PRELIMINARY OFFICIAL STATEMENT

Dated July 11, 2025

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

NEW ISSUE – Book-Entry-Only

In the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals. Bond Counsel is of the further opinion that in the case of certain corporate holders of the Bonds, all or a portion of the interest on the Bonds may be included in the calculation of the alternative minimum tax imposed on certain corporations as a result of the inclusion of interest on the Bonds in adjusted financial statement income. Bond Counsel expresses no opinion on any other federal tax consequences related to the ownership or disposition of. or the amount, accrual or receipt of interest on, the Bonds.

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$3,900,000*
RUNNELS COUNTY, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2025

Dated Date: July 15, 2025 — **Due: February 15, as shown on page 2**
Interest Accrues from the Date of Initial Delivery

PAYMENT TERMS . . . Interest on the $3,900,000* Runnels County, Texas, General Obligation Bonds, Series 2025 (the "Bonds") will accrue from the Date of Initial Delivery (as defined below) of the Bonds, will be payable February 15 and August 15 of each year commencing February 15, 2026, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the applicable provisions of the Texas Constitution and laws of the State of Texas, including Section 1473.101(a), Texas Government Code, an election held within the County on May 3, 2025, and an order to be adopted by the Commissioners Court of Runnels County, Texas (the "County") on July 22, 2025 (the "Order"). The Bonds are direct and voted obligations of the County payable from a direct and continuing ad valorem tax levied on all taxable property within the County, legally within the limits prescribed by law, as provided in the Order (see "THE BONDS – Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Bonds will be used: (i) for designing, planning, expanding, renovating, improving, maintaining, upgrading, and equipping the existing County Jail facility; and (ii) to pay professional services and the costs of issuance related to the Bonds (see "THE BONDS – Purpose").

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

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel, Austin, Texas (see "APPENDIX C – Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on August 19, 2025 (the "Date of Initial Delivery").

BIDS DUE MONDAY, JULY 21, 2025 BY 1:30 PM, CENTRAL TIME

*Preliminary, subject to change.

CUSIP Prefix(1):

MATURITY SCHEDULE*

$3,900,000* RUNNELS COUNTY, TEXAS GENERAL OBLIGATION BONDS, SERIES 2025

Maturity (February 15)	Principal Amount	Interest Rate	Initial Yield (2)	CUSIP Suffix (1)
2026	$ 105,000			
2027	115,000			
2028	120,000			
2029	130,000			
2030	140,000			
2031	145,000			
2032	155,000			
2033	165,000			
2034	175,000			
2035	180,000			
2036	190,000			
2037	205,000			
2038	215,000			
2039	225,000			
2040	235,000			
2041	250,000			
2042	265,000			
2043	280,000			
2044	295,000			
2045	310,000			

(Interest to Accrue from the Date of Initial Delivery)

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*Preliminary, subject to change.
(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the County, the Financial Advisor, or the Purchaser are responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) The initial yield represents the initial offering yield to the public which has been established by the Purchaser for offers to the public and which may be subsequently changed by the Purchaser and is the sole responsibility of the Purchaser.

REDEMPTION . . . The County reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Optional Redemption"). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Purchaser elects to aggregate two or more maturities as Term Bonds.

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For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, this document, as the same may be supplemented or corrected from time to time, may be treated as an "Official Statement" with respect to the Bonds described herein that has been "deemed final" by the County as of the date hereof (or of any supplement or correction) except for the omission of no more than the information provided by Subsection (b)(1) of Rule 15c2-12.

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

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE PURCHASER 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.

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

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE 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.

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.

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE COUNTY	The County is a legal subdivision of the State of Texas, established in 1858. The City of Ballinger is the County Seat.
THE BONDS	The Bonds are issued as $3,900,000* Runnels County, Texas General Obligation Bonds, Series 2025. The Bonds are being issued in the principal amounts, maturities, and at the rates per annum as set forth on page 2 hereof.
PAYMENT OF INTEREST	Interest on the Bonds accrues from the Date of Initial Delivery of the Bonds to the Purchaser, and is payable February 15, 2026, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS – Description of the Bonds").
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Article III, Section 52 of the Texas Constitution, as amended, Chapter 1471, Texas Government Code, as amended, an election held within the County on May 3, 2025, and an order to be adopted by the Commissioners Court of Runnels County, Texas (the "County") on July 22, 2025 (the "Order") (see "THE BONDS – Authority for Issuance").
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, without legal limit as to rate or amount, on all taxable property located within the County, as provided in the Order (see "THE BONDS – Security and Source of Payment").
REDEMPTION	The County reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2036, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Optional Redemption"). Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Purchaser elects to aggregate two or more maturities as Term Bonds.
QUALIFIED TAX-EXEMPT OBLIGATIONS	The Bonds will be designated as "qualified tax-exempt obligations" for financial institutions (see "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Bonds is excludable from gross income for federal tax purposes under existing law. See "TAX MATTERS – Tax Exemption" for a discussion of the opinion of Bond Counsel.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used: (i) for designing, planning, expanding, renovating, improving, maintaining, upgrading, and equipping the existing County Jail facility; and (ii) to pay professional services and the costs of issuance related to the Bonds (see "THE BONDS – Purpose").
RATING	The Bonds are rated "AA-" with a stable outlook by S&P Global Ratings, a division of S&P Global Inc. ("S&P") (see "OTHER INFORMATION – Rating").
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS – Book-Entry-Only System").
PAYMENT RECORD	The County has never defaulted in the payment of its general obligation tax debt.

*Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated County Population [(1)]	Taxable Assessed Valuation [(2)]	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	Per Capita G.O. Tax Debt	% Total Collections
2021	9,893	$ 822,857,373	$ 83,176	$ -	0.00%	$ -	98.24%
2022	9,896	892,505,317	90,188	-	0.00%	-	98.51%
2023	9,909	952,336,920	96,108	-	0.00%	-	98.27%
2024	9,751	1,029,800,857	105,610	-	0.00%	-	97.88%
2025	9,751	1,091,994,752	111,988	3,900,000 [(3)]	0.36%	400	95.66% [(4)]

(1) Source: Municipal Advisory Council of Texas.
(2) As reported by the Runnels County Appraisal District on County's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Projected. Includes the Bonds. Preliminary, subject to change.
(4) Collections as of April 30, 2025.

For additional information regarding the County, please contact:

Honorable Julia Miller
Runnels County
613 Hutchings Avenue
Ballinger, Texas 76821
Phone: (325) 365-2633

or

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

COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Commissioners Court	Length of Service	Term Expires
Honorable Julia Miller County Judge	4 Years	2026
Carl King Commissioner, Precinct No. 1	4 1/2 Years	2028
Chris Ocker Commissioner, Precinct No. 2	2 1/2 Years	2026
Brandon Poehls Commissioner, Precinct No. 3	4 1/2 Years	2028
Juan Ornelas Commissioner, Precinct No. 4	6 1/2 Years	2026

OTHER ELECTED AND APPOINTED OFFICIALS

Name	Position	Length of Employment
Jennifer Hoffpauir	County Clerk	2 1/2 Years
Laura Pospichal	County Treasurer	2 1/2 Years
Cindy Winchester	County Auditor	16 1/2 Years
Susan Hallford	County Tax Assessor/Collector	6 Months

CONSULTANTS AND ADVISORS

Auditor ....Eckert & Company, LLP
Certified Public Accountants
San Angelo, Texas

Bond Counsel .... Bickerstaff Heath Delgado Acosta LLP
Austin, Texas

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

PRELIMINARY OFFICIAL STATEMENT
RELATING TO

$3,900,000*
RUNNELS COUNTY, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $3,900,000* Runnels County, Texas, General Obligation Bonds, Series 2025 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order to be adopted by the Commissioners Court of Runnels County, Texas (the "County") on July 22, 2025, authorizing the issuance of the Bonds (the "Order"), except as otherwise indicated herein.

