

EASTLAND COUNTY, TEXAS

**\$2,400,000
CERTIFICATES OF OBLIGATION,
SERIES 1998**

**Sealed Bids Due Monday, June 29, 1998
at 11:00 AM, CDT**

Ratings: Moody's: "Aaa"
(Financial Security Assurance Inc. Insured)

**SUPPLEMENT TO
OFFICIAL STATEMENT**

relating to

**\$2,400,000
EASTLAND COUNTY, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 1998**

On June 29, 1998, the above-captioned certificates (the "Certificates") were awarded to an underwriter or group of underwriters managed by First Southwest Company (the "Purchasers"). The interest rate with respect to each maturity of Certificates and the initial reoffering price/yield for each maturity are as follows:

MATURITY SCHEDULE

		Initial				Initial	
		Reoffering				Reoffering	
		Price or				Price or	
<u>Amount</u>	<u>Maturity</u> <u>(February 15)</u>	<u>Rate</u>	<u>Yield</u>	<u>Amount</u>	<u>Maturity</u> <u>(February 15)</u>	<u>Rate</u>	<u>Yield</u>
\$ 165,000	1999	5.50%	3.75%	\$ 250,000	2004	5.00%	4.20%
200,000	2000	5.50%	3.90%	260,000	2005	4.00%	4.25%
210,000	2001	5.50%	4.00%	270,000	2006	4.00%	4.30%
225,000	2002	5.50%	4.10%	285,000	2007	4.00%	4.35%
235,000	2003	5.50%	4.15%	300,000	2008	4.00%	4.40%

The initial reoffering prices/yields were supplied to the County by the Purchasers and such initial reoffering prices/yields for one or more maturities may be changed at any time and from time to time by the Purchasers and other dealers. The initial reoffering prices/yields, less the cost of insurance noted below, would produce compensation to the Purchasers of approximately \$12,554.85.

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by FINANCIAL SECURITY ASSURANCE INC.



The following pages contain information regarding such insurance and a specimen insurance policy.

Subject to circumstances occurring subsequent to the date hereof, this Supplement together with the Official Statement noted above, dated June 8, 1998, constitute the "Final Official Statement" within the meaning of SEC Rule 15c2-12.

Dated: June 29, 1998

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

THE POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is a New York Stock Exchange listed company whose major shareholders include Fund American Enterprises Holdings, Inc., The Tokio Marine and Fire Insurance Co., Ltd. and U S WEST Capital Corporation. The shareholders of Holdings are not liable for the obligations of Financial Security.

At March 31, 1998, Financial Security's total policyholders' surplus and contingency reserves were approximately \$808,603,000 and its total unearned premium reserve was approximately \$503,683,000 in accordance with statutory accounting principles. At March 31, 1998, Financial Security's total shareholders' equity was approximately \$923,047,000 and its total net unearned premium reserve was approximately \$428,158,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds.

Copies of such materials incorporated by reference will be provided upon request to Financial Security: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.



FINANCIAL SECURITY ASSURANCE.

ISSUER:

BONDS:

MUNICIPAL BOND INSURANCE POLICY

Policy No.:

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 P.M. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent

for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly provided by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 26 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/80)

OFFICIAL STATEMENT

Dated June 8, 1998

Ratings:
Moody's: Applied For
See ("Other Information
Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Exemption" herein, including the alternative minimum tax on corporations.

THE CERTIFICATES HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$2,400,000 **EASTLAND COUNTY, TEXAS** **CERTIFICATES OF OBLIGATION, SERIES 1998**

Dated Date: June 15, 1998

Due: February 15, as shown below

PAYMENT TERMS . . . Interest on the \$2,400,000 Eastland County, Texas, Certificates of Obligation, Series 1998 (the "Certificates") will accrue from June 15, 1998, (the "Dated Date") and will be payable February 15 and August 15 of each year commencing February 15, 1999, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates 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 Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates 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 Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Bank One, Texas, N.A., Fort Worth, Texas (see "The Certificates - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of Eastland County, Texas (the "County"), payable from a continuing ad valorem tax levied on all taxable property within the County, within the limits prescribed by law, as provided in the order authorizing the Certificates (the "Order") (see "The Certificates - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used to construct a 73 bed expansion of the existing county jail located in Eastland, Texas, to pay architectural/engineering fees and to pay costs associated with issuance of the Certificates.

