NEW ISSUE
BOOK-ENTRY-ONLY

OFFICIAL STATEMENT
March 9, 2021

Rating:
S&P: "AA"
(See "OTHER PERTINENT INFORMATION – Rating" herein.)

The Bonds (defined herein) are not obligations as described in Section 103(a) of the Internal Revenue Code of 1986. See "TAX MATTERS" herein.

$8,425,000
GILLESPIE COUNTY, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021

Dated Date: March 1, 2021 (Interest to accrue from the Delivery Date) **Due: as shown on page ii**

Principal on the Gillespie County, Texas (the "County") $8,425,000 General Obligation Refunding Bonds, Taxable Series 2021 (the "Bonds") is payable to the registered owner upon presentation at maturity or redemption at the designated office of the paying agent/registrar (the "Paying Agent/Registrar"), initially BOKF, NA, Dallas, Texas. The Bonds will be issued in denominations of $5,000 or integral multiples thereof within a maturity. Interest on the Bonds will accrue from the Delivery Date (defined below) and will be payable February 15 and August 15 of each year, commencing August 15, 2021, until maturity or prior redemption, calculated on the basis of a 360-day year consisting of twelve 30-day months, to the registered owner appearing on the registration records of the Paying Agent/Registrar on the "Record Date" (hereinafter defined). The County intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM".

AUTHORITY FOR ISSUANCE: The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1207, Texas Government Code, as amended, and pursuant to an order adopted by the Commissioners Court of the County on January 25, 2021, authorizing the issuance of the Bonds (the "Bond Order"). As permitted by the provisions of Chapter 1207, Texas Government Code, as amended, in the Bond Order the Commissioners Court of the County delegated to certain officials of the County the authority to execute a pricing certificate establishing the final pricing terms of the Bonds (the "Pricing Certificate" and, together with the Bond Order, the "Order"). The Pricing Certificate was executed by a duly authorized County official on March 9, 2021. See "THE BONDS – Authority for Issuance."

PURPOSE: Proceeds of the Bonds will be used to (i) refund a portion of the County's currently outstanding obligations described in Schedule I attached hereto (the "Refunded Obligations") for debt service savings, and (ii) pay the costs of issuance of the Bonds. See "THE BONDS – Purpose".

SECURITY FOR PAYMENT: The Bonds are direct obligations of the County payable from the proceeds of a direct and continuing ad valorem tax levied, within the limitations prescribed by law, upon all taxable property located within the County. See "THE BONDS – Security and Source of Payment."

OPTIONAL REDEMPTION: The County reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2031, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Redemption Provisions".

SEE MATURITY SCHEDULE ON PAGE ii

The Bonds are offered for delivery when, as and if issued and received by the underwriter named below (the "Underwriter"), subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about April 1, 2021 (the "Delivery Date").

SAMCO CAPITAL MARKETS

MATURITY SCHEDULE

$8,425,000
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021
CUSIP No. Prefix(1): 375707

Maturity Date 2/15	Principal Amount	Interest Rate	Initial Yield(2)	CUSIP No. Suffix(1)
08/15/2021	$ 60,000	4.000%	0.246%	BY1
****	*******	*****	*****	****
2024	700,000	4.000	0.470	BN5
2025	725,000	4.000	0.900	BP0
2026	760,000	4.000	1.050	BQ8
2027	795,000	4.000	1.160	BR6
2028	825,000	4.000	1.560	BS4
2029	860,000	4.000	1.730	BT2
2030	895,000	4.000	1.780	BU9
2031	920,000	1.830	1.830	BV7
2032	935,000	1.880	1.880	BW5
2033	950,000	1.980	1.980	BX3

(Interest to accrue from the Delivery Date)

The County reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2031, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Redemption Provisions".

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the County, the Underwriter, or the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers shown herein.
(2) The initial yield represents the initial offering yield to the public which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter.

GILLESPIE COUNTY

101 West Main St.
Fredericksburg, Texas 78624

COMMISSIONERS COURT

Hon. Mark Stroeher
County Judge

Charles Olfers Commissioner, Precinct 1	Keith Kramer Commissioner, Precinct 2
Dennis Neffendorf Commissioner, Precinct 3	Donnie Schuch Commissioner, Precinct 4

ADMINISTRATION

Larry Crump	County Auditor
Kelly Eckhardt	County Treasurer
Mary Lynn Rusche	County Clerk
Vicki J. Schmidt	Tax Assessor-Collector

CONSULTANTS AND ADVISORS

Certified Public Accountants	Neffendorf & Blocker, P.C. Fredericksburg, Texas
Bond Counsel	Bickerstaff Heath Delgado Acosta LLP Austin, Texas
Financial Advisor	RBC Capital Markets, LLC San Antonio, Texas

FOR MORE INFORMATION CONTACT:

Larry Crump
County Auditor
Gillespie County, Texas
101 West Main Street, Unit 4, Room 203
Fredericksburg, Texas 78624
(830) 997-6777

R. Dustin Traylor
Robert V. Henderson
RBC Capital Markets, LLC
303 Pearl Parkway, Suite 220
San Antonio, Texas 78215
(210) 805-1118

USE OF INFORMATION IN OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the schedule 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 by the County or the Underwriter to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriter.

The information set forth herein has been obtained from sources which are considered to be reliable, but such information is not guaranteed as to the accuracy or completeness and is not to be construed as a representation by the Underwriter. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

The information and expressions of opinion contained herein 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. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the County's undertaking to provide certain information on a continuing basis.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

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

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

NONE OF THE COUNTY, THE FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS PROVIDED BY DTC.

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

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in Rule 15c2-12.

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OFFICIAL STATEMENT

relating to

$8,425,000
GILLESPIE COUNTY, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information in connection with the issuance by Gillespie County, Texas (the "County") of its $8,425,000 General Obligation Refunding Bonds, Taxable Series 2021 (the "Bonds"). The County is a political subdivision of the State of Texas and operates under the statutes and the Constitution of the State of Texas.

Included in this Official Statement are descriptions of the Bonds, and certain information about the County and its finances. All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future. See "OTHER PERTINENT INFORMATION – Infectious Disease Outbreak – COVID-19" herein.

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 County or the Financial Advisor.

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

THE BONDS

General Description

The Bonds will be dated March 1, 2021 (the "Dated Date"), and will be issued in fully-registered form, in denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will accrue from the Delivery Date (as defined on the front cover hereof) and interest will be paid semiannually on February 15 and August 15 of each year, commencing August 15, 2021, until stated maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will mature on the dates and in the amounts as set forth on page ii hereof.

Principal and interest will be paid by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Subject to the requirements associated with the use of the Book-Entry-Only System (see "BOOK-ENTRY-ONLY SYSTEM" herein), interest will be paid by check dated as of the interest payment date and mailed first class, postage paid, on or before each interest payment date by the Paying Agent/Registrar to the registered owners (the "Owners") appearing on the registration books of the Paying Agent/Registrar on the Record Date (herein defined), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense, of such Owner. Principal will be paid to the Owners at maturity or redemption upon presentation and surrender of the Bonds to the Paying Agent/Registrar. 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 on which banking institutions in the County where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorize to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. The County will initially use the Book-Entry-Only System of The Depository Trust Company ("DTC"), New York, New York, in regard to the issuance, payment and transfer of the Bonds. Such system will affect the timing and method of payment of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1207, Texas Government Code, as amended, and pursuant to an order adopted by the Commissioners Court of the County on January 25, 2021 authorizing the issuance of the Bonds (the "Bond Order"). As permitted by the provisions of Chapter 1207, Texas Government Code, as amended, in the Bond Order the Commissioners Court of the County delegated to certain officials of the County the authority to execute a pricing certificate establishing the final pricing terms of the Bonds (the "Pricing Certificate" and, together with the Bond Order, the "Order"). The Pricing Certificate was executed by a duly authorized County official on March 9, 2021.

Purpose

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the County's currently outstanding obligations described in Schedule I attached hereto (the "Refunded Obligations"), and (ii) pay the costs of issuance of the Bonds. See "SCHEDULE I – Schedule of Refunded Obligations" for a detailed listing of the Refunded Obligations and their redemption date at par. The refunding is being undertaken to lower the County's debt service payments and will result in a present value savings to the County.

Refunded Obligations

A description and identification of the Refunded Obligations appears in Schedule I attached hereto. The principal and interest due on the Refunded Obligations are to be paid on the redemption date of such Refunded Obligations (the "Redemption Date"), from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the County and BOKF, NA, Dallas, Texas (the "Escrow Agent"). The Order provides that from the proceeds of the sale of the Bonds, the County will deposit with the Escrow Agent an amount which, together with the Escrowed Securities (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on the Redemption Date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase securities authorized by State law to defease the Refunded Obligations (the "Escrowed Securities"). Amounts on deposit in the Escrow Fund shall include certain direct, non-callable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Bond Order was adopted, rated as to investment quality by a nationally recognized rating firm not less than "AAA". Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the Refunded Obligations.

Robert Thomas CPA, LLC (the "Verification Agent"), independent certified public accountants, will deliver to the County, on or before the Delivery Date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations (see "VERIFICATION OF ARITHMETICAL COMPUTATIONS").

Prior to, or simultaneously with the issuance of the Bonds, the County will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on the redemption date shown on Schedule I attached hereto, on which date money will be made available to redeem the Refunded Obligations from funds held under the Escrow Agreement.

By the deposit of such cash and Escrowed Securities with the Escrow Agent pursuant to the Escrow Agreement, the County will have effected the defeasance of all the Refunded Obligations in accordance with applicable law, and the County will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Obligations from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Escrowed Securities. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance on the report of the Verification Agent, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the County payable from taxes or any other funds of the County nor for the purpose of applying any limitation on the issuance of debt.

Security and Source of Payment

The Bonds are payable from the proceeds of a direct and continuing ad valorem tax levied, within the limitations prescribed by law, upon all taxable property located within the County.

Legality

The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State and Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Bond Counsel. See "LEGAL MATTERS" herein.

Redemption Provisions

Optional Redemption. . . The County reserves the right, at its sole option, to redeem Bonds having stated maturities on or after February 15, 2031, in whole or in part thereof, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the County may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption for the Bonds . . . Not less than 30 days prior to a redemption date for the Bonds, the County shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND FUNDS TO PAY THE REDEMPTION PRICE OF SAID BONDS HAVING BEEN PROVIDED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED

REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DTC Redemption Provisions . . . The Paying Agent/Registrar and the County, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption relating to the Bonds, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall 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 County 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 account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the County or the Paying Agent/Registrar. Neither the County nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "BOOK-ENRTY-ONLY SYSTEM" herein.

Defeasance of Bonds

The Order provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (A) money sufficient to make such payment or (B) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (C) combination of money and Defeasance Securities together so certified sufficient to make such payments. The Order provides that "Defeasance Securities" means (1) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (3) 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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and, (4) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Defeasance Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (1) through (3) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the County has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the County to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the County to initiate proceedings to call for the 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 Owners in any manner not detrimental to the interests of the 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 affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the Owners of all the Bonds affected, no such amendment, addition, or rescission may (1) make any change in the maturity of any of the outstanding Bonds; (2) reduce the rate of interest borne by any of the outstanding Bonds; (3) reduce the amount of the principal or maturity value of, or redemption premium, if any, payable on any outstanding Bonds; (4) modify the terms of payment or of interest or redemption premium on outstanding Bonds or any of them or impose any condition with respect to such payment; (5) give any preference to any Bond over any other Bond; or (6) change the minimum percentage amount of the Bonds necessary to be held by registered owners for consent to such amendment.

Defaults and Remedies

If the County (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order and the County's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so 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. Texas counties are generally immune from suits for money damages for breach of contracts under the doctrine of sovereign immunity. 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 the Order. 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. 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 and by general principles of equity which permit the exercise of judicial discretion.