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

DESCRIPTION OF THE COUNTY . . . The County was established in 1858 and operates as specified under the Constitution of the State of Texas (the "State") and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical precincts. The County Judge is elected for a term of four years and the Commissioners for four-year staggered terms. Other major County elective officers include the County Clerk and County Treasurer. The County Auditor is appointed for a term of two years by, and serves at the will of, the District Judges whose courts are located in the County. The 2020 Census population for the County was 9,900. The estimated 2025 population is 9,751. The City of Ballinger is the County Seat. For more information regarding the County, see "APPENDIX A – General Information Regarding the County".

THE BONDS

PURPOSE . . . Proceeds from the sale of the Bonds will be used: (i) for designing, planning, expanding, renovating, improving, maintaining, upgrading, and equipping the existing County Jail facility; and (ii) to pay professional services and the costs of issuance related to the Bonds.

DESCRIPTION OF THE BONDS . . . The Bonds are dated July 15, 2025, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds accrues from the Date of Initial Delivery of the Bonds to the Purchaser, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2026, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Article III, Section 52 of the Texas Constitution, as amended, Chapter 1473, Texas Government Code, as amended, an election held within the County on May 3, 2025 (the "Election"), and the Order. The Bonds will be the fourth installment of bonds issued pursuant to the Election.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds constitute direct obligations of the County, secured by a direct and continuing annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the County, as provided in the Order. See "THE BONDS – Tax Rate Limitation".

TAX RATE LIMITATION . . . *General Operations; Limited Tax Bonds, Time Warrants, Certificates of Obligation and Contractual Obligations*. Article VIII, Section 9, of the Texas Constitution imposes a limit of $0.80 per $100 assessed valuation of all taxable property within the County for all constitutional purposes, including the General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, and debt service of bonds, notes, warrants or certificates of obligation issued against such funds. The Attorney General of Texas will not approve limited tax bonds in an amount which produces debt service requirements exceeding that which can be paid from $0.40 of the foregoing $0.80 constitutional tax rate for the payment of debt service requirements on the County's indebtedness payable from such tax.

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* Preliminary, subject to change.

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

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

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

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. The County held a County-wide election on May 4, 2019 to approve the issuance of unlimited tax road 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 previously issued unlimited tax bonds that are payable from this unlimited tax. .

Road Maintenance. Under 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") per $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.

Farm-to-Market and/or Flood Control. Under Section 256.054, Texas Transportation Code, a county may adopt an additional ad valorem tax not to exceed $0.30 (the "Farm-to-Market and Flood Control Tax") per $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.

Amendments to the Order . . . The County may amend the Order without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the County may, with the written consent of the holder of a majority in aggregate principal amount of the Bonds then outstanding and affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without consent of the registered owners of all of the Bonds affected, no such amendment, addition or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by holders for consent to any such amendment, addition, or rescission.

Optional Redemption . . . The County reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2035, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected by the County in integral multiples of $5,000 within any one maturity. If a Bond (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption has been given, such Bond (or the principal amount thereof to be redeemed) will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption . . . At least 30 days prior to a redemption date for the 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 OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, IRRESPECTIVE OF WHETHER ONE OR MORE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE OR ANY DEFECT IN SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, PROVIDED PAYMENT FOR THEIR REDEMPTION SHALL HAVE BEEN DEPOSITED WITH THE PAYING AGENT/REGISTRAR, AND, NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

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

The Paying Agent/Registrar and the County, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, 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 DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the 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 the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the County or the Paying Agent/Registrar. Neither the County nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the 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 "THE BONDS – Book-Entry-Only System" herein.)

DEFEASANCE . . . The Order provides for the defeasance of the Bonds in any manner now or hereafter provided by law, including when the payment of the principal of and premium, if any, on the 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 (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities (defined below), to mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The County has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the County money in excess of the amount required for such defeasance.

The Order provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the County authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the County adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for United States 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 those securities identified in clauses (a) through (c) 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 obligations for purposes of applying any debt limitation on indebtedness or for purposes of taxation.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

***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 accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The County and the Purchaser 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the County or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the County believes to be reliable, but neither the County nor the Purchaser 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 the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

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 Purchaser.

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

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to the registered owners and the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective 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 mail, first class, postage prepaid, to the new registered owner or his designee. 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 registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the County nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

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

BONDHOLDERS' REMEDIES . . . The Order establishes specific events of default with respect to the Bonds, and provides that if the County defaults in the payment of principal, interest, or redemption premium on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the County's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the 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. The Texas legislature has not waived the County's sovereign immunity from a suit for money damages, and without legislative action Bondholders may not be able to bring such a suit against the County for breach of the Bonds or Order covenants. Even if a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County's property. Further, the registered owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. 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.

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

SOURCES OF FUNDS:	
Principal Amount	$ -
Bid Premium	-
Total Sources of Funds	$ -
USES OF FUNDS:	
Deposit to Project Construction Fund	$ -
Purchaser's Discount	-
Costs of Issuance and Rounding Amount	-
Total Uses of Funds	$ -

BOND INSURANCE

The County has submitted applications to municipal bond insurance companies (an "Insurer") to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy (a "Policy"). In the event the Bonds are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the insurance premium will be paid by the Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to any such municipal bond insurance policy.

BOND INSURANCE RISKS

If a Policy is purchased, the following are risk factors relating to bond insurance.

BOND INSURANCE RISK FACTORS . . . In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the County which is recovered by the County from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the County (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Bondholders' Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Bondholders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from ad valorem taxes levied, within the limited prescribed by law, as further described in "THE BONDS – Security and Source of Payment". In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the long-term ratings on the Bonds will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Bonds, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds (see "OTHER INFORMATION – Rating").

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the County, the County's Financial Advisor or the Purchaser has made independent investigation into the claims-paying ability of any potential insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential insurer is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc., S&P, and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the County to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

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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 Runnels County 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"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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 ("Productivity Value"). 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.

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 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, if levied (collectively, the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the County must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the County to the Commissioners Court by August 1 or as soon as practicable thereafter.

A county must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the county and the county tax assessor-collector for each county in which all or part of the county is located. 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.

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.

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%) if imposed by the County. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the County may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

COUNTY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the County are a personal obligation of the owner of the property 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. The County's tax lien is on parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the County is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the County may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the County must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, 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 PROPERTY TAX CODE . . . The County grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $25,000.

The County has not granted an additional exemption of up to 20% of the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

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

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

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

The County does not tax Freeport Property.

The County does collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The County has implemented a tax freeze (beginning with the 2006 tax year) on the residence homesteads of the elderly and the disabled.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/2025 Market Valuation of Taxable Property Established by Runnels Central Appraisal District (excluding totally exempt property)	$ 2,136,608,535	
Less Exemptions/Reductions at 100% Market Value	$ 1,044,613,783	
2024/2025 Net Taxable Assessed Valuation	$ 1,091,994,752	
2025/2026 Certified Estimated Taxable Assessed Valuation	$ 1,138,220,131	
Debt Payable From Ad Valorem Taxes (as of 5/31/2025):	$ -	
The Bonds	3,900,000	(1)
	$ 3,900,000	
Ratio General Obligation Debt Payable from Ad Valorem Taxes to Net Taxable Assessed Valuation	0.36%	

2025 Estimated Population - 9,751
Per Capita 2024/2025 Taxable Assessed Valuation - $111,988
Per Capita Debt Payable from Ad Valorem Taxes - $400

(1) Preliminary, subject to change.

TABLE 2 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated County Population [(1)]	Taxable Assessed Valuation [(2)]	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	Per Capita G.O. Tax Debt
2021	9,893	$ 822,857,373	$ 83,176	$ -	0.00%	$ -
2022	9,896	892,505,317	90,188	-	0.00%	-
2023	9,909	952,336,920	96,108	-	0.00%	-
2024	9,751	1,029,800,857	105,610	-	0.00%	-
2025	9,751	1,091,994,752	111,988	3,900,000 [(3)]	0.36%	400

(1) Source: Municipal Advisory Council of Texas.
(2) As reported by the Runnels County Appraisal District on County's annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Projected. Includes the Bonds. Preliminary, subject to change.

