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2016 as conducted for TCDRS; For the OPEB valuation, the standard TCDRS retirement rates were adjusted to reflect the impact of the County's retiree medical plan design
Participation Rates	95% of future retirees who are eligible for a County subsidy were assumed to receive retiree health care benefits through the County. Alternatively, only 20% of retirees who are not eligible for a subsidy were assumed to elect coverage.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of 09/30/18	$ 49,476,408
Service cost	1,358,936
Interest on total OPEB liability	1,649,709
Difference between expected and actual experience of the total OPEB liability	(351,686)
Changes of assumptions	(3,301,575)
Benefit payments	(631,447)
Net change in total OPEB liability	(1,276,063)
Balances as of 09/30/19	$ 48,200,345

Sensitivity of Total OPEB Liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 3.71%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher.

1% Decrease 2.71%	Current Discount Rate Assumption 3.71%	1% Increase 4.71%
$57,064,124	$48,200,345	$41,133,926

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher.

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
$39,932,032	$48,200,345	$58,932,623

6. Deferred Outflows Related to OPEB

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 309,344
Changes in assumptions	3,026,234	2,904,077
Contributions subsequent to the measurement date	765,567	-
Total	$ 3,791,801	$ 3,213,421

$765,567 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020.

7. Deferred Outflows and Deferred Inflows to be Recognized in Future OPEB Expense

Year Ended September 30,	Deferred Outflows/(Inflows)
2020	$ 40,065
2021	40,065
2022	40,065
2023	40,065
2024	40,065
Thereafter	(387,512)
Total	$(187,187)

(g) Inter-fund Receivables, Payable Balances and Transfers

Inter-fund Receivables and Payables Balances

Activity between funds that represent the current portion of lending/borrowing and inter-fund charges for goods and services arrangements outstanding at fiscal year end are referred to as "due to/from other funds." The composition of inter-fund balances as of September 30, 2019, is as follows:

Receivable Fund	Payable Fund	Amount
General	Proprietary	$ 337,687
General	Nonmajor governmental	65,275
PFC Jail Operating	General	1,220,291
PFC Debt Service	PFC Jail Operating	558,582
Proprietary	General	2,580,927
Total		$ 4,762,762

Inter-fund Transfers

During the fiscal year ended September 30, 2019, the General Fund transferred $6,940,151 to the Juvenile Probation Local Fund. A transfer was made from the PFC Jail Operating Fund to the PFC Debt Service Fund for $3,941,988 in order to support principal and interest payments.

	Transfers Out		
Transfers In	General Fund	PFC Jail Operating Fund	Totals
PFC Debt Service	-	3,941,988	3,941,988
Other Governmental	6,940,151	-	6,940,151
Total Transfers Out	$ 6,940,151	$ 3,941,988	$ 10,882,139

III. OTHER INFORMATION

(a) Risk Management

Property and liability risks - The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In order to mitigate losses from such occurrences, the County has risk management programs, as discussed on the following page.

The County participates in insurance risk pools offered by the Texas Association of Counties to provide general liability, public officials' liability, vehicular liability, district and county clerk errors and omissions, and law enforcement liability. Another Texas Association of Counties risk pool provides adequate property damage insurance for the County's buildings and their contents. Premiums are paid into the pool annually, and are based on the prior year's experience factors.

The County operates a mainframe computer installation on which nearly the entire County's court records are maintained. The data is backed up daily and stored offsite in a fireproof storage area.

Texas statutes require public officials' faithful performance bonds for substantially all elected and appointed officials. In addition, the County carries a blanket employee dishonesty bond in the amount of $100,000 per occurrence for all County employees. In addition, tax office employees are covered by a $100,000 comprehensive dishonesty, disappearance and destruction policy.

The County maintains and operates a helicopter. Aircraft liability in the amount of $1,000,000 is carried through a commercial insurance company.

The vehicles owned by the County are insured for liability coverage only, with the exception of those vehicles purchased under a capital lease. The County assumes the risk for any property damage to its own vehicles, unless a third party causes the damage, in which case subrogation is pursued with the third party. Full coverage is maintained on the leased vehicles.

Workers' compensation coverage is provided through a risk pool set up by the Texas Association of Counties. Premiums are paid into the pool based on the prior year's experience factor.

Health and medical insurance for employees is offered through the County's self-insured health program to each official and salaried employee. The County pays medical coverage premiums for eligible employees up to the lowest premium amount for the base plan of the County. Other supplemental insurance policies are offered to employees at their option and cost through third-party providers.

Changes in coverage from prior year - There were no decreases in the insurance coverage maintained by the County in 2019 compared to 2018.

Settlements exceeding coverage – No settlements against the County exceeded the related insurance coverage in fiscal year 2019.