Record Date

The record date ("Record Date") for determining the person to whom the interest is payable on the Bonds on any interest payment date means the last business day of the month next preceding the date that each interest payment is due. In the event of a non-payment of interest on a scheduled 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 County. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which must be 15 days after the Special Record Date) will 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 of a Bond 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.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Order, the County retains the right to replace the Paying Agent/Registrar for the Bonds If the Paying Agent/Registrar is replaced by the County, the Paying Agent/Registrar, promptly upon the appointment of its successor, is required to deliver the registration records to the successor Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the County shall be a commercial bank, trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the County shall promptly cause a written notice of such change to be sent to each registered owner of the Bonds affected by the change, by United States mail, first class, postage prepaid, which notice shall give the address for the new Paying Agent/Registrar.

Future Registration

In the event the use of the "Book-Entry-Only System" for the Bonds should be discontinued, printed Bonds will be delivered to the registered owners of the Bonds and thereafter such Bonds may be transferred, registered and assigned on the registration books only upon their presentation and surrender 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. The Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the 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 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 of principal amount for any one maturity or any integral multiple thereof and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Limitation on Transfer of Bonds

Neither the County nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable by the registered owner of the uncalled balance of a Bond.

Mutilated, Destroyed, Lost or Stolen Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the County and the Paying Agent/Registrar evidence satisfactory to them that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the County and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

Payment Record

The County has never defaulted on the payment of its bonded indebtedness.

SOURCES AND USES OF PROCEEDS

The following table shows the estimated sources and uses of the proceeds of the Bonds:

Sources:		
	Principal Amount of the Bonds	$8,425,000.00
	Reoffering Premium	826,712.20
	Total Sources of Funds	**$9,251,712.20**
Uses:		
	Deposit to Escrow Fund	$9,072,345.89
	Costs of Issuance, Underwriter’s Discount and Excess Proceeds	179,366.31
	Total Uses of Funds	**$9,251,712.20**

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, the Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Direct Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated 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"). DTC has an S&P Global Ratings’ rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 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 Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant 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 County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 County or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the County or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as 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, certificates for the Bonds are required to be printed and delivered.

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in Book-Entry-Only form, 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, payment or notices that are to be given to registered owners under the Order will be given only to DTC.

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

CONVENING OF THE TEXAS LEGISLATURE

On January 12, 2021, the 87th Legislature convened in general session which is scheduled to adjourn on May 31, 2021. Thereafter, the Texas Governor may call one or more special sessions. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the County and its finances. The County makes no representation regarding any actions the Texas Legislature may take, but intends to monitor proposed legislation for any developments applicable to the County.

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. Reference is made to 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 ("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 Gillespie Central Appraisal District (the "Appraisal District"). Except as 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 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 (the "10% Homestead Cap").

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 market 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 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 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a 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 special inventories such as motor vehicles or boats in a dealer's retail 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.

Temporary Exemption For Qualified Property Damaged By A Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no historical judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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 "AD VALOREM PROPERTY TAXATION – County Application of the Property Tax Code" herein.

Public Hearing and Maintenance and Operation Tax Rate Limitations

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

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

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

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

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

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

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's 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 (as such terms are hereinafter defined), 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.

The County must annually calculate and prominently post on its internet website, and submit to the County tax assessor-collector its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller. The Commissioners Court must adopt a tax rate before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the County, 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 the 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 the voter-approval tax rate or, in certain cases, the 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.

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

All taxable property within the County is subject to the assessment, levy, and collection by the County of a continuing, direct annual ad valorem tax, within the limits prescribed by law.

General Operations: Limited Tax Bonds, Tax Notes, Time Warrants, Certificates of Obligation and Contractual Obligations. The Texas Constitution (Article VIII, Section 9) imposes a limit of $0.80 per $100 of assessed valuation for general fund, permanent improvement fund, road and bridge fund, and jury fund purposes, including debt service of bonds, time warrants, tax notes and certificates of obligation issued against such funds. By administrative policy, the Attorney General of Texas will permit allocation of $0.40 of the constitutional $0.80 tax rate for the payment of the debt service requirements on the County's limited tax indebtedness, as calculated at the time of issuance and based on a 90% collection rate. The debt service of the Bonds is subject to the $0.80 tax limitation.

Limited tax obligations of counties issued pursuant to authority granted under Texas Government Code, Section 1301.003, as amended, limits the amount of such debt issued for certain purposes as follows:

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

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

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

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

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

County and Taxpayer Remedies

Under certain circumstances, the County and its taxpayers 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.

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of the Appraisal District directly to a three-member special panel of the Appraisal Review Board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the County 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 Operation Tax Rate Limitations".) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The 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%) of delinquent tax, penalty and interest collected 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. See “AD VALOREM TAXATION – Temporary Exemption for Qualified Property Damaged by a Disaster” for a discussion of the applicability of this section of the Property Tax Code.

County’s Rights in the Event of Tax Delinquencies

Taxes levied by the County are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the County, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

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, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

County Application of the Property Tax Code

See “Appendix A – Table 1” for the total amounts of the exemptions described above.

The County does not grant a local option exemption of the market value of all residence homesteads.

The County does not grant a local option exemption of the market value of the residence homestead of persons 65 years of age or older.

The County does grant a local option freeze on taxes for persons 65 years of age or older or disabled persons.

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

The County does not grant an exemption for Freeport Property.

The County does not grant an exemption for Goods-in-Transit.

The County does not participate in a TIRZ.

The County has not adopted a tax abatement policy.

INVESTMENT POLICIES

Investments

The County invests funds in instruments authorized by the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the “PFIA”), in accordance with investment policies approved by the Commissioners Court. Both state law and the County's investment policies are subject to change.

Legal Investments

Under Texas law, the County is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit

Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) interest-bearing banking deposits, other than those described by clause (7), if (A) the funds invested in the banking deposits are invested through (i) a broker with a main office or branch office in this State that the County selects from a list the governing body or designated investment committee of the County adopts as required by Section 2256.025 of the Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the County selects; (B) the broker or depository institution as described in clause (8)(A), above, arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the County's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing County appoints as the County's custodian of the banking deposits issued for the County's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3), (9) certificates of deposit or share certificates (i) meeting the requirements of the PFIA that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for County deposits or, (ii) where the funds are invested by the County through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the County as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the County; (iii) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (v) the County appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3- 3) as custodian for the County with respect to the certificates of deposit issued for the account of the County; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations permitted under the PFIA, and require the securities being purchased by the County or cash held by the County to be pledged to the County, held in the County’s name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that are continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the County, held in the County’s name and deposited at the time the investment is made with the County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers’ acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the County with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that comply with SEC Rule 2a-7; and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

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

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

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

Additional Provisions

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

Current Investments

See Table 12 in Appendix A for a description of the County’s investments.

EMPLOYEES' BENEFITS

The County has a contributory retirement plan with the Texas County and District Retirement System covering substantially all of its qualifying employees. Such employees, in 2020, contributed 7.00% of their gross wages. The County’s contribution is actuarially determined each year, and in 2020 it was 15.00%.

The County's covered payroll for fiscal year 2020 was $8,131,886 and in fiscal year 2020 the pension cost to employees was $569,232. For additional information, see the County’s audited financial statements attached hereto as Appendix C.

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 legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA requires that the Bonds be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency. See “OTHER PERTINENT INFORMATION - Rating” 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 at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The County has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The County has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the County payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the County, and the approving legal opinion of Bond Counsel, to like effect. The form of Bond Counsel's opinion is attached hereto as Appendix D. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Though it represents the Underwriter and the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the County. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions "THE BONDS" (except for the information under the subcaptions "Payment Record" and "Defaults and Remedies"), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", "LEGAL MATTERS" (except for the last sentence of the second paragraph thereof), "TAX MATTERS," "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance With Prior Undertakings"), and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions is an accurate and fair description of the laws and legal issues addressed therein, and with respect to the Bonds, such information conforms to the Order. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, counsel for the Underwriter, whose compensation is contingent on the delivery 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 expressly 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.

TAX MATTERS

The following discussion describes certain U.S. federal income tax considerations of United States persons that are beneficial owners ("Owners") of the Bonds. This discussion is based upon the provision of the Internal Revenue Code of 1986, as amended (the "Code"), applicable Treasury Regulations promulgated and proposed thereunder, judicial authority and administrative interpretations, as of the date hereof, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Owners cannot be assured that the Internal Revenue Service (the "Service") will not challenge one or more of the tax consequences described herein, and neither the County nor Bond Counsel has obtained, nor does the County or Bond Counsel intend to obtain, a ruling from the Service with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the Bonds. This summary is limited to initial holders who purchase the Bonds for cash at their "issue price" (which will equal the first price at which a substantial portion of the are sold for cash to persons other than bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and who hold the Bonds as capital assets within section 1221 of the Code (generally property held for investment).

This summary does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, or Owners whose functional currency (as defined in section 985 of the Code) is not the U.S. dollar, or to an Owner that might have purchased the Bonds in circumstances that would give rise to original issue discount, acquisition premium, market discount or amortizable premium. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds. Investors who are subject to special provisions of the Code should consult their own tax advisors regarding the tax consequences to them of purchasing, holding, owning and disposing of the Bonds, including the advisability of making any of the elections described below, before determining whether to purchase the Bonds.

The Code generally defines a "United States person" as (i) an individual who, for U.S. federal income tax purposes, is a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, and any state thereof or the District of Columbia or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, and (iv) a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds Bonds, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership.

Any Owner of the Bonds that is a partner of a partnership that will hold Bonds should consult its tax advisor. This discussion does not address any tax considerations arising under the laws of any foreign, state, local or other jurisdiction.

Payments of Interest

Stated interest paid (and other original issue discount) on each Bond will generally be taxable in each tax year held by an Owner as ordinary interest income without regard to the time it otherwise accrues or is received in accordance with the Owner's method of accounting for federal income tax purposes.

Disposition or Retirement

Defeasance of any Bonds may result in a deemed exchange under section 1001 of the Code. Upon the sale, exchange or certain other dispositions of a Bond, or upon the retirement of a Bond (including by redemption), an Owner will generally recognize capital gain or loss. This gain or loss will equal the difference, if any, between the Owner's adjusted tax basis in the Bond and the proceeds the Owner receives, excluding any proceeds attributable to accrued interest, which will be recognized as ordinary interest income to the extent the Owner has not previously included in the accrued interest income.

The proceeds an Owner receives will include the amount of any cash and the fair market value of any other property received for the Bond. An Owner's tax basis in the Bond will generally equal the amount the Owner paid for the Bond. The gain or loss will be long-term capital gain or loss if the Owner held the Bond for more than one year. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced tax rate. The deductibility of capital losses may be subject to limitation.

Information Reporting and Backup Withholding

Information reporting will apply to payments of interest on, or the proceeds of the sale or other disposition of, the Bonds held by an Owner, and backup withholding may apply unless such Owner provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Backup withholding will not apply, however, with respect to certain payments made to Owners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined in section 7701 of the Code). Any amount withheld under the backup withholding rules is allowable as a credit against the Owner's actual U.S. federal income tax liability and such Owner timely provides the required information or appropriate claim form to the Service.

The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Bonds, will be reported to the Owners and to the Service.

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 an "obligated person" with respect to the Bonds, within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, where it will be available to the general public, free of charge, at www.emma.msrb.org.