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TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate[(1)]	Tax Levy	% Current Collections	% Total Collections
2021	$ 0.6506	$ 5,160,948	98.24%	98.24%
2022	0.6331	5,440,933	98.51%	98.51%
2023	0.6122	5,633,878	98.27%	98.27%
2024	0.5856	5,832,081	97.88%	97.88%
2025	0.5798	6,082,053	95.66% [(2)]	95.66% [(2)]

(1) Includes Road and Bridge Tax.
(2) Collections as of April 30, 2025.

TABLE 4 - TAX RATE DISTRIBUTION ANALYSIS

	Fiscal Years Ended September 30,				
	2025	2024	2023	2022	2021
General Fund	$ 0.5494	$ 0.5539	$ 0.5743	$ 0.5929	$ 0.6068
Interest and Sinking Fund	-	-	-	-	-
Total Constitutional Tax Rate	$ 0.5494	$ 0.5539	$ 0.5743	$ 0.5929	$ 0.6068
Road and Bridge Fund	$ 0.0304	$ 0.0317	$ 0.0379	$ 0.0403	$ 0.0438
Total Tax Rate	$ 0.5798	$ 0.5856	$ 0.6122	$ 0.6331	$ 0.6506

TABLE 5 - TEN LARGEST TAXPAYERS[(1)]

Name of Taxpayer	2024/2025 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Exxon/Mobil Pipeline	$ 82,192,920	7.53%
AEP Texas, Inc.	47,522,950	4.35%
Mueller Supply Company Inc.	40,437,060	3.70%
Whitethorn Pipeline LLC	23,946,120	2.19%
Buddy's Plant Plus Corp	21,539,340	1.97%
Atmos Energy Mid-Tex Pipeline	19,277,970	1.77%
Oncor Electric Delivery Co.	19,203,430	1.76%
AEP Electric Transmission	8,167,290	0.75%
Seminole Pipeline Co.	7,980,360	0.73%
WTG Jameson LP	7,837,810	0.72%
	$ 278,105,250	25.47%

(1) Based on 2024/2025 Taxable Assessed Valuation of $1,091,994,752.

TABLE 6 - TAX ADEQUACY [(1)]

2026 Net Tax Supported Debt Principal and Interest Requirements	$ 311,074
$0.0279 Tax Rate at 98% Collection Produces	$ 311,212
Average Net Tax Supported Debt Annual Principal and Interest Requirements, 2026 - 2045	$ 316,874
$0.0285 Tax Rate at 98% Collection Produces	$ 317,905
Maximum Net Tax Supported Debt Principal and Interest Requirements, 2037	$ 319,319
$0.0287 Tax Rate at 98% Collection Produces	$ 320,136

(1) Based on 2025/2026 Certified Estimated Taxable Assessed Valuation of $1,138,220,131. Includes the Bonds. Preliminary, subject to change.

ESTIMATED CONSOLIDATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	County's Overlapping Tax Supported Debt as of 4/30/2025
Runnels County	$ 3,900,000	100.00%	$ 3,900,000 [(1)]
Ballinger ISD	-	100.00%	-
Ballinger, City of	-	100.00%	-
Bronte ISD	11,230,000	21.63%	2,429,049
Jim Ned CISD	55,440,000	4.69%	2,600,136
Miles ISD	12,705,000	50.97%	6,475,739
Olfen ISD	385,000	100.00%	385,000
Panther Creek CISD	160,000	12.54%	20,064
Winters ISD	2,174,000	93.14%	2,024,864
Winters, City of	-	100.00%	-
Total Direct and Overlapping Tax Supported Debt			$ 17,834,851
Ratio of Direct and Overlapping Tax Supported Debt to 2024/2025 Taxable Assessed Valuation			1.63%
Per Capita Overlapping Tax Supported Debt			$ 1,829

(1) Projected. Includes the Bonds. Preliminary, subject to change.

DEBT INFORMATION

TABLE 7 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	The Bonds (1) Principal	Interest	Total
2026	$ 105,000	$ 206,074	$ 311,074
2027	115,000	201,825	316,825
2028	120,000	194,775	314,775
2029	130,000	187,275	317,275
2030	140,000	179,175	319,175
2031	145,000	170,625	315,625
2032	155,000	161,625	316,625
2033	165,000	152,644	317,644
2034	175,000	143,719	318,719
2035	180,000	134,400	314,400
2036	190,000	124,688	314,688
2037	205,000	114,319	319,319
2038	215,000	103,294	318,294
2039	225,000	91,744	316,744
2040	235,000	79,669	314,669
2041	250,000	66,938	316,938
2042	265,000	53,419	318,419
2043	280,000	39,113	319,113
2044	295,000	24,019	319,019
2045	310,000	8,138	318,138
	$ 3,900,000	$ 2,437,474	$ 6,337,474

(1) Interest on the Bonds has been calculated as of the posted date of the Preliminary Official Statement for purposes of illustration. Preliminary, subject to change.

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AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Issued(1)	Unissued Balance
County Jail	5/3/2025	$ 3,900,000	$ 3,900,000	$ -

(1) The amount of the Bonds authorized by the Order that will be counted against the voted authorization represents the principal amount plus any premiums that may be deposited to the construction fund. Preliminary, subject to change.

ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT . . . The County does not anticipate issuing additional debt within the next twelve months.

OTHER OBLIGATIONS

For information concerning the lease obligations, see "APPENDIX B – EXCERPTS FROM THE COUNTY'S ANNUAL FINANCIAL REPORT" – III. Note E.

PENSION FUND

The County provides pension, disability and death benefits for all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas County and District Retirement System (TCDRS). Under the state law governing TCDRS (the "TCDRS Act"), the contribution rate of the County is a fixed percent equal to the contribution rate payable by the employee member, which is 7% as adopted by the governing body of the County. This rate is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception and when benefit increases are adopted is limited by statute to what the actuary determines can be adequately financed by the commitment of the employer to contribute the same amount as the employee. The statute specifies that the actuary's determination is based on a maximum period for amortizing the unfunded pension benefit obligation of 30 years.

For more detailed information concerning the retirement plan, see "APPENDIX B – EXCERPTS FROM THE COUNTY'S ANNUAL FINANCIAL REPORT" – IV. Note A.

FINANCIAL POLICIES

The government reports the following major governmental funds:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Special Revenue Fund - SLFRF Grant Fund - This Fund accounts for the revenues and expenditures for the Coronavirus State and Local Fiscal Recovery Funds provided under the American Rescue Plan for response and recovery related to the COVID -19 public health emergency.

Additionally, the government reports the following fund types:

Debt Service Fund - This Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Special Revenue Funds - These Funds account for resources restricted to, or committed for, specific purposes by the County or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund.

Fiduciary Funds account for assets held by the County in a trustee capacity or resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those Funds are not available to support the County's own programs.

The County has the following Fiduciary Funds:

Custodial Funds - These Funds are used to account for assets which are held by the County in a custodial capacity or as an agent for individuals, private organizations, other governments, or other County funds.