(b) Contingent Liabilities

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. If any expenditures are determined to be disallowed under terms of the grant, the County would be required to reimburse the grantor agency. A contingent liability was not established because potential reimbursements are considered immaterial.

The County is named as a defendant in various lawsuits related to alleged violations of constitutional and employment rights. In all of these cases, the County is denying the allegations and is vigorously defending against them. County officials estimate that the potential claims against the County will not materially adversely affect the financial position of the County.

(c) Tax Abatements

The County enters into economic development agreements designed to promote development and redevelopment within the County, stimulate commercial activity, and enhance the property tax base and economic vitality of the County. This program reduces the assessed property values as authorized under Chapter 381 of the Texas Local Government Code.

The County has entered into various agreements that reduce property taxes. Agreements for a reduction of taxable values call for a reduction of 5% to 90% for 4 to 10 years. Each developer requires a monetary commitment and a minimum employment requirement. For fiscal year 2019, the County did not rebate any amounts in property taxes.

(d) Related Party Transactions

The general laws of the State of Texas prohibit transactions, with certain exceptions, between the County and its officers or between the County and any entity in which a County officer may have a substantial interest. During the fiscal year ended September 30, 2019, there were no transactions which are known to have violated these prohibitions.

IV. EMPLOYEE RETIREMENT SYSTEM

(a) Plan Description

The County participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tcdrs.org. All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

(b) Benefits Provided

TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. Updated annuity purchase rates will go into effect for post-2017 benefit accruals earned after 2017. Benefits accrued before 2018 will not be impacted by this update. This change was reflected in the 2016 actuarial valuation.

1. Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	583
Inactive employees entitled to but not yet receiving benefits	89
Active employees	979
	1,651

(c) Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participate over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the County were 14.34% and 13.26% in calendar years 2018 and 2019, respectively. The County's contributions to TCDRS for the year ended September 30, 2019, were $8,686,215 and were equal to the required contributions.

(d) Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

1. Actuarial Assumptions

Valuation Date:	Acuarially determined contribution rates are calcualted each 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	12.1 years (based on contribution rate calculated in 12/31/2018 valuation)
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 administrative and investment expenses, 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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule	2015: New inflation, mortality, and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No chances in plan provisions were reflected in the schedule

Updated mortality assumptions were adopted in the actuarial valuation of December 31, 2018. All other actuarial assumptions that determined the total pension liability as of December 31, 2018, were based on the results of an actuarial experience study for the period January 1, 2013, through December 31, 2017.

The long-term expected rate of return on pension plan investments is 8.0%. 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.

The long-term expected rate of return on TCDRS is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2019 information for a 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation [1]	Geometric Real Rate of Return (Expected minus Inflation) [2]
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index [3]	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed	MSCI World Ex USA (net) Index	10.00%	5.40%
International Equities - Emerging	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index [4]	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [5]	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

(1) Target asset allocation adopted at the April 2019 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70% per Cliffwater's 2019 capital market assı

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

2. Discount Rate

The discount rate used to measure the Total Pension Liability 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.

3. Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2017	$ 261,372,032	$ 243,117,159	$ 18,254,873
Changes for the year:			
Service cost	5,636,373	-	5,636,373
Interest on total pension liability (1)	21,013,365	-	21,013,365
Effect of economic/demographic gains or losses	(639,734)	-	(639,734)
Refund of contributions	(701,613)	(701,613)	-
Benefit payments	(14,767,864)	(14,767,864)	-
Administrative expenses	-	(187,952)	187,952
Member contributions	-	2,384,166	(2,384,166)
Net investment income	-	(4,576,665)	4,576,665
Employer contributions	-	8,837,781	(8,837,781)
Other (2)	-	(102,125)	102,125
Balances as of December 31, 2018	$ 271,912,559	$ 234,002,887	$ 37,909,672

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
(2) No plan changes valued.
(3) Relates to allocation of system-wide items.

4. Sensitivity Analysis

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%	Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	$ 305,424,839	$ 271,912,559	$ 243,605,667
Fiduciary net position	234,002,887	234,002,887	234,002,887
Net pension liability/(asset)	$ 71,421,952	$ 37,909,672	$ 9,602,780

5. Pension Plan Fiduciary Net Position

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

(e) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the County recognized pension expense of $11,537,663.

At September 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 406,156	$ 1,152,256
Changes in actuarial assumptions	982,863	-
Difference between projected and actual investment earnings	14,934,942	-
Contributions subsequent to the measurement date	5,077,268	-
Total	$ 21,401,229	$ 1,152,256

$5,077,268 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2020	$ 6,274,373
2021	2,337,575
2022	1,869,911
2023	4,689,846

Financial Advisory Services
Provided By:

SAMCO Capital