Annual Reports

The County will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the County of the general type included in this Official Statement in Appendix A under Tables 1 through 7 and 9 through 12 (the "Annual Financial Information"). The County will additionally provide financial statements of the County (the "Financial Statements") that will be (i) prepared in accordance with the accounting principles described in Appendix C of this Official Statement or such other accounting principles as the County may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix C and (ii) audited, if the County commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The County will update and provide the Annual Financial Information within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2020. The County may provide the Financial Statements earlier, including at the time it provides its Annual Financial Information, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the County shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

The County's current fiscal year end is September 30. Accordingly, the Annual Financial Information must be provided by March 31 in each year, and the Financial Statements must be provided by September 30 of each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify the MSRB of the change.

Notice of Occurrence of Certain Events

The County will also 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 (10) 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 or 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; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional trustee or change of name of the trustee, if material; (15) incurrence of a Financial Obligation (as hereinafter defined) of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a 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 a Financial Obligation of the County, any of which reflect financial difficulties. Neither the Bonds nor the Order make any provision for liquidity enhancement, credit enhancement, or require the funding of debt service reserves. In addition, the Bonds are not obligations on which the interest is excluded for purposes of federal income taxation of the gross income to the holders thereof.

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 the 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, (b) as used in the above clauses (15) and (16), "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that Financial Obligation shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule, and (c) the County intends the words used in the above clauses (15) and (16) and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Notice of Failure to Timely File

The County also will notify the MSRB through EMMA, in a timely manner, of any failure by the County to provide financial information or operating data in accordance with the provisions described above.

Availability of Information

All information and documentation filing required to be made by the County in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines, by and through EMMA. Access to such filings will be provided, without charge to the general public, by the MSRB through EMMA at www.emma.msrb.org.

Limitations and Amendments

The County has agreed to update information and to provide notices of certain events only as described above. The County has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Bonds may seek a writ of mandamus to compel the County to comply with its agreement. No default by the County with respect to its continuing disclosure agreement shall constitute a breach of or default under the Order for purposes of any other provision of the Order. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the County under federal and state securities laws. The County's undertakings and agreements are subject to appropriation of necessary funds and to applicable legal restrictions.

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

Compliance with Prior Undertakings

During the last five years, the County has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by RBC Capital Markets, LLC on behalf of the County relating to (a) computation of the sufficiency of the anticipated receipts from the Escrowed Securities, together with the initial cash deposit, to pay, when due, the principal, interest and related redemption premium requirements, if any, of the Refunded Obligations, and (b) computation of the yields on the Escrowed Securities and the Bonds were verified by Verification Agent. Such computations were completed using certain assumptions and information provided by RBC Capital Markets, LLC on behalf of the County. The Verification Agent has restricted its procedures to recalculating the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

The report will be relied upon by Bond Counsel in rendering its opinion with respect to the defeasance of the Refunded Obligations.

OTHER PERTINENT INFORMATION

Rating

The Bonds have been assigned a rating of "AA" by S&P Global Ratings ("S&P"). An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds reflects only the view of S&P at the time the rating is given, and the County makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. A security's rating is not a recommendation to buy, sell, or hold securities.

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon the exception 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 County 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 in such other jurisdictions.

It is the obligation of the Underwriter 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 Underwriter'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

In the opinion of various officials of the County, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the County in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the County.

Authenticity of Financial Information

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

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the County at the initial offering prices to the public as shown on page ii of this Official Statement, less an underwriting discount of $61,295.05. The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

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

Financial Advisor

RBC Capital Markets, LLC (the "Financial Advisor") is employed as Financial Advisor to the County. The fees paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on the amount of Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Forward-Looking Statements

The statements contained in this Official Statement, and 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. It is important to note that the County's actual results could differ materially from those 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.

Neither the information on, nor accessed through, such website is incorporated by reference, either expressly or by implication, into this Official Statement.

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 ("CDC") 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. On September 7, 2020, the Governor issued a proclamation renewing the declaration of March 13, 2020. 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, mitigation and re-opening of the State. The Governor retains the authority to issue additional executive orders prospectively. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within the County. These negative impacts may reduce or negatively affect future property values and/or the collection of sales taxes, charges and other fees within the County. See "AD VALOREM PROPERTY TAXATION." The Bonds are secured 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 as well as the County's operations and maintenance expenses. See "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations." Previous action taken to slow the Pandemic reduced 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 continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the County. While the potential impact of the Pandemic on the County cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the County's operations and financial condition.

The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the County's financial condition.

Concluding Statement

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

The Order 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 Underwriter.

GILLESPIE COUNTY, TEXAS

/s/ Mark Stroeher
Hon. Mark Stroeher
County Judge

ATTEST:

/s/ Mary Lynn Rusche
Mary Lynn Rusche
County Clerk

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
General Obligation Bonds, Series 2013	02/15/2024[1]	4.00%	$ 700,000	02/15/2023	100.00%
	02/15/2025[1]	4.00	725,000	02/15/2023	100.00%
	02/15/2026[2]	4.00	755,000	02/15/2023	100.00%
	02/15/2027[2]	4.00	790,000	02/15/2023	100.00%
	02/15/2028[3]	4.00	820,000	02/15/2023	100.00%
	02/15/2029[3]	4.00	855,000	02/15/2023	100.00%
	02/15/2030[4]	4.00	890,000	02/15/2023	100.00%
	02/15/2031[4]	4.00	925,000	02/15/2023	100.00%
	02/15/2032[5]	4.00	960,000	02/15/2023	100.00%
	02/15/2033[5]	4.00	1,000,000	02/15/2023	100.00%
			$8,420,000		

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(1) Denotes Term Bond maturing on February 15, 2025.
(2) Denotes Term Bond maturing on February 15, 2027.
(3) Denotes Term Bond maturing on February 15, 2029.
(4) Denotes Term Bond maturing on February 15, 2031.
(5) Denotes Term Bond maturing on February 15, 2033.

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APPENDIX A

FINANCIAL INFORMATION REGARDING
GILLESPIE COUNTY, TEXAS

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FINANCIAL INFORMATION REGARDING
GILLESPIE COUNTY, TEXAS

Table 1-Valuations, Exemptions and Tax Supported Debt

2020/21 Tax Year Market Valuation Established by Gillespie Central Appraisal District (excluding totally exempt property)	$	9,695,032,241
Less Exemptions/Reductions at 100% Market Value		
10% Lost to Cap Adjustment	$	13,167,704
Disabled Veterans		45,472,618
Productivity Loss		4,212,176,558
Total	$	4,270,816,880
2020/21 Net Taxable Assessed Valuation	$	5,424,215,361
County Funded Debt Payable from Ad Valorem Taxes (as of March 1, 2021):		
General Obligation Bonds, Series 2013	$	1,315,000 [1]
The Bonds		8,425,000
Total Indebtedness Payable from Ad Valorem Taxes	$	9,740,000
Ratio County Funded Debt/2020/21 Net Taxable Assessed Valuation		0.18%
County Interest and Sinking Fund Balance as of September 30, 2020	$	115,451

Estimated Population		26,530
Per Capita Taxable Assessed Valuation	$	204,456
Per Capita Debt Payable from Ad Valorem Taxes	$	367

[1] Net of the Refunded Obligations.

Table 2 - Other Obligations

Capital Leases

In October 2014, the County executed a $576,301 Capital Lease obligation with Government Capital-Extraco Bank for the purchase of two LCRA radio sites and mobile radios. The finance contract is due in 120 monthly installments of $5,714 until 10/28/2024 with an interest rate of 3.548%.

In April 2017, the County executed a $602,250 Capital Lease obligation with Government Capital Corporation- Southside Bank for the purchase of a John Deere 770D Motor Grader, a Bush Hog Rotary Cutter, a Chipspreader, a Kalyn Siebert Trailer, a 2008 Peterbilt Truck, a 2007 3500 Chevrolet Silverado, a 2015 Ford F750, a STCC Cross Conveyor, and two 2002 International Water Trucks. The finance contract is dated April 10, 2017 and is due in 60 monthly installments of $11,084.19 until 6/28/2022, with an interest rate of 3.761%.

In October 2017, the County executed a $817,515 Capital Lease obligation with Government Capital Corporation- Southside Bank for the purchase of three 2018 Peterbilt 337 Dump Trucks, a 2017 John Deere 31 OL Backhoe, a Noram 65E Motorgrader, and a 2017 Distributor Truck. The finance contract is dated October 9, 2017 and is due in 84 monthly installments of $11,102.96 until 12/15/2024, with an interest rate of 3.724%.

In March 2019, the County executed a $559,098 Capital Lease obligation with Government Capital Corporation-Southside Bank for purchase of various road equipment. The finance contract is dated March 11, 2019 and is due in 60 monthly installments of $10,361.15 until 04/01/2024, with an interest rate of 4.198%.

In November 2019, the County executed a $541,031 Capital Lease obligation with Government Capital- Southside Bank for the purchase of various equipment. The finance contract is due in sixty monthly installments of $9,929.96 until 1/15/2025, with an interest rate of 3.635%

A summary of the future minimum lease payments under the lease as of September 30, 2020 follows:

Year Ending 30-Sep		Amount Due
2021	$	578,307
2022		545,054
2023		445,298
2024		393,491
2025		78,743
Total Minimum Lease Payments	$	2,040,893

Source: The County's Certified Audited Financial Report for the fiscal year ended September 30, 2020.

Table 3 - Taxable Assessed Valuation by Category[1]

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2021		2020		2019	
Category	**Value**	**% of Total**	**Value**	**% of Total**	**Value**	**% of Total**
Real, Residential, Single Family	$ 2,110,662,468	21.77%	$ 2,030,057,085	21.41%	$ 1,772,402,257	20.44%
Real Residential, Multi-Family	71,367,310	0.74%	69,555,322	0.73%	39,222,944	0.45%
Real, Vacant Lots/Tracts	103,960,889	1.07%	106,584,631	1.12%	92,147,452	1.06%
Real, Acreage (Land Only)	4,320,370,453	44.56%	4,302,519,175	45.38%	4,100,402,659	47.29%
Real, Farm and Ranch Improvements	1,747,292,720	18.02%	1,696,695,013	17.89%	1,561,195,893	18.00%
Real, Commercial	963,511,087	9.94%	933,278,833	9.84%	806,186,257	9.30%
Real, Industrial	6,622,460	0.07%	6,636,970	0.07%	6,844,860	0.08%
Real, Minerals and Oil	-	0.00%	-	0.00%	-	0.00%
Real, Tangible Personal, Utilities	98,378,250	1.01%	90,003,540	0.95%	78,218,210	0.90%
Tangible Personal, Commercial	159,961,300	1.65%	188,721,640	1.99%	163,852,910	1.89%
Tangible Personal, Industrial	72,245,810	0.75%	25,803,950	0.27%	22,190,210	0.26%
Mobile Homes	21,495,134	0.22%	20,083,110	0.21%	16,083,990	0.19%
Residential Inventory	12,676,520	0.13%	6,018,989	0.06%	7,658,290	0.09%
Special Inventory	6,487,840	0.07%	5,541,170	0.06%	5,102,600	0.06%
Total Appraised Value Before Exemptions	**$ 9,695,032,241**	**100.00%**	**$ 9,481,499,428**	**100.00%**	**$ 8,671,508,532**	**100.00%**
Less: Total Exemptions/ Reductions	**(4,270,816,880)**		**(4,298,676,928)**		**(4,066,269,526)**	
Net Taxable Assessed Value	**$ 5,424,215,361**		**$ 5,182,822,500**		**$ 4,605,239,006**	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2018		2017	
Category	**Value**	**% of Total**	**Value**	**% of Total**
Real, Residential, Single Family	$ 1,619,813,534	19.92%	$ 1,433,174,157	19.36%
Real Residential, Multi-Family	35,315,905	0.43%	29,663,077	0.40%
Real, Vacant Lots/Tracts	79,215,100	0.97%	69,472,504	0.94%
Real, Acreage (Land Only)	3,966,277,696	48.77%	3,662,990,142	49.49%
Real, Farm and Ranch Improvements	1,423,016,689	17.50%	1,284,979,223	17.36%
Real, Commercial	720,479,816	8.86%	635,667,098	8.59%
Real, Industrial	6,693,430	0.08%	6,064,810	0.08%
Real, Minerals and Oil	-	0.00%	27,050	0.00%
Real, Tangible Personal, Utilities	85,001,300	1.05%	85,448,650	1.15%
Tangible Personal, Commercial	144,702,300	1.78%	144,428,990	1.95%
Tangible Personal, Industrial	22,174,880	0.27%	17,800,590	0.24%
Mobile Homes	14,023,850	0.17%	12,380,390	0.17%
Residential Inventory	12,052,340	0.15%	14,964,100	0.20%
Special Inventory	4,342,730	0.05%	4,288,870	0.06%
Total Appraised Value Before Exemptions	**$ 8,133,109,570**	**100.00%**	**$ 7,401,349,651**	**100.00%**
Less: Total Exemptions/ Reductions	**(3,965,375,888)**		**(3,614,414,676)**	
Net Taxable Assessed Value	**$ 4,167,733,682**		**$ 3,786,934,975**	

[1] Obtained from property tax reports provided by the Gillespie Central Appraisal District and the State of Texas Comptroller of Public Accounts.