FINANCIAL INFORMATION

TABLE 8 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues:					
Taxes	$ 4,729,364	$ 4,520,131	$ 4,517,483	$ 4,118,506	$ 3,756,412
Fees and Fines	221,095	222,546	219,835	206,396	235,978
Intergovernmental	201,542	246,555	444,107	573,693	415,111
Interest	278,958	219,349	33,457	4,604	30,962
Miscellaneous	213,170	197,224	63,705	73,570	76,171
Total Revenues	$ 5,644,129	$ 5,405,805	$ 5,278,587	$ 4,976,769	$ 4,514,634
Expenditures:					
General Government	$ 2,301,666	$ 2,052,608	$ 1,981,620	$ 2,021,736	$ 1,758,377
Roads and Bridges	-	-	-	-	-
Justice System	471,192	474,334	454,116	446,814	436,459
Public Safety	1,127,580	1,078,297	1,048,333	920,365	901,409
Corrections and Rehabilitation	1,472,493	1,345,810	1,383,770	1,165,970	1,242,120
Health and Welfare	22,870	10,864	36,683	38,720	63,806
Culture and Recreation	12,500	13,500	10,775	11,575	11,425
Total Expenditures	$ 5,408,301	$ 4,975,413	$ 4,915,297	$ 4,605,180	$ 4,413,596
Excess (Deficiency) of Revenues Over Expenditures	$ 235,828	$ 430,392	$ 363,290	$ 371,589	$ 101,038
Other Financing Sources (Uses):					
Transfers In	$ -	$ -	$ 37,794	$ 3,500	$ 9,700
Transfers Out	(75,000)	(29,000)	-	80,345	-
Total Other Sources (Uses)	$ (75,000)	$ (29,000)	$ 37,794	$ 83,845	$ 9,700
Net Change in Fund Balances	$ 160,828	$ 401,392	$ 401,084	$ 455,434	$ 110,738
Beginning Fund Balance	$ 2,883,985	$ 2,482,593	$ 2,081,509	$ 1,635,455	$ 1,524,717
Prior Period Adjustments	-	-	-	(9,380)	-
Ending Fund Balance	$ 3,044,813	$ 2,883,985	$ 2,482,593	$ 2,081,509	$ 1,635,455

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INVESTMENTS

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

LEGAL INVESTMENTS … Under Texas law, the County is authorized to invest in obligations meeting the requirements of the Texas Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this State and selected by the County in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the County's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the County appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for County deposits, or (ii) where (a) the funds are invested by the County through a broker or institution that has a main office or branch office in the State and selected by the County in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the County, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the County appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the County with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) which are pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the County is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party designated by the County, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

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

INVESTMENT POLICIES . . . Under Texas law, the County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for County funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All County funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

TABLE 9 - CURRENT INVESTMENTS

As of April 30, 2025, the County's investable funds were invested in the following categories:

Description	Market Value	% of Portfolio
Certificates of Deposit	$ 5,873,000	100.00%
Total	$ 5,873,000	100.00%

TAX MATTERS

TAX EXEMPTION . . . In the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals. Bond Counsel is of the further opinion that in the case of certain corporate holders of the Bonds, all or a portion of the interest on the Bonds may be included in the calculation of the alternative minimum tax imposed on certain corporations as a result of the inclusion of interest on the Bonds in adjusted financial statement income. Bond Counsel expresses no opinion on any other federal tax consequences related to the ownership or disposition of. or the amount, accrual or receipt of interest on, the Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the County's continuing disclosure obligations because the County does not currently have outstanding more than $10,000,000 in aggregate amount of outstanding municipal securities (excluding securities offered in transactions that were exempt from the Rule 15c2-12(d)(2)). Pursuant to the exemption, in the Order, the County has made the following agreement for the benefit of the holders and beneficial owners of the 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 (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The County will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement that is customarily prepared by the County and publicly available, which currently consists of an annual audited financial statement. The County will update and provide this information within twelve months after the end of each fiscal year ending in and after 2025. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the Rule. The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time and will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the County may be required to employ from time to time pursuant to State law or regulation.

The County 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 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.

EVENT NOTICES . . . The County will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the federal income tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) redemption calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights or other singular 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 any such Financial Obligation of the County, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Order makes any provision for debt service reserves or liquidity enhancement. In addition, the County will provide timely notice of any failure by the County to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The County will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County. The County intends the words used in the immediately preceding clauses (15) and (16) and the definition of Financial Obligation to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

AVAILABILITY OF INFORMATION FROM MSRB . . . The County has agreed to provide the foregoing information only to the MSRB through EMMA. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

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

The County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 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 Bonds may seek a writ of mandamus to compel the County to comply with its agreement.

The continuing disclosure agreement may be amended by the County from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the County, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretation of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Order that authorizes such an amendment) of the outstanding 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 holders 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 provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling 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 past five years, the County has not had any outstanding obligations that are subject to the Rule and it has not otherwise been obligated to comply with any continuing disclosure agreement made by it under the Rule during that time.

OTHER INFORMATION

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

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The 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.

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. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the States, 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 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 capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the County has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS . . . The County will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the County, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "THE BONDS" (exclusive of the subcaptions "Book-Entry-Only System," "Bondholders' Remedies" and "Sources and Uses of Bond Proceeds,") "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Opinions," "Registration and Qualification of Bonds for Sale" and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement, and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

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

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

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

PURCHASER . . . After requesting competitive bids for the Bonds, the County accepted the bid of _______________________ (the "Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a purchase price of ________% of par. The Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the County to the Purchaser. The County has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate executed by the proper officials of the County acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the County contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the County and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the County, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the County believes to be reliable and the County has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the County since September 30, 2024, the date of the last financial statements of the County appearing in the Official Statement as APPENDIX B.

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

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

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

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

/s/ ______________________________
County Judge, Runnels County, Texas

ATTEST:

/s/ ______________________________
County Clerk, Runnels County, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

THE COUNTY

LOCATION

Runnels County, Texas, was formed on February 1, 1858 from Bexar and Travis Counties. The County is a central Texas county with the City of Ballinger serving as county seat.

ECONOMIC BACKGROUND

Runnels County is a central Texas county with an economy based on agriculture, manufacturing and mineral production.

ECONOMIC BASE

Mineral: sand, oil and gas. Industry: oil, manufacturing, government and agribusiness. Agricultural: wheat, sorghums, sheep, goats, dairy, cotton, corn and cattle.

POPULATION

2020 Census: 9,751
2010 Census: 10,501
2000 Census: 11,495

RUNNELS COUNTY LABOR FORCE ESTIMATES

	April,	Annual Averages			
	2025	2024	2023	2022	2021
Civilian Labor Force	4,796	4,660	4,583	4,568	4,554
Total Employment	4,651	4,500	4,408	4,420	4,368
Unemployment	145	160	175	148	186
Percent Unemployment	3.0%	3.4%	3.8%	3.2%	4.1%

____
Source: Texas Labor Market Information.

APPENDIX B

EXCERPTS FROM THE
RUNNELS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the Runnels County, Texas Annual Financial Report for the Year Ended September 30, 2024, 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.

Eckert & Company
CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA
Megan Solsbery, CPA

(325) 944-3571
FAX: (325) 942-1093
www.eckertcpa.com

Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge
and Commissioners' Court
County of Runnels
P.O. Box 310
Ballinger, TX 76821-0310

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Runnels, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Runnels, Texas, as of September 30, 2024, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County of Runnels, Texas, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

Basis of Accounting

We draw attention to Section I., Note C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

New Accounting Standard

The County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*, described in Note I., J. to the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Section I., Note C., and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Runnels' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County of Runnels' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Runnels' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information and total OPEB liability information for the Texas County & District Retirement System are presented to supplement the basic financial statements. We have applied certain limited procedures to the 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.

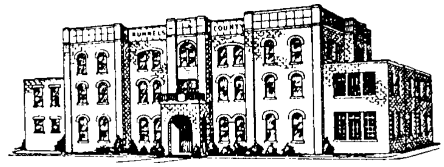
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2025, on our consideration of the County of Runnels' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Runnels' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Runnels' internal control over financial reporting and compliance.

Eckert & Company, LLP

June 5, 2025

R U N N E L S   C O U N T Y



COMMISSIONERS COURT
RUNNELS COUNTY COURTHOUSE
613 HUTCHINGS AVENUE, ROOM 103
BALLINGER, TEXAS 76821

Julia Miller, County Judge

Carl King, Precinct 1
Brandon Poehls, Precinct 3

Chris Ocker, Precinct 2
Juan Ornales, Precinct 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Runnels' financial performance provides an overview of the County's financial activities for the year ended September 30, 2024, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities at the end of the current year by $8,296,492 (net position). Of this amount, $5,116,356 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by $209,063 or 3% as a result of current year operations. The County's statement of activities shows total revenues of $9,126,436 and total expenses of $8,917,373.

The total fund balance of the General Fund is $3,044,813 which is an increase of $160,828 or 6% compared to the prior year.

Overview of the Financial Statements

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

Overview of the Financial Statements - Continued

The statement of net position presents information on all of the County's assets and liabilities resulting from the use of the modified cash basis of accounting, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services.

The County has no component units.

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund, the Special Revenue Fund - Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Grant Fund, and the Special Revenue Fund - Rural Law Enforcement Salary Assistance Grant Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund, Special Revenue Funds, and Debt Service Fund.

Fiduciary Funds - Fiduciary funds are used to account for assets which are held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. The County's fiduciary funds are custodial funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

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

Government-Wide Financial Analysis

Net Position - A summary of the County's net position is presented below:

NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	September 30,	
	2024	2023
Current and Other Assets	$ 7,131,945	$ 6,727,477
Capital Assets	2,639,533	2,811,193
Total Assets	$ 9,771,478	$ 9,538,670
Long-Term Liabilities Outstanding	$ 46,040	$ 75,910
Other Liabilities	1,428,946	1,375,331
Total Liabilities	$ 1,474,986	$ 1,451,241
Net Position		
Net Investment in Capital Assets	$ 2,593,493	$ 2,735,283
Restricted	586,643	522,935
Unrestricted	5,116,356	4,829,211
Total Net Position	$ 8,296,492	$ 8,087,429

A portion of the County's net position resulting from modified cash basis transactions ($2,593,493) reflects the County's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position ($586,643) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($5,116,356) may be used to meet the County's ongoing obligations.

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the County's net position resulting from modified cash basis transactions by $209,063 and $967,594 for the fiscal years ended September 30, 2024 and 2023, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities Year Ended September 30, 2024	2023
Revenues		
Program Revenues		
Charges for Services	$ 1,318,422	$ 1,263,073
Operating Grants and Contributions	443,618	223,454
Capital Grants and Contributions	159,186	386,341
General Revenues		
Maintenance and Operations Taxes	5,864,315	5,705,206
Debt Service Taxes	76	754
Sales Taxes	785,968	841,955
Interest Earnings	488,988	406,359
Other Revenues	65,863	140,866
Total Revenues	$ 9,126,436	$ 8,968,008
Expenses		
General Government	$ 2,477,567	$ 2,316,633
Roads and Bridges	2,469,835	2,292,897
Justice System	770,072	723,620
Public Safety	1,359,654	1,082,910
Corrections and Rehabilitation	1,793,298	1,530,226
Public Health and Welfare	34,447	25,628
Culture and Recreation	12,500	28,500
Total Expenses	$ 8,917,373	$ 8,000,414
Change in Net Position	$ 209,063	$ 967,594
Net Position - Beginning	8,087,429	7,119,835
Net Position - Ending	$ 8,296,492	$ 8,087,429

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of $5,702,999, an increase of $350,853 or 7% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund $3,044,813. All of this balance is unassigned.

Special Revenue Funds $2,610,355. Of this balance $2,071,543 is committed to special programs and $538,812 is restricted by legislation.

Debt Service Fund $47,831. This balance is restricted for payment of long-term debt principal and interest.

General Fund Budget

The original budget for the General Fund was $5,768,771, and the final amended budget was $5,897,941 which represents a $129,170 increase in appropriations. Variances between the original budget and the final amended budget are shown on page 42 in the supplementary information section of the audit report.

The County has adopted a budget for the General Fund in the amount of $6,061,680 for the fiscal year 2025, which is an increase of $163,739 from the fiscal year 2024.

Capital Assets and Debt - Modified Cash Basis

Capital Assets - Financial statement footnote III., C. discloses the County's capital asset activity for the year ended September 30, 2024.

Long-Term Debt - Financial statement footnote III., E. discloses the County's debt activity for the year ended September 30, 2024.

Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Julia Miller, County Judge, County of Runnels, P.O. Box 310, Ballinger, TX 76821-0310.

Basic Financial Statements

COUNTY OF RUNNELS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2024

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 7,120,493
Due from Other Governments	8,586
Capital Assets:	
Land	63,957
Buildings and Improvments, Net	1,634,701
Machinery and Equipment, Net	940,875
Other Assets	2,866
Total Assets	9,771,478
LIABILITIES	
Payroll Liabilties	339
Unearned Revenue	1,329,204
Other Payables	99,403
Noncurrent Liabilities:	
Due Within One Year	29,870
Due in More Than One Year:	
Financed Purchases	16,170
Total Liabilities	1,474,986
NET POSITION	
Net Investment in Capital Assets	2,593,493
Restricted:	
Restricted for Debt Service	47,831
Restricted by Legislation	538,812
Unrestricted	5,116,356
Total Net Position	$ 8,296,492

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

COUNTY OF RUNNELS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	$ 2,482,568	$ 382,343	$ 68,627
Roads and Bridges	2,469,835	672,396	105,806
Justice System	770,072	131,842	26,207
Public Safety	1,354,654	79,105	101,840
Corrections and Rehabilitation	1,793,297	26,368	140,095
Health and Welfare	34,447	26,368	1,043
Culture and Recreation	12,500	-	-
TOTAL PRIMARY GOVERNMENT	$ 8,917,373	$ 1,318,422	$ 443,618

General Revenues:
Taxes:
Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
General Sales and Use 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
$ 39,047	$ (1,992,551)
-	(1,691,633)
-	(612,023)
-	(1,173,709)
120,139	(1,506,695)
-	(7,036)
-	(12,500)
$ 159,186	(6,996,147)
	5,864,315
	76
	785,968
	65,863
	488,988
	7,205,210
	209,063
	8,087,429
	$ 8,296,492

COUNTY OF RUNNELS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	General Fund	SLFRF Grant Fund	Rural Law Enforcement Grant Fund
ASSETS			
Cash and Cash Equivalents	$ 3,216,351	$ 1,063,804	$ 327,737
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Other Receivables	2,866	-	-
Total Assets	$ 3,219,217	$ 1,063,804	$ 327,737
LIABILITIES			
Payroll Liabilities	$ 252	$ -	$ 12
Due to Other Funds	-	-	-
Unearned Revenue	86,242	913,237	327,725
Other Payables	87,910	-	-
Total Liabilities	174,404	913,237	327,737
FUND BALANCES			
Restricted Fund Balance:			
Retricted for Debt Service	-	-	-
Restricted by Legislation	-	-	-
Committed Fund Balance:			
Committed for Jury	-	-	-
Committed for Roads and Bridges	-	-	-
Committed for Permanent Improvements	-	-	-
Committed for Special Programs	-	150,567	-
Unassigned Fund Balance	3,044,813	-	-
Total Fund Balances	3,044,813	150,567	-
Total Liabilities and Fund Balances	$ 3,219,217	$ 1,063,804	$ 327,737

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

Other Funds		Total Governmental Funds	
$	2,512,601	$	7,120,493
	8,586		8,586
	8,586		8,586
	-		2,866
$	2,529,773	$	7,140,531
$	75	$	339
	8,586		8,586
	2,000		1,329,204
	11,493		99,403
	22,154		1,437,532
	47,831		47,831
	538,812		538,812
	283,758		283,758
	1,542,431		1,542,431
	61,119		61,119
	33,668		184,235
	-		3,044,813
	2,507,619		5,702,999
$	2,529,773	$	7,140,531

COUNTY OF RUNNELS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2024

Total Fund Balances - Governmental Funds	$	5,702,999
Capital assets used in governmental activities and long-term liabilities are not reported in the governmental funds financial statements. The net effect of these adjustments is to increase (decrease) net position.		2,735,283
Current year capital outlays and long-term debt principal payments are expenditures in the governmental funds financial statements. They are increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of these adjustments is to increase (decrease) net position.		279,234
Depreciation expense is not recognized in the governmental funds financial statements. The net effect of this adjustment is to decrease net position.		(421,024)
Net Position of Governmental Activities	$	8,296,492