Table 4 - Valuation and Tax Supported Debt History

Fiscal Year Ended 09/30	Net Taxable Assessed Valuation	Bonded Debt History	Ratio of Debt to Assessed Valuation
2012	$ 3,011,289,691	$ 1,415,000	0.05%
2013	3,065,848,988	15,385,000	0.50%
2014	3,109,859,257	14,840,000	0.48%
2015	3,255,606,299	14,160,000	0.43%
2016	3,453,014,279	13,470,000	0.39%
2017	3,786,934,975	12,765,000	0.34%
2018	4,167,733,682	12,040,000	0.29%
2019	4,605,239,006	11,295,000	0.25%
2020	5,182,822,500	10,530,000	0.20%
2021	5,424,215,361	9,740,000	0.18%

Table 5 - Tax Rate, Levy and Collection History

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	% Collections Total	Fiscal Year Ended
2010	$ 2,965,307,260	$0.2621	$ 7,772,070	101.28%	09/30/2011
2011	3,011,289,691	$0.2790	8,401,498	99.10%	09/30/2012
2012	3,065,848,988	$0.3101	8,986,414	99.89%	09/30/2013
2013	3,109,859,257	$0.3805	10,877,884	99.14%	09/30/2014
2014	3,255,606,299	$0.3971	11,687,059	101.72%	09/30/2015
2015	3,453,014,279	$0.4147	13,345,723	99.23%	09/30/2016
2016	3,786,934,975	$0.4342	14,230,855	103.94%	09/30/2017
2017	4,167,733,682	$0.3999	14,881,749	103.80%	09/30/2018
2018	4,605,239,006	$0.4081	16,960,224	100.46%	09/30/2019
2019	5,182,822,500	$0.4125	19,081,303	100.43%	09/30/2020
2020	5,424,215,361	$0.4044	19,812,397	(Under Collection)	09/30/2021

Table 6 - County Sales Tax History

Fiscal Year Ending 09/30	Total Sales Tax Collected	% of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2011	$ 1,552,622	19.98%	$0.05398
2012	1,697,407	20.20%	0.05811
2013	1,824,960	20.31%	0.06137
2014	2,038,629	18.74%	0.06758
2015	2,181,319	18.66%	0.06907
2016	2,290,985	17.17%	0.06840
2017	2,384,624	16.76%	0.06492
2018	2,615,705	17.58%	0.06470
2019	2,768,478	16.32%	0.06198
2020	3,234,499	16.95%	0.06434

Source: County Audited Financial Statements; Texas Comptroller's Office.

Table 7 - Ten Largest Taxpayers

Name of Taxpayer	Nature of Property	2020/21 Taxable Assessed Valuation	Percent of Total
LCRA Transmission Services	Utility	$ 29,505,610	0.54%
Central Texas Electric Coop Inc.	Utility	27,103,630	0.50%
Boot Ranch Holdings LLC	Golf Club	18,371,555	0.34%
James Avery Craftsman	Jewelry Craftsman	18,102,590	0.33%
Acron Windcrest Village LLC	Senior Living Facility	15,748,430	0.29%
Altstadt Brewery	Beer Brewery	12,270,650	0.23%
Wild Boar Ranch LP	Real Estate	11,598,240	0.21%
Kothe, Kenneth & Joann	Individual	11,263,191	0.21%
Fredericksburg Inn LP	Hotel	10,550,735	0.19%
Becker Farms Inc.	Vineyards	9,691,140	0.18%
		$ 164,205,771	3.03%

Source: Texas Comptroller's Office.

Table 8 - Estimated Overlapping Debt Statement

Taxing Body	Amount	As of	Percentage Overlaping	Amount Overlaping
Fredericksburg ISD	$ 16,965,000	02/28/2021	99.71%	$ 16,915,802
Fredericksburg, City of	5,815,000	02/28/2021	100.00%	5,815,000
Harper ISD	-	02/28/2021	76.54%	-
Total Overlapping Debt				$ 22,730,802
Gillespie County (including the Bonds)	**$ 9,740,000** (1)	**03/01/2021**	**100.00%**	**$ 9,740,000**
Total Direct and Overlapping Debt				$ 32,470,802

Ratio Direct and Overlapping Debt to Taxable Assessed Valuation	0.60%
Ratio Direct and Overlapping Debt to Total Assessed Valuation	0.33%
Per Capita Direct and Overlapping Overlapping Debt	$ 1,224

(1) Net of the Refunded Obligations. Includes the Bonds.
Source: Municipal Advisory Council of Texas.

Table 9 - Outstanding General Obligation Debt Service Requirements

Fiscal Year Ended 09/30	Outstanding General Obligation Debt Service[1]	The Bonds Principal	The Bonds Interest	The Bonds Total	Total General Obligation Debt Service
2021	$ 1,032,925	$ 60,000	$ 103,487	$ 163,487	$ 1,196,412
2022	684,700	-	275,624	275,624	960,324
2023	683,400	-	275,624	275,624	959,024
2024	-	700,000	261,624	961,624	961,624
2025	-	725,000	233,124	958,124	958,124
2026	-	760,000	203,424	963,424	963,424
2027	-	795,000	172,324	967,324	967,324
2028	-	825,000	139,924	964,924	964,924
2029	-	860,000	106,224	966,224	966,224
2030	-	895,000	71,124	966,124	966,124
2031	-	920,000	44,806	964,806	964,806
2032	-	935,000	27,599	962,599	962,599
2033	-	950,000	9,405	959,405	959,405
TOTAL	**$ 2,401,025**	**$ 8,425,000**	**$ 1,924,313**	**$ 10,349,313**	**$ 12,750,338**

[1] Net of the Refunded Obligations.

Authorized but Unissued General Obligation Bonds:

The County has no authorized but unissued general obligation debt.

Table 10 - Tax Adequacy for Limited Tax Bonds

2020/21 Taxable Assessed Valuation	$ 5,424,215,361
Estimated Maximum Debt Service for the FY Ending September 30, 2021	$ 1,196,412
Indicated Interest and Sinking Fund Tax Rate	$ 0.0241
Indicated Interest and Sinking Fund Tax Levy	$ 1,180,709
Estimated 98% Tax Collections	$ 1,157,095

Table 11 - General Fund Revenues and Expenditures

	Fiscal Years Ended September 30:				
	2020	**2019**	**2018**	**2017**	**2016**
Revenues:					
Taxes	$ 18,822,981	$ 16,577,862	$ 14,983,201	$ 14,516,682	$ 12,453,264
Licenses and Permits	67,606	55,209	59,162	58,650	36,010
Intergovernmental	327,729	408,636	333,331	425,952	491,727
Charges for Services	1,706,687	1,716,734	1,690,917	1,611,745	950,714
Fines and Forfeitures	97,994	138,983	88,828	92,422	80,181
Investment Earnings	215,765	303,194	259,712	124,763	55,712
Rents and Royalties	87,017	88,910	89,934	140,258	141,638
Other Revenue	91,744	90,690	220,153	93,305	822,368
Total Revenues	**$ 21,417,524**	**$ 19,380,218**	**$ 17,725,238**	**$ 17,063,777**	**$ 15,031,614**
Expenditures:					
Current:					
General Government	$ 8,178,906	$ 7,203,792	$ 7,188,581	$ 6,554,115	$ 5,843,847
Public Safety	8,015,456	7,735,268	7,047,652	6,456,602	5,994,298
Health and Sanitation	281,397	211,567	212,103	208,327	248,945
Culture and Recreation	1,201,916	1,135,125	1,115,943	952,358	911,942
Agricultural Services	354,323	357,880	352,950	341,534	300,036
Debt Service	-	-	-	-	-
Total Expenditures	**$ 18,031,998**	**$ 16,643,632**	**$ 15,917,229**	**$ 14,512,936**	**$ 13,299,068**
Excess/(Deficiency) of Revenues Over Expenditures	$ 3,385,526	$ 2,736,586	$ 1,808,009	$ 2,550,841	$ 1,732,546
Other Financing Sources	188,570	59,718	25,038	94,525	14,475
Other Financing (Uses)	(2,000,000)	(4,108,000)	(2,900,000)	-	-
Beginning Fund Balance	12,323,896	13,617,877	14,684,830	12,039,464	10,292,443
Residule Equity Transfers In/(Out)	-	17,715	-	-	-
Ending Fund Balance - September 30	**$ 13,897,992**	**$ 12,323,896**	**$ 13,617,877**	**$ 14,684,830**	**$ 12,039,464**

Source: The County's Certified Audited Financial Reports for the fiscal years ended September 30, 2016-2020.

Table 12 - Current Investments (as of September 30, 2020)

Investment Description	Total Invested	Percent
Certificates of Deposit	$ 5,963,000	55.21%
TexPool	3,170,522	29.36%
TexasClass	1,666,164	15.43%
Total	$ 10,799,686	100.00%

Source: The County's Certified Audited Financial Report for the fiscal year ended September 30, 2020.

APPENDIX B

GENERAL INFORMATION REGARDING THE COUNTY AND ITS ECONOMY

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GENERAL AND FINANCIAL INFORMATION REGARDING
GILLESPIE COUNTY, TEXAS

The following information is qualified by the impact from the effects of the COVID-19 pandemic. Within the body of the Official Statement, under caption "OTHER PERTINENT INFORMATION – Infectious Disease Outbreak – COVID-19", Gillespie County (the "County") described this event, as well as its initial impact and possible effects. The County has not attempted to completely update the descriptions included in this APPENDIX B to account for the effects of COVID-19, as the specific results of this event are evolving and their extent unknown; rather, the County makes reference to the aforementioned section of the body of the Official Statement and directs the reader thereto for a general discussion of the COVID-19 event as of the date of the Official Statement.

General Information

The County is a west central Texas county with an economy based on agriculture, tourism and manufacturing. Named for Texas Ranger Captain R. A. Gillespie, the County was a pioneer and historic German settlement created and organized from Bexar and Travis Counties in 1848. The area of the County is 1,055 square miles. The City of Fredericksburg (the "City") is the County Seat. The City is located at the intersection of U.S. Highways 290 and 87, approximately 80 miles west of Austin.

Principal sources of agricultural income in the County are from livestock (beef cattle, sheep and goats), peaches, grapes, oats and grain sorghum.

Minerals produced in the County include sand, gravel, gypsum and limestone.

The birthplace and home of former President Johnson are located within the Lyndon B. Johnson National Historic Park. In addition, Enchanted Rock State Park, The Admiral Nimitz and Pacific War Museums attract numerous tourists.