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

COUNTY OF RUNNELS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	SLFRF Grant Fund	Rural Law Enforcement Grant Fund
REVENUES:			
Taxes	$ 4,729,364	$ -	$ -
Fees and Fines	221,095	-	-
Intergovernmental	201,542	334,367	172,275
Interest	278,958	66,260	4,419
Miscellaneous	213,170	-	-
Total Revenues	5,644,129	400,627	176,694
EXPENDITURES:			
Current:			
General Government	2,301,666	79,710	-
Road and Bridge	-	70,479	-
Justice System	471,192	-	-
Public Safety	1,127,580	-	176,694
Corrections and Rehabilitation	1,472,493	184,178	-
Health and Welfare	22,870	-	-
Culture and Recreation	12,500	-	-
Total Expenditures	5,408,301	334,367	176,694
Excess of Revenues Over Expenditures	235,828	66,260	-
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers Out (Use)	(75,000)	-	-
Total Other Financing Sources (Uses)	(75,000)	-	-
Net Change in Fund Balances	160,828	66,260	-
Fund Balance - October 1 (Beginning)	2,883,985	84,307	-
Fund Balance - September 30 (Ending)	$ 3,044,813	$ 150,567	$ -

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

Other Funds	Total Governmental Funds
$ 1,920,995	$ 6.650.359
765,225	986.320
52,709	760.893
139,351	488.988
26,706	239.876
2,904,986	9,126,436
80,513	2.461.889
2.348.236	2.418.715
296,999	768.191
40,836	1.345.110
85,347	1.742.018
4,290	27.160
-	12.500
2,856,221	8,775,583
48,765	350,853
75,000	75.000
-	(75.000)
75,000	-
123,765	350,853
2,383,854	5,352,146
$ 2,507,619	$ 5,702,999

COUNTY OF RUNNELS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES -MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Total Net Change in Fund Balances - Governmental Funds	$	350,853
Current year capital outlays and long-term debt principal payments are expenditures in the governmental funds financial statements. They are increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of these adjustments is to increase (decrease) net position.		279,234
Depreciation is not recognized as an expense in the governmental funds financial statements. The net effect of this adjustment is to decrease net position.		(421,024)
Change in Net Position of Governmental Activities	$	209,063

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

COUNTY OF RUNNELS
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
SEPTEMBER 30, 2024

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	$ 351,759
Total Assets	351,759
LIABILITIES	
Due to Other Governments	44,641
Due to Others	61,878
Total Liabilities	106,519
NET POSITION	
Restricted for Custodial Purposes	245,240
Total Net Position	$ 245,240

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

COUNTY OF RUNNELS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

		Custodial Funds
ADDITIONS:		
Property Taxes	$	17,384,299
Fees and Fines		2,304,415
Charges for Services		64,271
Bond and Registry Accounts		79,749
Interest		47,814
Total Additions		19,880,548
DEDUCTIONS:		
Property Taxes Remitted to Entities		17,274,745
State and County Fines and Fees		2,289,353
Bond and Registry Accounts		1,097
Collection Fees		123,881
Miscellaneous		47,814
Corrections and Rehabilitation		64,808
Total Deductions		19,801,698
Net Change in Fiduciary Net Position		78,850
Total Net Position - October 1 (Beginning)		166,390
Total Net Position - September 30 (Ending)	$	245,240

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Runnels, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

A. Reporting Entity

The County of Runnels, Texas, was organized by an Act of the Texas Legislature in 1880. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe how 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

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

Basis of Accounting

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental funds:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Special Revenue Fund - SLFRF Grant Fund - This Fund accounts for the revenues and expenditures for the Coronavirus State and Local Fiscal Recovery Funds provided under the American Rescue Plan for response and recovery related to the COVID -19 public health emergency.

Special Revenue Fund - Rural Law Enforcement Salary Assistance Grant Fund - This Fund accounts for the revenues and expenditures for the Rural Law Enforcement Salary Assistance Program for supplemental law enforcement salaries and equipment.

Additionally, the government reports the following fund types:

Debt Service Fund - This Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Special Revenue Funds - These Funds account for resources restricted to, or committed for, specific purposes by the County or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund.

Fiduciary Funds account for assets held by the County in a trustee capacity or resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those Funds are not available to support the County’s own programs.

The County has the following Fiduciary Funds:

Custodial Funds - These Funds are used to account for assets which are held by the County in a custodial capacity or as an agent for individuals, private organizations, other governments, or other County funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

E. Capital Assets

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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.

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

Assets	Years
Buildings and Improvements	20-30
Machinery and Equipment	5-10

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

F. Long-Term Debt

Long-term debt arising from modified cash basis transactions to be repaid from governmental resources is reported as liabilities in the government-wide financial statements.

Long-term debt arising from modified cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

G. Compensated Absences

County employees are entitled to vacation and sick leave based on their length of employment. Sick leave accumulates but does not vest. Vacation leave does not accumulate or vest. Employees who retire or voluntarily terminate employment will be paid for 50 days of unused sick leave if they have worked for the County for more than eight years and have accumulated more than 50 days of sick leave. Employees who voluntarily terminate employment will be paid for any unused vacation leave.

H. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Net Position on the Statement of Net Position - Continued

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Restricted by Legislation - This component of net position represents the difference between assets and liabilities of certain Special Revenue Funds that consists of assets with constraints placed on their use by state legislation.

Unrestricted - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets, Restricted for Debt Service, or Restricted by Legislation.

I. Fund Balances/Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioners' Court has provided otherwise in its commitment or assignment actions.

Restricted net position for custodial purposes represents the net position available in the custodial funds for distribution to individuals, private organizations, and other governments.

J. Implementation of New Accounting Standard

The County implemented the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). The County determined there was no impact upon its financial position, results of operations, or cash flows upon adoption.

K. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are recognized as revenues when they are collected.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund, Special Revenue Funds, and Debt Service Fund are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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, and (9) 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, and (10) 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.

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the County's name.

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The County is not exposed to this risk as described in the preceding paragraph.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2024, the County was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

B. Interfund Receivables, Payables, and Transfers

1. The following is a summary of amounts due from and due to other funds:

	Due From	Due To	Purpose
Nonmajor Governmental Funds			
Nonmajor Road and Bridge Fund	$ 8,586	$ 0	Operating Loan
Nonmajor CTIF Grant Fund	0	8,586	Operating Loan
Totals	$ 8,586	$ 8,586	

All amounts due are expected to be repaid within one year.

2. Interfund transfers consist of the following:

Transfers From	Transfers To	Amount	Purpose
General Fund	Nonmajor Special Revenue Fund	$ 75,000	Current Operations

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets

Capital asset activity for the year ended September 30, 2024, was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassification	Ending Balance
Capital Assets					
Land	$ 63,957	$ 0	$ 0	$ 0	$ 63,957
Buildings and Improvements	6,436,602	53,667	0	130,102	6,620,371
Machinery and Equipment	4,032,410	195,697	(10,000)	(2)	4,218,105
Construction in Progress	130,100	0	0	(130,100)	0
Total Capital Assets	$ 10,663,069	$ 249,364	$ (10,000)	$ 0	$ 10,902,433
Less Accumulated Depreciation					
Buildings and Improvements	$ (4,785,539)	$ (200,131)	$ 0	$ 0	$ (4,985,670)
Machinery and Equipment	(3,066,337)	(220,893)	10,000	0	(3,277,230)
Total Accumulated Depreciation	$ (7,851,876)	$ (421,024)	$ 10,000	$ 0	$ (8,262,900)
Governmental Activities Capital Assets, Net	$ 2,811,193	$ (171,660)	$ 0	$ 0	$ 2,639,533

Depreciation expense was charged to governmental activities programs as follows:

General Government	$ 155,745
Roads and Bridges	100,266
Justice System	1,881
Public Safety	17,514
Corrections and Rehabilitation	138,331
Public Health and Welfare	7,287
Total	$ 421,024

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Unearned Revenue

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Funds	Total
SLFRF Grant Funds	$ 0	$ 913,237	$ 913,237
Rural Law Enforcement Grant Funds	0	327,725	327,725
Insurance Proceeds	84,176	0	84,176
Miscellaneous	2,066	2,000	4,066
Totals	$ 86,242	$ 1,242,962	$ 1,329,204

E. Long Term Debt

Financed Purchases

The County's outstanding financing agreements are all direct placement financing and are payable from the General Fund, the Road and Bridge Funds, and the Paving Fund, as follows:

Payable from the General Fund

Financed purchase to finance the acquisition of a 2022 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 6.25%.[2]	$ 37,253
Financed purchase to finance the acquisition of a 2022 Chevrolet Tahoe for the Sheriff's Office. Payable to American National Leasing with an interest rate of 6.25%.[2]	30,969
Financed purchase to finance the acquisition of a 2022 Chevrolet Silverado. Payable to American National Leasing in annual installments with an interest rate of 2.75%.[2]	18,798
Financed purchase to finance the acquisition of a 2022 Chevrolet Silverado. Payable to American National Leasing in annual installments with an interest rate of 2.75%.[2]	21,045
Financed purchase for the purchase of hardware and software for the Election's Department. Payable to First Financial Bank in yearly installments with an interest rate of 3.331%.[1, 4]	33,725
Financed purchase for the purchase of hardware and software for the Election's Department. Payable to First Financial Bank in yearly installments with an interest rate of 3.381%.[1, 4]	13,284
Total Payable from the General Fund	$ 155,074

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Long Term Debt - Continued

Financed Purchases - Continued

Payable from the Road and Bridge Funds

Financed purchase to finance the acquisition of a 2021 John Deere 672G Motor Grader. Payable to First National Bank, in annual installments with an interest rate of 2.65%.[3]	$	202,792
Financed purchase to finance the acquisition of a 2021 John Deere 544 Wheel Loader. Payable to First National Bank, in annual installments with an interest rate of 2.65%.[3]		52,409
Financed purchase to finance the acquisition of a 2017 John Deere 672G Motor Grader. Payable to First National Bank, in annual installments with an interest rate of 5.16%.[3]		131,383
Financed purchase to finance the acquisition of a 2018 John Deere 672G Motor Grader. Payable to First National Bank, in annual installments with an interest rate of 5.65%.[3]		108,665
Financed purchase to finance the acquisition of a 2023 John Deere 60G Excavator. Payable to First National Bank, in annual installments with an interest rate of 5.65%.[3]		69,557
Financed purchase to finance the acquisition of a 2010 John Deere 770G Motor Grader. Payable to First Financial Bank in annual installments with an interest rate of 5.95%.[3]		146,650
Financed purchase to finance the acquisition of 2019 Mack Water Truck. Payable to First National Bank, in annual installments with an interest rate of 3.95%.[3]		53,148
Financed purchase to finance the acquisition of 2016 Case Farmall Tractor. Payable to First National Bank, in annual installments with an interest rate of 2.65%.[3]		38,648
Financed purchase to finance the acquisition of 2022 John Deere 310SL Backhoe. Payable to First National Bank, in annual installments with an interest rate of 4.16%.[3]		49,988
Total Payable from Road and Bridge Funds	$	853,240
Total Financed Purchases Payable	$	1,008,314

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Long Term Debt - Continued

Financed Purchases - Continued

Future minimum financed purchase payments are as follows:

Year Ending September 30,	Financed Purchases (Direct Placement) Principal	Interest	Total
2025	$ 283,044	$ 42,900	$ 325,944
2026	420,279	31,995	452,274
2027	157,546	16,205	173,751
2028	114,630	8,350	122,980
2029	32,815	1,952	34,767
Totals	$ 1,008,314	$ 101,402	$ 1,109,716

The following is a summary of the changes in long-term debt for the year ended September 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance
Financed Purchases	$ 1,178,802	$ 146,650	$ 317,138	$ 1,008,314

[1] The financing proceeds for this purchase were received by the County and accordingly paid to the Vendor. Under the modified cash basis of accounting these leases are recorded on the Statement of Net Position as a liability.

[2] The financing is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to repossess the property.

[3] The financing is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to repossess the property or to file suit, action or special proceeding as permitted by law.

[4] The financing is secured by a lien on the equipment. In case of default by the County in the payment of principal of and/or interest on the lease, the lender shall have right to file suit, action or special proceeding as permitted by law.

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The County provides retirement, disability, and death benefits through a nontraditional defined benefit pension plan in the statewide, Texas County & District Retirement System (TCDRS). All full-time 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. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

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

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

Funding Policy - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. However, the governing body chose to contribute at an elected rate of 6.00% in both 2023 and 2024 that exceeded the actuarially determined rates of 4.51% and 3.43%, respectively, as allowed by the provisions of the TCDRS Act.

The deposit rate payable by the employee members for calendar year 2024 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Actuarial Assumptions - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2023 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2023 Summary Valuation Report for further details.

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Following are the key assumptions and methods used in this GASB analysis:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis 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 (Level Percent of Pay)
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	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	2.5%
Salary Increases	4.7%
Investment Rate of Return	7.6% (Gross of Administrative Expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the 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	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on 135% for males and 120% for females of the gender-distinct Pub-2010 General Employees Amount-Weighted Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 135% for males and 120% for females of the Pub-2010 General Retirees Amount-Weighted Mortality Table. Disabled retirees are based on 160% for males and 125% for females of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table. All of the rates are projected with 100% of the MP-2021 Ultimate scale after 2010.

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Long-Term Expected Rate of Return - The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2024 information for a 10-year time horizon.

Note the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at its March 2022 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (Net) Index	2.50%	4.75%
International Equities - Developed Markets	MSCI World Ex USA (Net) Index	5.00%	4.75%
International Equities - Emerging Markets	MSCI Emerging Markets (Net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.65%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (Net) Index	2.00%	4.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.60%

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Depletion of Plan Assets/GASB Discount Rate - The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.

2. The actuarial present value of projected benefit payments not included in 1, calculated using the municipal bond rate.

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

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments.

The funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act are such that a depletion is not projected to occur.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.6%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Changes in Net Pension Liability (Asset) - The following presents the increases (decreases) 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)
Balance as of December 31, 2022	$ 14,870,564	$ 16,397,205	$ (1,526,641)
Changes for the Year:			
Service Cost	$ 327,181	$ 0	$ 327,181
Interest on Total Pension Liability	1,118,870	0	1,118,870
Effect of Plan Changes	0	0	0
Effect of Economic/Demographic Gains or Losses	171,933	0	171,933
Effect of Assumptions Changes or Inputs	0	0	0
Refund of Contributions	(27,502)	(27,502)	0
Benefit Payments	(941,798)	(941,798)	0
Administrative Expenses	0	(9,203)	9,203
Member Contributions	0	230,052	(230,052)
Net Investment Income	0	1,796,707	(1,796,707)
Employer Contributions	0	197,189	(197,189)
Other	0	(20,559)	20,559
Net Changes	$ 648,684	$ 1,224,886	$ (576,202)
Balance as of December 31, 2023	$ 15,519,248	$ 17,622,091	$ (2,102,843)

Sensitivity Analysis - The following presents the net pension liability (asset) of the County, calculated using the discount rate of 7.6%, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.6%) or 1 percentage point higher (8.6%) than the current rate.

	1% Decrease in Discount Rate (6.6%)	Current Discount Rate (7.6%)	1% Increase in Discount Rate (8.6%)
Total Pension Liability	$ 17,112,489	$ 15,519,248	$ 14,141,735
Fiduciary Net Position	17,622,091	17,622,091	17,622,091
Net Pension Liability (Asset)	$ (509,602)	$ (2,102,843)	$ (3,480,356)

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Pension Expense (Income) - The following presents the components of pension expense (income):

Pension Expense (Income)	January 1, 2023 to December 31, 2023
Service Cost	$ 327,181
Interest on Total Pension Liability	1,118,870
Effect of Plan Changes	0
Administrative Expenses	9,203
Member Contributions	(230,052)
Expected Investment Return Net of Investment Expenses	(1,224,856)
Recognition of Deferred Outflows/Inflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(96,358)
Recognition of Assumption Changes or Inputs	(46,822)
Recognition of Investment Gains or Losses	(352,659)
Other	20,559
Total Pension Expense (Income)	$ (474,934)

Deferred Outflows/Deferred Inflows of Resources -As of September 30, 2024, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 114,623	$ 136,672
Changes in Assumptions	-	-
Net Differences Between Projected and Actual Earnings	29,956	-
Contributions Made Subsequent to Measurement Date	179,812	-
Totals	$ 324,391	$ 136,672

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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 Ending September 30,	Pension Expense Amount
2024	$ (219,041)
2025	(15,534)
2026	356,852
2027	(114,370)
2028	0
Thereafter	0

The net pension liability (asset), deferred resource outflows, and deferred resource inflows related to the pension liability (asset) are reported in the notes to the financial statements. Due to the County's reporting on the OCBOA - modified cash basis, these items are not reflected in the financial statements.