The area has also become the center of central Texas winemaking with numerous wineries in the County and a destination location for antique and boutique shops. Bountiful deer hunting draws additional tourist income.

Education

Gillespie County is served by the following school districts: Fredericksburg Independent School District, Harper Independent School District, and Doss Consolidated Common School District. Higher education is provided by Hill Country University Center (Texas Tech University and Austin Community College – Fredericksburg campus), University of Texas at Austin, University of Texas at San Antonio, Trinity University, Schreiner University, Texas State University, and Austin Community College School of Nursing.

Population

Year	Gillespie County	City of Fredericksburg
2010	24,837	10,530
2000	20,814	8,911
1990	17,204	6,934
1980	13,532	6,412
1970	10,553	5,326

Historical Employment Data, Gillespie County

Area	2020[(1)]	2019	2018	2017	2016
Labor Force	13,199	13,542	13,380	13,136	12,991
Employed	12,588	13,213	13,043	12,795	12,622
Unemployed	611	329	337	341	369
Unemployment Percentage	4.6%	2.4%	2.5%	2.6%	2.8%

Source: Texas Workforce Commission.
(1) As of November 2020.

Comparative Unemployment Rates

	2020[1]	2019	2018	2017	2016
Gillespie County	4.6%	2.4%	2.5%	2.6%	2.8%
State of Texas	8.0%	3.5%	3.8%	4.3%	4.6%
United States of America	6.4%	3.7%	3.9%	4.4%	4.9%

Source: Texas Workforce Commission.
[1] As of November 2020.

APPENDIX C

EXCERPTS FROM THE
GILLESPIE COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2020

The information contained in this APPENDIX consists of excerpts from the Gillespie County, Texas Annual Financial Report for the Year Ended September 30, 2020, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information.

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BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

COUNTY OF GILLESPIE, TEXAS

Fredericksburg, Texas

For the Year Ended
September 30, 2020

GILLESPIE COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2020

GILLESPIE COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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N|B NEFFENDORF & BLOCKER, P.C.

INDEPENDENT AUDITOR'S REPORT

Honorable Judge and County Commissioners
Gillespie County, Texas
Fredericksburg, TX 78624

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gillespie County, Texas (the "County"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & TEXAS SOCIETY OF CPAs

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 Gillespie County, Texas, as of September 30, 2020, and the respective changes in financial position, 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 analysis (Pages 3 through 8), budgetary comparison information (pages 43 and 44), the schedule of changes in net pension liability and related ratios, schedule of employer contributions and notes to the schedule of contributions (pages 45 through 47) 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 Gillespie County's basic financial statements. The combining nonmajor and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 18, 2021 on our consideration of Gillespie County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Gillespie County's internal control over financial reporting and compliance.

Neffendorf + Blocker, P.C.

Neffendorf & Blocker, P.C.
Fredericksburg, Texas
March 18, 2021

As management of Gillespie County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of the County for the year ended September 30, 2020. Please read it in conjunction with the independent auditors' report on page 1, and County's Basic Financial Statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by $42,024,431 (Net Position). Of this amount, $14,684,303 (unrestricted Net Position) may be used to meet the County's ongoing obligations to citizen's and creditors.
- The County's Net Position increased by $4,757,287 as a result of this year's operations.
- At September 30, 2020, the County's governmental funds reported combined ending fund balances of $23,426,094, a decrease of $138,010 in comparison with the prior year.
- At September 30, 2020, the unassigned fund balance of the general fund was $13,694,434 or 76 percent of total general fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (on pages 12 & 15) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedules (General and Road & Bridge Funds) are presented as required supplementary information on pages 43 and 44.

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the County's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County's Net Position and changes in them. The County's Net Position (the difference between assets and liabilities) provides one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's Net Position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider other factors as well, such as changes in the County's customers or its property tax base and the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities, the County reports one kind of activity:

➢ Governmental activity - Most of the County's basic services are reported here, including the general administration, public safety, roads and bridges, judicial system, health and sanitation services, public facilities, libraries and education, and agricultural services. Property taxes, user charges, sales tax and governmental grants and contributions finance most of these activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements on pages 12 & 15 provide detailed information about the most significant funds - not the County as a whole.

➢ Governmental funds - All of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note I to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position of the County's governmental activities increased from $37,267,144 to $42,024,431. Unrestricted Net Position - the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was $14,684,303 at September 30, 2020. This increase in governmental Net Position was the result of five factors. First, the County's expenditures exceeded the revenues by $138,010. Second, the County acquired capital assets in the amount of $5,368,962. Third, the County retired principal on long-term debt of $1,225,314. Fourth, the County recorded depreciation in the amounts of $1,633,866. Fifth, the County issued capital lease proceeds in the amount of $541,031.

Table I
Gillespie County, Texas

NET POSITION
in thousands

	Governmental Activities	
	2020	2019
Current and Other Assets	$ 25,977	$ 25,776
Capital Assets	30,987	27,251
Net Pension Asset	342	-
Total Assets	$ 57,306	$ 53,027
Deferred Outflow Related to Pension Plan	$ 1,139	$ 2,942
Long-Term Liabilities	$ 13,511	$ 14,198
Net Pension Liability	-	2,767
Other Liabilities	1,912	1,625
Total Liabilities	$ 15,423	$ 18,590
Deferred Inflow Related to Pension Plan	$ 998	$ 112
Net Position:		
Net Investment in Capital Assets	$ 17,815	$ 19,942
Restricted	9,525	4,676
Unrestricted	14,684	12,649
Total Net Position	$ 42,024	$ 37,267

Table II
Gillespie County, Texas

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2020	2019
Revenues:		
Charges for Services	$ 3,290	$ 3,376
Operating Grants and Contributions	441	440
Capital Grants and Contributions	46	72
Property Taxes	19,280	17,038
Sales Tax	3,234	2,768
Other Taxes	779	849
Penalty and Interest	140	198
Miscellaneous Revenue	322	257
Investment Earnings	324	574
Total Revenue	$ 27,856	$ 25,572
Expenses:		
Judicial	$ 1,539	$ 1,725
General Government	7,878	6,833
Public Safety	7,986	7,961
Road and Bridge	3,014	3,086
Health and Sanitation	292	230
Public Facilities	1,293	1046
Libraries and Education	346	359
Agricultural Services	373	385
Debt Interest	377	400
Debt Fees	1	1
Total Expenses	$ 23,099	$ 22,026
Increase in Net Position	$ 4,757	$ 3,546
Net Position - Beginning	37,267	33,703
Prior Period Adjustment	-	18
Net Position - Ending	$ 42,024	$ 37,267

The cost of all governmental activities this year was $23,099,122. However, the amount that our taxpayers ultimately financed for these activities through County taxes was only $19,279,776 because the other costs were paid by sales tax ($3,234,499), capital and operating grants and contributions ($487,139), user charges ($3,290,259), other taxes ($778,698), penalties and interest on taxes ($139,711), investment earnings ($324,118), and other miscellaneous ($322,209).

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of $23,426,094, which is less than last year's total of $23,564,104. Included in this year's total change in fund balance is an increase of $1,574,096 in the County's General Fund, an increase of $360,149 in the County's Road and Bridge Fund, and a decrease of $2,186,799 in the County's Capital Projects Funds. The primary reasons for the General Fund's increase mirror the governmental activities analysis highlighted on page 5.

The Commissioner's Court adopted the General Fund Budget and the Road and Bridge Budget. For the general fund actual revenues were more than budgeted amounts and expenditures were less than budgeted amounts. For the Road and Bridge Fund, actual revenues were less than the budgeted amounts and actual expenditures were less than budgeted amounts. This resulted in a positive variance with final budget of $4,763,738 for the General Fund and a positive variance with final budget of $1,358,491 for the Road and Bridge Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2020, the County had the following amounts invested in capital assets, net of depreciation:

CAPITAL ASSETS
in thousands

	2020	2019
Land and Easements	$ 2,735	$ 2,735
Construction in Progress	4,565	364
Buildings & Improvements	20,423	20,273
Machinery & Equipment	10,271	9,517
Other Improvements	5,068	4,950
Total Capital Assets	$ 43,062	$ 37,839
Less Accumulated Depreciation	12,075	10,587
Capital Assets, Net	$ 30,987	$ 27,252

This year's major additions included:

Vehicles & Equipment	900,470
Improvements	136,328
Agriculture Building	4,214,244
Road Infrastructure	117,920
TOTALS	$ 5,368,962

More detailed information about the County's capital assets is presented in Note 3.E. to the financial statements.

DEBT

At September 30, 2020, the County had the following outstanding debt:

OUTSTANDING DEBT
in thousands

	2020	2019
General Obligation Refunding Bonds – Series 2010	$ 175	$ 345
General Obligation Bonds – Series 2013	10,355	10,950
Net Pension Liability	-	2,767
Capital Leases	1,898	1,817
Premium on GO Bonds – Series 2013	690	745
Compensated Absences	392	341
Total Outstanding Debt	$ 13,510	$ 16,965

For governmental activities, the County had $13,510,764 in general obligation bonds and other long-term debt outstanding, a decrease of 20 percent. The County retired $1,225,314 in principle on the outstanding long-term debt. The annual amortization for the bond premium was $54,658 in fiscal year 2020. The net decrease in compensated absences was $51,221.

More detailed information about the County's long-term liabilities is presented in Note 3.G. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2021 budget and tax rates. The major factors are the economy, population growth, and assessed property valuation. These indicators were taken into account when adopting the General Fund budget for 2021. Amounts available for appropriation in the General Fund budget are $20,603,167 and expenditures are estimated to be $22,906,253. If these estimates are realized, the County's budgetary General fund balance is expected to decrease $2,303,086 by the close of 2021. Amounts available for appropriation in the Road and Bridge Fund budget are $3,908,361 and expenditures are estimated to be $5,308,405 If these estimates are realized, the County's budgetary Road and Bridge fund balance is expected to decrease $1,400,044 by the close of 2021.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor or Commissioners' Court, at Gillespie County, Texas, Fredericksburg, Texas.