B. Other Postemployment Benefits (OPEB)

Plan Description - The County participates in the Group Term Life (GTL) program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system. All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year, and are eligible for the TCDRS pension plan. Only employers that have elected to participate in the GTL program are included in the OPEB plan.

Benefits Provided - The plan provides a $5,000 postretirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the GTL program. The OPEB benefit is a fixed $5,000 lump-sum benefit, and no future increases are assumed in the benefit amount.

Contributions made to the retiree GTL program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown in the changes in the total OPEB liability.

Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. The County's contribution rate for the retiree GTL program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to $5,000.

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Employees Covered by Benefit Terms - At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	76
Inactive Employees Entitled to but not yet Receiving Benefits	16
Active Employees	83
Total	175

Total OPEB Liability - The County's total OPEB liability of $377,462 was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2023
Actuarial Cost Method	Entry Age Level Percent of Salary
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
Investment Rate of Return (Discount Rate)	3.26%

The TCDRS GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (Paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher municipal bonds. Therefore, a discount rate of 3.26% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2023. At transition, GASB 75 also requires that the total OPEB liability as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary estimated the total OPEB liability as of December 31, 2022, using a discount rate of 3.72% as of December 31, 2022.

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Mortality rates were based on the following criteria:

Depositing Members	135% of the Pub-210 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010
Service Retirees, Beneficiaries and Non-Depositing Members	135% of the Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for Females, both projected with 100% for the 2021 Ultimate scale after 2010.
Disabled Retirees	160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% for the 2021 Ultimate scale after 2010.

All actuarial assumptions that determined the total OPEB liability as of December 31, 2023, were based on the results of an actuarial experience study for the period January 1, 2017 - December 31, 2020, except where required to be different by GASB 75.

Changes in Total OPEB Liability - The following presents the increases (decreases) in total OPEB liability:

Changes in Total OPEB Liability

Balance as of December 31, 2022	$ 301,112
Changes for the Year:	
Service Cost	$ 5,800
Interest on Total OPEB Liability	11,272
Changes of Benefit Terms	0
Effect of Economic/Demographic Experience	5,184
Effect of Assumptions Changes or Inputs	21,152
Benefit Payments	(7,887)
Other	0
Net Changes	$ 35,521
Balance as of December 31, 2023	$ 336,633

Changes of assumptions or other inputs reflect a change in the discount rate from 3.72% in 2022 to 3.26% in 2023.

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

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Sensitivity Analysis - The following presents the total OPEB liability of the County, calculated using the discount rate of 3.26%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.26%) or 1 percentage point higher (4.26%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate (2.26%)	Current Discount Rate (3.26%)	1% Increase in Discount Rate (4.26%)
Total OPEB Liability	$ 390,837	$ 336,633	$ 293,174

OPEB Expense (Income) - The following presents the components of OPEB expense (income):

OPEB Expense (Income)	January 1, 2023 to December 31, 2023
Service Cost	$ 5,800
Interest on Total OPEB Liability	11,272
Effect of Plan Changes	0
Recognition of Deferred Outflows/Inflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(1,670)
Recognition of Assumption Changes or Inputs	(5,389)
Other	0
Total OPEB Expense (Income)	$ 10,013

Deferred Outflows/Deferred Inflows of Resources -As of September 30, 2024, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 4,404	$ 2,410
Changes in Assumptions	17,741	42,352
Contributions Made Subsequent to Measurement Date	12,319	-
Totals	$ 34,464	$ 44,762

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

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

Year Ending September 30,	OPEB Expense Amount
2024	$ (14,866)
2025	(14,335)
2026	6,584
2027	0
2028	0
Thereafter	0

The total OPEB liability (asset), deferred resource outflows, and deferred resource inflows related to the total OPEB liability (asset) are reported in the notes to the financial statements. Due to the County's reporting on the OCBOA - modified cash basis, these items are not reflected in the financial statements.

C. Self-Insurance

The County has entered into an interlocal participation agreement with the Texas Association of Counties Workers' Compensation Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other county-related political subdivisions of the State of Texas that was created to provide workers' compensation benefits for its members pursuant to the provisions of Article 8309h, Texas Revised Civil Statutes Annotated. The Fund provides for the self-insurance of certain defined risks jointly among the Fund members. The Fund is required to provide stop-loss coverage; however, the amount of this coverage may be adjusted at the discretion of the Fund's Board of Trustees. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid into the Fund. The County made contributions to the Fund based upon its standard annual premium which was computed using the Texas State Board of Insurance workers' compensation rates and adjusted by the County's experience modifier. Contributions are adjusted annually based upon the County's experience modifier; however, contributions are subject to adjustments on an interim basis if such adjustments are the result of changes mandated by state law.

The County has entered into an interlocal participation agreement with the Texas Association of Counties County Government Risk Management Pool (the Pool). The Pool is an unincorporated association of counties that was created to provide liability coverage to its members pursuant to the provisions of Article 4413 (32i), Texas Revised Civil Statutes Annotated. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The Pool provides stop-loss coverage at the discretion of the Pool's Board of Trustees. The County made contributions to the Pool based upon a rating system approved by the Pool's Board of Trustees. Contributions are adjusted annually based upon the County's loss experience; however, the Pool has the right to impose a surcharge for any year in which the County's loss experience is higher than was projected in the rating system. The County's participation in the Pool provides coverage for public officials' liability, law enforcement liability, comprehensive auto liability, comprehensive general liability, and heavy equipment.

IV. OTHER INFORMATION - Continued

C. Self-Insurance - Continued

The County has entered into an interlocal participation agreement with the Texas Association of Counties Property and Casualty Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other political subdivisions of the State of Texas that was created to provide property and casualty insurance to its members pursuant to Article 715C, Texas Revised Civil Statutes Annotated. Coverage provided by the Fund may differ from member to member depending on the nature of the risk to be covered. The County made contributions to the Fund based upon rates approved by Board of Trustees of the Fund. Contributions are adjusted annually based upon the County's loss experience. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid into the Fund; however, this contribution may include surcharges specifically related to the County's loss experience. The County's participation in the Fund provides coverage for property damage.

D. Tax Abatements

The County has entered into contractual agreements with various energy companies, in which the County has agreed to reduce the amount of ad valorem taxes payable on certain improvements constructed after the date the agreement was reached in accordance with Chapter 312 of the State of Texas Tax Code. The terms of the agreement are limited by the guidelines and criteria established by the Commissioner Court. For the 2023 tax year projects were not complete; therefore, no taxes were abated in this fiscal year.

E. Subsequent Events

On May 4, 2024, the taxpayers of the County approved the issuance of general obligation bonds in the amount of $3,900,000 for the improvement and equipping of the County jail facility. The bonds will be issued in fiscal year 2025.

The County's management has evaluated subsequent events through June 5, 2025, the date which the financial statements were available for issue.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

Bickerstaff
Heath Delgado Acosta LLP

_______________, 2025

$3,900,000
RUNNELS COUNTY, TEXAS
GENERAL OBLIGATION BONDS
SERIES 2025

WE HAVE ACTED AS BOND COUNSEL in connection with the issuance by Runnels County, Texas (the “County”) of its $3,900,000 aggregate original principal amount of General Obligation Bonds, Series 2025, dated July 15, 2025 (the "Bonds").

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

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

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. Interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code and will not constitute a specific item

of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax.

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

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

Respectfully,