BASIC FINANCIAL STATEMENTS

GILLESPIE COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 24,678,883
Accounts Receivable (Net)	983,648
Due from Other Governments	308,786
Inventories	6,114
Capital Assets:	
Land	2,734,768
Infrastructure, Net	4,119,871
Buildings, Net	15,784,927
Improvements other than Buildings, Net	261,197
Furniture and Equipment, Net	3,520,913
Construction in Progress	4,564,894
Net Pension Asset	342,099
Total Assets	57,306,100
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	1,139,437
Total Deferred Outflows of Resources	1,139,437
LIABILITIES	
Accounts Payable	860,381
Wages and Salaries Payable	668,497
Retainage Payable	197,775
Intergovernmental Payable	7,417
Accrued Interest Payable	52,907
Unearned Revenues	125,379
Noncurrent Liabilities:	
Debt Due Within One Year	1,310,362
Debt Due in More Than One Year	12,200,402
Total Liabilities	15,423,120
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	997,986
Total Deferred Inflows of Resources	997,986
NET POSITION	
Net Investment in Capital Assets	17,815,362
Restricted for:	
Restricted for Special Revenue	5,031,966
Restricted for Capital Acquisition	4,377,349
Restricted for Debt Service	115,451
Unrestricted Net Position	14,684,303
Total Net Position	$ 42,024,431

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

GILLESPIE COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
Judicial	$ 1,539,266	$ 488,851	$ 149,412
General Administration	7,877,735	696,433	38,618
Public Safety	7,985,525	102,261	116,241
Road and Bridge	3,013,569	924,308	26,592
Health and Sanitation	292,340	735,124	110,412
Public Facilities	1,293,128	323,937	-
Libraries and Education	345,657	19,345	-
Agriculture Services	373,426	-	-
Interest on Debt	377,326	-	-
Fiscal Agent's Fees	1,150	-	-
TOTAL PRIMARY GOVERNMENT	$ 23,099,122	$ 3,290,259	$ 441,275

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
General Sales and Use Taxes
Other Taxes
Penalty and Interest on Taxes
Miscellaneous Revenue
Investment Earnings

Total General Revenues

Change in Net Position

Net Position-- Beginning

Net Position - Ending

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government — Governmental
$ -	$ (901,003)
-	(7,142,684)
-	(7,767,023)
-	(2,062,669)
-	553,196
45,864	(923,327)
-	(326,312)
-	(373,426)
-	(377,326)
-	(1,150)
$ 45,864	(19,321,724)
	18,091,347
	1,188,429
	3,234,499
	778,698
	139,711
	322,209
	324,118
	24,079,011
	4,757,287
	37,267,144
	$ 42,024,431

GILLESPIE COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Road and Bridge Fund	Capital Projects
ASSETS			
Cash and Cash Equivalents	$ 14,208,863	$ 3,058,987	$ 5,013,614
Investments - Current	-	-	102,637
Taxes Receivable	449,007	79,237	-
Allowance for Uncollectible Taxes (credit)	(8,980)	(1,585)	-
Accounts Receivable (Net)	182,458	48,162	-
Due from Other Governments	308,786	-	-
Due from Other Funds	2,255	-	-
Inventories	2,778	3,336	-
Total Assets	$ 15,145,167	$ 3,188,137	$ 5,116,251
LIABILITIES			
Accounts Payable	$ 175,664	$ 112,413	$ 541,127
Wages and Salaries Payable	624,067	38,773	-
Retainage Payable	-	-	197,775
Intergovernmental Payable	7,417	-	-
Due to Other Funds	-	2,245	-
Unearned Revenues	-	-	-
Total Liabilities	807,148	153,431	738,902
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	440,027	77,652	-
Total Deferred Inflows of Resources	440,027	77,652	-
FUND BALANCES			
Inventories	2,778	3,336	-
Federal or State Funds Grant Restriction	-	-	-
Capital Acquisiion and Contractural Obligation	-	-	4,377,349
Retirement of Long-Term Debt	-	-	-
Other Restricted Fund Balance	-	2,953,718	-
Other Assigned Fund Balance	200,780	-	-
Unassigned Fund Balance	13,694,434	-	-
Total Fund Balances	13,897,992	2,957,054	4,377,349
Total Liabilities, Deferred Inflows & Fund Balances	$ 15,145,167	$ 3,188,137	$ 5,116,251

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

Debt Service Fund	Other Funds	Total Governmental Funds
$ 115,451	$ 2,179,331	$ 24,576,246
-	-	102,637
33,771	-	562,015
(676)	-	(11,241)
-	61,140	291,760
-	-	308,786
-	-	2,255
-	-	6,114
$ 148,546	$ 2,240,471	$ 25,838,572
$ -	$ 31,177	$ 860,381
-	5,657	668,497
-	-	197,775
-	-	7,417
-	10	2,255
-	125,379	125,379
-	162,223	1,861,704
33,095	-	550,774
33,095	-	550,774
-	-	6,114
-	49,135	49,135
-	-	4,377,349
115,451	-	115,451
-	2,029,113	4,982,831
-	-	200,780
-	-	13,694,434
115,451	2,078,248	23,426,094
$ 148,546	$ 2,240,471	$ 25,838,572

GILLESPIE COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds	$	23,426,094
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		13,338,414
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements,but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to increase net position.		6,594,276
The items reported as a result of GASB 68 implementation included a net pension asset of $342,099, a Deferred Resource Outflow of $1,139,437 and a Deferred Resource Inflow of $997,986. The net effect of these was to increase the ending net position by $483,550.		483,550
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,633,866)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of capital leases as an increase in capital leases payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(184,037)
Net Position of Governmental Activities	$	42,024,431

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

GILLESPIE COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Road and Bridge Fund	Capital Projects
REVENUES:			
Taxes:			
Property Taxes	$ 15,282,531	$ 2,696,917	$ -
General Sales and Use Taxes	3,234,499	-	-
Other Taxes	194,620	-	-
Penalty and Interest on Taxes	111,331	19,347	-
Licenses and Permits	67,606	697,250	-
Intergovernmental Revenue and Grants	327,729	-	-
Charges for Services	1,706,687	-	-
Fines	97,994	160,535	-
Forfeits	-	-	-
Investment Earnings	215,765	35,945	57,533
Rents and Royalties	87,018	-	-
Other Revenue	91,744	30,101	-
Total Revenues	21,417,524	3,640,095	57,533
EXPENDITURES:			
Current:			
General Government:			
Judicial	1,450,851	-	-
General Administration	6,728,055	-	-
Public Safety	8,015,456	-	-
Road and Bridge	-	3,847,490	-
Health and Sanitation	281,397	-	-
Public Facilities	868,290	-	4,215,700
Libraries and Education	333,626	-	-
Agriculture Services	354,323	-	-
Debt Service:			
Principal on Debt	-	-	-
Interest on Debt	-	-	-
Fiscal Agent's Fees	-	-	-
Capital Outlay:			
Capital Outlay	-	-	28,632
Total Expenditures	18,031,998	3,847,490	4,244,332
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,385,526	(207,395)	(4,186,799)
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	32,825	52,106	-
Proceeds from Capital Leases	-	541,031	-
Transfers In	-	-	2,000,000
Other Resources	155,745	1,000	-
Transfers Out (Use)	(2,000,000)	(26,593)	-
Total Other Financing Sources (Uses)	(1,811,430)	567,544	2,000,000
Net Change in Fund Balances	1,574,096	360,149	(2,186,799)
Fund Balance - October 1 (Beginning)	12,323,896	2,596,905	6,564,148
Fund Balance - September 30 (Ending)	$ 13,897,992	$ 2,957,054	$ 4,377,349

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

Debt Service Fund	Other Funds	Total Governmental Funds
$ 1,183,374	$ -	$ 19,162,822
-	-	3,234,499
-	584,078	778,698
9,033	-	139,711
-	-	764,856
-	159,410	487,139
-	227,847	1,934,534
-	2,866	261,395
-	5,534	5,534
3,121	11,754	324,118
-	236,919	323,937
-	26,479	148,324
1,195,528	1,254,887	27,565,567
-	27,034	1,477,885
-	838,855	7,566,910
-	28,910	8,044,366
-	26,593	3,874,083
-	-	281,397
-	240,027	5,324,017
-	-	333,626
-	-	354,323
765,000	-	765,000
434,895	-	434,895
1,150	-	1,150
-	-	28,632
1,201,045	1,161,419	28,486,284
(5,517)	93,468	(920,717)
-	-	84,931
-	-	541,031
-	26,593	2,026,593
-	-	156,745
-	-	(2,026,593)
-	26,593	782,707
(5,517)	120,061	(138,010)
120,968	1,958,187	23,564,104
$ 115,451	$ 2,078,248	$ 23,426,094

GILLESPIE COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Total Net Change in Fund Balances - Governmental Funds	$	(138,010)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 capital outlays and debt principal payments is to increase the change in net position.		6,594,276
The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits toexpenses were $2,236,427 and total debits to expenses were $1,816,023. The net effect on the change in net position on Exhibit B-1 is an increase of $420,404.		420,404
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(1,633,866)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of capital lease proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(485,517)
Change in Net Position of Governmental Activities	$	4,757,287

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

GILLESPIE COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2020

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 308,712	$ 33,275,267
Other Receivables	-	56,490
Total Assets	308,712	$ 33,331,757
LIABILITIES		
Accounts Payable	2,551	$ -
Wages and Salaries Payable	708	-
Due to Other Governments	-	701,927
Due to Others	-	32,629,830
Total Liabilities	3,259	$ 33,331,757
NET POSITION		
Unrestricted Net Position	305,453	
Total Net Position	$ 305,453	

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

EXHIBIT E-2

GILLESPIE COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Private Purpose Trust Funds
ADDITIONS:	
Charges for Services	$ 5,896
Investment Earnings	2,721
Total Additions	8,617
DEDUCTIONS:	
Other Operating Costs	6,058
Supplies	7,501
Total Deductions	13,559
Net Change in Fiduciary Net Position	(4,942)
Total Net Position - October 1 (Beginning)	310,395
Total Net Position - September 30 (Ending)	$ 305,453

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Gillespie County have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

1.A. REPORTING ENTITY

The County has developed criteria to determine if the activities of any outside agencies or organizations should be included within its financial statements. The criteria includes the amount of oversight responsibility exercised by the County over the activities of an agency or organization, the scope of public service of an agency or organization, and the nature of any special financing relationships which may exist between the County and an agency or organization. Oversight responsibility includes financial interdependency, selection of the governing authority, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The County's financial statements include all funds over which the County exercises oversight responsibility. Also, the County is not included as a part of any other reporting entity.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The government-wide financial statements include the statement of Net Position and the statement of activities. Government-wide Financial Statements display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria.

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund
The General Fund, the main operating fund of the County, is always classified as a major fund. It is the primary fund of the County and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds
Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Capital Projects Funds
The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds
The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure of principal and interest on general long-term debt of the County. Ad valorem taxes are used for the payment of principal and interest on the County's debt.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds
Agency funds account for assets held by the County in a purely custodial capacity. The reporting entity includes five agency funds. Since agency funds are custodial in nature (i.e. assets equal liabilities) they do not involve the measurement of results of operations.

Private Purpose Trust Funds
Private Purpose Trust Funds report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor. The major funds are as follows:

Major Fund	**Brief Description**
General Fund	See above for description.
Special Revenue Fund: Road and Bridge	Accounts for all road and bridge construction and maintenance activity.
Debt Service Fund:	Accounts for the collection of taxes to pay principal and interest on bonds.
Capital Projects Fund	Accounts for all activity concerning construction projects.

Nonmajor funds consist of special revenue funds and capital projects funds and are detailed in the Combining and Individual Fund Statements - Nonmajor Funds.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. Agency and Private Purpose Trust Funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statement, governmental funds and fiduciary funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized revenues when both "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectable within the current period or within 60 days after year end. Also under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

1.D. ASSETS, LIABILITIES AND EQUITY

Cash and Cash Investments

For the purpose of the Statement of Net Position, "Cash and Cash Equivalents" includes demand deposit accounts, certificates of deposit and government investment pools. All amounts are considered available upon demand and are considered to be "cash equivalents."

Several funds may be invested in an investment account and each fund has an equity interest therein. Interest earned on the Investment of these monies is allocated based upon relative equity at month end.

Receivables and Payables

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

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

Ad valorem property taxes attach as enforceable liens as of January 1. Taxes are levied prior to September 30, payable on October 1, and are delinquent on February 1. The majority of the County's property tax collections occur during December and early January each year. To the extent that County property tax revenue results in current receivables as defined by the Governmental Accounting Standards Board (GASB), they are recognized when levied.

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the General Fund consist of fuel and postage held for consumption. Inventories in the Special Revenue Fund consist of sign machine supplies. The cost of inventories is recorded as expenditures when consumed rather than when purchased.

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings and Improvements	20 - 50
Vehicles	3 - 10
Machinery and Equipment	5 - 15
Infrastructure	5 - 50

Compensated Absences

Vacation pay and sick leave benefits are accrued by County employees according to guidelines set out in the County's personnel policy. The policy allows employees to accumulate vacation, sick leave and overtime within certain limitations. Employees accrue 10 to 18 days of vacation each year (depending upon their length of service) and are allowed to accumulate unused vacation for two years. Unused vacation is paid upon termination or retirement. The County's policy allows for accumulation of up to 480 hours of sick leave, but does not provide for payment of any unused sick leave. Also, in accordance with the Fair Labor Standards Act, as it applies to local governments, non-exempt County employees have been granted compensatory time for hours worked beyond their regular working hours since October 1, 1987. Accumulated compensatory time is also paid upon termination of employment. The estimated cost of unused vacation and compensatory time is recorded in the accompanying financial statements in the government-wide financial statements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the year incurred.

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.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

Beginning with fiscal year end September 30, 2011, the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are in non-spendable form (such as inventory and prepaids) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e. County Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the County intends to use for a specific purpose. Intent can be expressed by the County Commissioners or by an official or body to which the County Commissioners delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The County Commissioners establish (and modify or rescind) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the County Commissioners through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

The County's fund balance policy indicates that the County will typically use restricted, committed, and/or assigned fund balances, in that order, prior to using unassigned resources, but the County reserves the right to deviate from this general strategy.

Net Position

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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 recognized in the period that compensation is reported for the employee, which is when 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.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Deferred Inflows of Resources and Deferred Outflows of Resources

The County implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as well as GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Under GASB 63 amounts previously reported as deferred charges as a part of total assets have been reported in a separate section as deferred outflows of resources and amounts previously reported as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers
Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets, as required by state statute, are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

For each budgeted fund, budgetary control is maintained at the expenditure line item level. This is the level at which expenditures cannot legally exceed appropriated amounts. The County Auditor is required to monitor the expenditures of the various funds and may make departmental budget transfers within each fund as needed. Any expenditures in excess of the total budgeted amount of a fund must be approved by the Commissioners' Court and the budget appropriately amended. It is the amended budget that is presented in the budget versus actual financial statement disclosure.

Encumbrance accounting, under which funds are reserved for purchase orders, contracts, and other commitments, is not utilized by Gillespie County.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

3.A. DEPOSITS AND INVESTMENTS

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2020, the carrying amount of the County's deposits was $14,568,261 and the bank balance was $14,861,167. The County's cash deposits held at Security State Bank & Trust at September 30, 2020 and during the year ended September 30, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

The County's temporary investments consisted of certificates of deposit and local government investment pools at September 30, 2020 and are shown below:

Name	Carrying Amount	Market Value	FDIC Coverage	Pledged Securities
Certificates of Deposit -				
Texas Regional Bank	$ 950,000	$ 950,000	$ 250,000	$ 700,000
Security State Bank & Trust	2,050,000	2,050,000	250,000	1,800,000
Multi-Bank Securities, Inc	2,229,000	2,268,712	2,229,000	
Financial Northeastern	734,000	739,215	734,000	
Liquid Asset Portfolio -				
TexPool	3,170,522	3,170,522	*	*
TexasClass	1,666,164	1,666,164	*	*
Total Governmental Activities	$ 10,799,686	$ 10,844,613	3,463,000	2,500,000

* TexPool and TexasClass are Local Government Investment Pools established in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code and the Public Investment Act, Chapter 2256 of the Code. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are adjusted daily and the funds seek to maintain a constant net asset value of $1.00, although this cannot be guaranteed. TexPool and TexasClass are rated AAAm and must maintain a weighted average maturity not to exceed 60 days.

At September 30, 2020, TexPool had a weighted average maturity of 38 days and TexasClass had a weighted average maturity of 56 days. The County considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, short of a significant change in value. The State Comptroller oversees TexPool and TexasClass, with a third party managing the daily operations of the pool under contract.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the County has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Custodial Credit Risk - Investments: 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. The County's investments (certificates of deposit) were secured by FDIC insurance and pledged securities.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, the County was not exposed to concentration of credit risk or foreign currency risk.

3.B. RECEIVABLES

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

	General	Road and Bridge	Debt Service	Other Governmental Funds	TOTAL
Receivables:					
Property Taxes	$ 449,007	$ 79,237	$ 33,771	$ -	$ 562,015
Other	182,458	48,162	-	61,140	291,760
Intergovernmental	308,786	-	-	-	308,786
Gross Receivables	$ 940,251	$ 127,399	$ 33,771	$ 61,140	$ 1,162,561
Less: Allowance for Uncollectibles	8,980	1,585	676	-	11,241
Net Total Receivables	$ 931,271	$ 125,814	$ 33,095	$ 61,140	$ 1,151,320

Governmental funds report *Deferred Inflows of Resources - Unavailable Revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report *Unearned Revenue* or defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *Unavailable and Unearned Revenues* reported in the governmental funds were as follows:

General Fund -		
Unavailable Revenue - Property Taxes	$	440,027
Special Revenue Road and Bridge Fund -		
Unavailable Revenue - Property Taxes		77,652
Other Governmental Funds -		
Unavailable Revenue - Property Taxes		33,095
Unearned Revenue		125,379
TOTAL UNAVAILABLE AND UNEARNED REVENUES	$	676,153

3.C. COURT FINES AND FEES RECEIVABLE

With the implementation of GASB Statement Number 34, the County has determined the amount of court fines and fees receivable to be $470,381 which represents amounts owed and outstanding for the last 10 years. Based on historical collection rates for the various courts, the County has estimated an allowance for uncollectible court fines and fees of $329,267, resulting in a net receivable of $141,114.

3.D. PROPERTY TAXES

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. For the 2019 tax roll, the total assessed valuation was $5,126,085,109 and the taxes assessed amounted to $19,258,526. The total tax rate was $0.4125 per $100 valuation and allocated $0.3870 to maintenance and operations and $0.0255 to interest and sinking funds. The maximum tax levy allowed by State law for the above purposes is $0.80 per $100 valuation.

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

3.E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

Primary Government

	Balance 10/01/19	Increases	Decreases	Balance 09/30/20
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 2,149,698	$	$	$ 2,149,698
Easements	585,070			585,070
Construction In Progress	363,845	4,214,244	13,195	4,564,894
Total Capital Assets, Not Being Depreciated	$ 3,098,613	$ 4,214,244	$ 13,195	$ 7,299,662
Capital Assets, Being Depreciated:				
Buildings	20,043,692			20,043,692
Building Improvements	229,334	149,523		378,857
Machinery and Equipment	9,516,850	900,470	146,572	10,270,748
Other Improvements	4,950,263	117,920		5,068,183
Total Capital Assets Being Depreciated	34,740,139	1,167,913	146,572	35,761,480
Less Accumulated Depreciation:				
Buildings	3,856,852	401,913		4,258,765
Building Improvements	98,757	18,903		117,660
Machinery and Equipment	5,904,427	991,980	146,572	6,749,835
Other Improvements	727,242	221,070		948,312
Total Accumulated Depreciation	10,587,278	1,633,866	146,572	12,074,572
Total Capital Assets Being Depreciated, Net	24,152,861	(465,953)	-	23,686,908
Governmental Activities Capital Assets, Net	$ 27,251,474	$ 3,748,291	$ 13,195	$ 30,986,570

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

Governmental Activities:	
General Government	$ 453,364
Public Safety	481,970
Judicial	88,854
Road and Bridge	232,112
Health and Sanitation	16,860
Public Facilities	318,983
Libraries and Education	20,494
Agricultural Services	21,229
Total Depreciation Expense - Governmental Activities	$ 1,633,866

3.F. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at September 30, 2020, consisted of the following:

Due to/from other funds

	Due To	Due From
General Fund	$ -	$ 2,255
Road & Bridge Fund	2,245	-
Nonmajor Governmental Funds	10	-
TOTAL	$ 2,255	$ 2,255

3.G. LONG-TERM LIABILITIES

The following is a summary of the long-term liability transactions of the County for the year ended September 30, 2020.

	Balance 10/01/19	Issued	Retired	Balance 09/30/20	Due Within One Year
General Obligation Refunding Bonds – Series 2010	$ 345,000	$	$ 170,000	$ 175,000	$ 175,000
General Obligation Bonds – Series 2013	10,950,000		595,000	10,355,000	620,000
Premium on General Obligation Bonds Series 2013	744,722		54,658	690,064	-
Capital Leases	1,817,520	541,031	460,314	1,898,237	515,362
Subtotal	$ 13,857,242	$ 541,031	$ 1,279,972	$ 13,118,301	$ 1,310,362
Compensated Absences	341,242	264,879	213,658	392,463	
TOTAL	$ 14,198,484	$ 805,910	$ 1,493,630	$ 13,510,764	$ 1,310,362

Certificates of Obligation	Balance at 9/30/20	Due Within One Year
General Obligation Refunding Bonds – Series 2010 Original issue amount $1,590,000, interest rates of 0.80% to 3.40%, With final maturity date February 15, 2021	175,000	175,000
General Obligation Bonds – Series 2013 Original issue amount $14,110,000, interest rates of 2.0% to 4.0%, With final maturity date February 15, 2033	10,355,000	620,000
TOTAL CERTIFICATES OF OBLIGATION	$ 10,530,000	$ 795,000

Long Term Debt Advance Refunding

On December 16, 2010 the County issued $1,590,000 of refunding bonds (Gillespie County, Texas General Obligation Refunding Bonds, Series 2010) to finance the remaining callable obligations from the County's Series 2001 Certificates of Obligation. The bonds were called and were redeemed by depositing $1,151,254 into an escrow account on December 16, 2010. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

Description	Refunded Amount	Balance 9/30/2020
Gillespie County Certificates of Obligation - Series 2001	$ 1,515,000	$ 185,000
Total Amount Refunded	$ 1,515,000	$ 535,000

General Obligation Bonds

On May 15, 2013, the County issued $14,110,000 General Obligation Bonds, Series 2013 for the construction and equipping of a new County Jail. The bonds mature on February 15 in each of the years 2014 through 2033, bearing interest at rates from 2.0% to 4.0%.

Debt service requirements for the General Obligation Refunding Bonds - Series 2010 and the General Obligation Bonds – Series 2013 are as follows:

Year Ending September 30,		Principal		Interest		Annual Requirements
2021	$	795,000		406,325	$	1,201,325
2022		645,000		376,500		1,021,500
2023		670,000		350,200		1,020,200
2024		700,000		322,800		1,022,800
2025		725,000		294,300		1,019,300
2026-2030		3,220,000		868,200		4,088,200
2031-2035		3,775,000		309,300		4,084,300
TOTAL	$	10,530,000	$	2,927,625	$	13,457,625

Capital Leases

On October 29, 2013 Gillespie County executed a $284,122 Capital Lease obligation with Government Capital – Southside Bank for the purchase of a Model RJ350 Broce Broom, a Ford Dump Truck, a PUP Trailer, a STCC Cross Conveyor, and three Ford F350 Pickup Trucks. The finance contract is dated September 23, 2013 and is due in sixty monthly installments of $5,221.04 until 11/15/2018, with an interest rate of 3.849%.

In October 2014, the County executed a $576,301 Capital Lease obligation with Government Capital – Extraco Bank for the purchase of two LCRA radio sites and mobile radios. The finance contract is due in 120 monthly installments of $5,714 until 10/28/2024, with an interest rate of 3.548%.

In April 2017, Gillespie County executed a $602,250 Capital Lease obligation with Government Capital Corporation- Southside Bank for the purchase of a John Deere 770D Motor Grader, a Bush Hog Rotary Cutter, a Chipspreader, a Kalyn Siebert Trailer, a 2008 Peterbilt Truck, a 2007 3500 Chevrolet Silverado, a 2015 Ford F750, a STCC Cross Conveyor, and two 2002 International Water Trucks. The finance contract is dated April 10, 2017 and is due in sixty monthly installments of $11,084.19 until 6/28/2022, with an interest rate of 3.761%.

In October 2017, Gillespie County executed a $817,515 Capital Lease obligation with Government Capital Corporation- Southside Bank for the purchase of three 2018 Peterbilt 337 Dump Truck, a 2017 John Deere 310L Backhoe, a Noram 65E Motorgrader, and a 2017 Distributor Truck. The finance contract is dated October 9, 2017 and is due in eighty-four monthly installments of $11,102.96 until 12/15/2024, with an interest rate of 3.724%.

In March 2019, Gillespie County executed a $559,098 Capital Lease obligation with Government Capital Corporation- Southside Bank for purchase of various road equipment. The finance contract is dated March 11, 2019 and is due in sixty monthly installments of $10,3613.15 until 4/1/2024, with an interest rate of 4.198%

In November 2019, the County executed a $541,031 Capital Lease obligation with Government Capital- Southside Bank for the purchase of various equipment. The finance contract is due in sixty monthly installments of $9,929.96 until 1/15/2025, with an interest rate of 3.635%

A summary of the future minimum lease payments under the lease along with the present value of the minimum lease payments as of September 30, 2020 follows:

Year Ended September 30,		
2021	$	578,307
2022		545,054
2023		445,298
2024		393,491
2025		78,743
2026-2030		-
Total Minimum Lease Payments	$	2,040,893
Less Amount Representing Interest		(142,944)
Present Value of Lease Payments	$	1,897,949

The assets acquired through capital leases are as follows:

		Governmental Activities
Asset:		
Machinery & Equipment	$	3,214,566
Less: Accumulated Depreciation		1,235,779
NET	$	1,978,787

Operating Leases

Commitments under operating (non-capitalized) lease agreements for equipment provide for minimum future rental payments as of September 30, 2020, as follows:

Year Ended September 30	
2021	$ 171,226
2022	116,478
2023	81,570
2024	29,353
2025	7,951
	$ 406,578
Rental Expenditures in Fiscal Year 2020	$ 206,315

3.H. CLAIMS AND CONTINGENT LIABILITIES

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

The County is currently involved in one pending litigation suit and is subject to other various litigation and claims arising out of the normal course of operations. Although the outcome of this claim is not presently determinable, in the opinion County management, the resolution of this matter will not have a material adverse effect on the County's financial position. Therefore, no provision for any liability, if any, has been made in the accompanying financial statements.

3.I. RISK MANAGEMENT

Gillespie County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, error and omissions and personnel risks which relate to workers' compensation.

The County contracted with USI Southwest, Inc. to provide the aforementioned types of insurance coverage through OneBeacon Insurance Group, LLC.

Gillespie County also provides a Blanket Accident Insurance Policy for Emergency Service Organizations covering the Gillespie County Rural Volunteer Departments; a property and liability insurance policy covering Gillespie County Rural Schools; a liability policy covering the Gillespie County Airport; and a Crime Policy through commercial insurance carriers.

3.J. HEALTH INSURANCE

The County provides group medical and basic life insurance coverage for full-time employees through the Texas Association of Counties (TAC). The county pays the premiums for these eligible employees. Employees, at their options, may authorize payroll withholdings to pay premiums for eligible family members or for other supplemental coverage.

3. K. EMPLOYEE RETIREMENT PLAN

Plan Description

A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

a. Gillespie County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
b. A brief description of benefit terms:
    1) 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.
    2) The plan provides retirement, disability and survivor benefits.
    3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 225%) and is then converted to an annuity.
    4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
    5) Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.
c. Membership information is shown in the chart below.
d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Gillespie County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2019 are shown in the Schedule of Employer Contributions.
e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Members covered by benefit terms.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	91
Inactive employees entitled to but not yet receiving benefits	101
Active employees	166
	358

Contributions

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements fund each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, 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. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and cost based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

The contribution rate payable by the employee members for calendar year 2019 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The County's contributions to TCDRS for the year ended September 30, 2020 were $1,282,817 and were equal to the required contributions.

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal (1)
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line amortization over Expected Working Life
Recognition of Assumptions, Changes or Inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smooth Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and .5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.
Investment Rate of Return	8.10%
Cost of Living Adjustments	Cost-of-Living Adjustments for Gillespie County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Deferred members are assumed to retire (100% probability) at the later of: a) age 60; b) earliest retirement eligibility.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	RP-2014 Mortality Tables

(1) *Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.*

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation (2)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	20.00%	8.20%
Global Equities	MSCI World (Net) Index	2.50%	5.50%
International Equities – Developed	MSCI World Ex USA (Net)	7.00%	5.20%
International Equities – Emerging	MSCI Emerging Markets (Net) Index	7.00%	5.70%
Investment–Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

(1) *Target asset allocation adopted at the June 2020 TCDRS Board Meeting*

(2) *Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80% per Cliffwater's 2020 capital market assumptions.*

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

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

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. 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 pensions 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.

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Increase/(Decrease) Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2018	$ 30,886,607	$ 28,119,729	$ 2,766,878
Changes for the Year:			
Service Cost	1,063,754		1,063,754
Interest on Total Pension Liability [1]	2,532,025		2,532,025
Effect of Plan Changes [2]	-		-
Effects of Economic/Demographic Gains or Losses	(305,918)		(305,918)
Effect of Assumptions Changes or Inputs	-		-
Refund of Contributions	(143,532)	(143,532)	-
Benefit Payments	(1,265,482)	(1,265,482)	-
Administrative Expenses		(25,231)	25,231
Member Contributions		569,232	(569,232)
Net Investment Income		4,617,434	(4,617,434)
Employer Contributions		1,219,781	(1,219,781)
Other [3]		17,621	(17,621)
Balances as of December 31, 2019	$ 32,767,453	$ 33,109,552	$ (342,099)

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

[2] *No plan changes valued.*

[3] *Relates to allocation of system-wide items.*

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total Pension Liability	$ 36,766,506	$ 32,767,454	$ 29,362,690
Fiduciary Net Position	33,109,554	33,109,553	33,109,554
Net Pension Liability/(Asset)	$ 3,656,952	$ (342,099)	$ (3,746,864)

Pension Expense / (Income)

Prepaid Expense/(Income)		January 1, 2019 to December 31, 2019
Service Cost	$	1,063,754
Interest on Total Pension Liability [1]		2,532,025
Effect of Plan Changes		-
Administrative Expenses		25,231
Member Contributions		(569,232)
Expected Investment Return Net of Investment Expenses		(2,292,486)
Recognition of Deferred Inflows/Outflows of Resources		
Recognition of Economic/Demographic Gains or Losses		(138,316)
Recognition of Assumption Changes or Inputs		50,715
Recognition of Investment Gains or Losses		208,344
Other [2]		(17,623)
Pension Expense/(Income)	$	862,411

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

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

As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources		Deferred Inflows of Resources		Deferred Outflows of Resources
Differences between expected and actual experience	$	244,734	$	95,207
Changes of assumptions		-		101,432
Net difference between projected and actual earnings		753,252		-
Contributions made subsequent to measurement date[3]		N/A		942,798

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

Year Ended December 31		
2020	$	(154,239)
2021		(188,171)
2022		67,233
2023		(526,170)
2024		-
Thereafter [4]		-

(3) *Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of this report.*

(4) *Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.*

3.L. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Retired County employees and their dependents are eligible to elect continued coverage under the County's healthcare program upon retirement if they were carrying the healthcare coverage at the time of their retirement and they have at least 8 years of continuous service upon retirement with the County. The County currently contributes 50% (or up to $100/month) of the premium charged for such benefits for qualifying retirees. The County does not contribute any amount for continued dependent coverage. The Commissioners' Court, as the governing body of the County, approves such Other Postemployment Benefits (OPEB) on a year-to-year basis during the annual budget process and has not created a constitutionally valid obligation for OPEB beyond fiscal year 2021. As of September 30, 2020, there are 18 retirees who qualify for the $100/month OPEB benefit. The cost of OPEB for the year ended September 30, 2020 was $21,600 and the amount projected to be incurred in the year ending September 30, 2021 is $21,600.

Governmental Accounting Standards Board (GASB) Statement No. 75 (Accounting and Financial Reporting for Postemployment Benefits Other than Pensions) establishes accounting and financial reporting for OPEB that are provided to the employees of state and local governmental employers. For purposes of projecting benefit payments, this Statement carries forward from Statement 45 a requirement to consider the established pattern of sharing benefit-related costs with benefit recipients. Since the Commissioners' Court (governing body of the County) approves the other postemployment benefit (OPEB) on a year to year basis during the annual budget process and has not created a constitutionally valid obligation beyond the current budget period, the provisions of GASB No. 75 do not apply for recognition of the total OPEB liability, deferred inflows/outflows of resources, and total OPEB expense.

3.M. DEFERRED COMPENSATION PLAN

The County offers all its employees deferred compensation programs through Nationwide Retirement Solutions, Inc. and the Variable Annuity Life Insurance Company (VALIC). The plan, created in accordance with Internal Revenue Code Section 457(B), permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County, subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

The County has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

At September 30, 2020, the participant balances were $188,944 in Nationwide and $42,105 in VALIC.

3.N. SUBSEQUENT EVENTS

The County has evaluated subsequent events through March 18, 2021, the date which the financial statements were available to be issued. In January 2021, the County approved the issuance of General Obligation Refunding Bonds, Taxable Series 2021 in the amount of $8,425,000. The County is not aware of any other subsequent events that materially impact the financial statements.

APPENDIX D

FORM OF LEGAL OPINION OF BOND COUNSEL

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April 1, 2021

$8,425,000
GILLESPIE COUNTY, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
TAXABLE SERIES 2021

WE HAVE ACTED AS BOND COUNSEL in connection with the issuance by Gillespie County, Texas (the "County") of its $8,425,000 aggregate original principal amount of General Obligation Refunding Bonds, Taxable Series 2021, dated March 1, 2021 (the "Bonds").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas; a transcript of certified proceedings of the County and other pertinent instruments authorizing and relating to the issuance of the Bonds, including (1) the Order adopted by the Commissioners Court of the County on January 25, 2021 and the Officer's Pricing Certificate executed by the Authorized Representative on March 9, 2021 (collectively, the "Order") authorizing the issuance of the Bonds, (2) the Escrow Agreement, dated as of March 9, 2021 between the County and BOKF, NA (the "Escrow Agent"), (3) a special report of Robert Thomas CPA, LLC, certified public accountants, related to the accuracy of certain mathematical computations as described in the Escrow Agreement (the "Report"), and (4) the registered Initial Bond numbered I-1.

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

1. The Bonds are valid and legally binding obligations of the County enforceable in accordance with their terms, except as their enforceability may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally and as may be affected by matters involving the exercise of equitable or judicial discretion.

2. The Bonds are secured by and payable from the levy of a direct and continuing annual ad valorem tax upon all taxable property within the County, within the limits prescribed by law, sufficient for said purposes, as provided in the Order.

3. Firm banking and financial arrangements have been made for the discharge and final payment of the obligations being refunded pursuant to the Order, and that therefore such obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Order.

It is also our opinion that the Escrow Agreement has been duly authorized, executed, and delivered by the County and, assuming the due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and legally binding agreement, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity) and that the outstanding obligations refunded, discharged, paid, and retired with certain of the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement, and in accordance with the provisions of Chapter 1207, Texas Government Code, as amended. In rendering this opinion, we have relied upon the verification in the Report of the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the principal of and interest on the outstanding obligations identified therein being refunded and to be retired. We express no opinion concerning any effect on the foregoing which may result from changes in the law effected after the date hereof.

IT IS FURTHER OUR OPINION THAT THE BONDS ARE NOT OBLIGATIONS DESCRIBED IN SECTION 103(a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

Except as stated above, we express no opinion as 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, ownership, or disposition of the Bonds.

WE HAVE ACTED AS BOND COUNSEL for the County for the sole purpose of rendering the opinions expressed herein, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capability of the County and have not assumed any responsibility therefor.

Respectfully,

RBC Capital Markets