MATURITY SCHEDULE

Amount	Maturity (February 15)	Rate	Price or Yield	Amount	Maturity (February 15)	Rate	Price or Yield
\$ 165,000	1999			\$ 250,000	2004		
200,000	2000			260,000	2005		
210,000	2001			270,000	2006		
225,000	2002			285,000	2007		
235,000	2003			300,000	2008		

(Accrued Interest from June 15, 1998 to be added)

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2006, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2005, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates - Optional Redemption").

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser(s) and subject to the approving opinion of the Attorney General of Texas and the opinion of Fulbright & Jaworski L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for delivery through The Depository Trust Company on August 4, 1998.

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

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

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

The information and expressions of opinion contained herein 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.

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY	3	LITIGATION.....	27
COUNTY OFFICIALS, STAFF AND CONSULTANTS	5	REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE.....	27
ELECTED OFFICIALS.....	5	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS.....	27
OTHER ELECTED AND APPOINTED OFFICIALS	5	LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE	27
CONSULTANTS AND ADVISORS.....	5	AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION.....	27
INTRODUCTION	6	FINANCIAL ADVISOR.....	29
THE CERTIFICATES	6	CERTIFICATION OF THE OFFICIAL STATEMENT	29
TAX INFORMATION	9	APPENDICES	
TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT	12	GENERAL INFORMATION REGARDING THE COUNTY ...	A
TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY.....	12	EXCERPTS FROM THE ANNUAL FINANCIAL REPORT..	B
TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY.....	14	FORM OF BOND COUNSEL'S OPINION.....	C
TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY	14		
TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS.....	14		
TABLE 6 - TEN LARGEST TAXPAYERS	15		
TABLE 7 - TAX ADEQUACY	15		
TABLE 8 - ESTIMATED CONSOLIDATED OVERLAPPING DEBT	16		
DEBT INFORMATION	17		
TABLE 9 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS.....	17		
TABLE 10 - INTEREST AND SINKING FUND BUDGET PROJECTION	17		
TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS.....	17		
TABLE 12 - OTHER OBLIGATIONS	17		
FINANCIAL INFORMATION	20		
TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY	20		
TABLE 14 - SPECIAL REVENUE FUNDS	21		
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE	21		
TABLE 15 - CURRENT INVESTMENTS	23		
TAX MATTERS	25		
OTHER INFORMATION	27		
RATINGS.....	27		

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

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 Certificates 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, located in West Central Texas. The County covers approximately 932 square miles. The City of Eastland is the County Seat.
THE CERTIFICATES	The Certificates are issued as \$2,400,000 Certificates of Obligation, Series 1998. The Certificates are issued as serial certificates maturing February 15, 1999 through February 15, 2008 (see "The Certificates - Description of the Certificates").
PAYMENT OF INTEREST	Interest on the Certificates accrues from June 15, 1998, and is payable February 15, 1999, and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Certificates - Description of the Certificates" and "The Certificates - Optional Redemption").
AUTHORITY FOR ISSUANCE	The Certificates are issued pursuant to the general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an Order passed by the Commissioners Court of the County (see "The Certificates - Authority for Issuance").
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County (see "The Certificates - Security and Source of Payment").
QUALIFIED TAX-EXEMPT OBLIGATIONS	The County has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see "Tax Matters - Qualified Tax-Exempt Obligations for Financial Institutions").
REDEMPTION	The County reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2006, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2005, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates - Optional Redemption").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "Tax Matters" herein, including the alternative minimum tax on corporations.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used to construct a 73 bed expansion of the existing county jail located in Eastland, Texas, to pay architectural/engineering fees and to pay costs associated with issuance of the Certificates.
RATINGS	The County has no presently outstanding tax supported debt and consequently has no debt rated by Moody's Investors Service, Inc. ("Moody's"), by Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, Inc. ("S&P") or by Fitch IBCA, Inc. ("Fitch"). Application for contract rating on the Certificates has been made to Moody's (see "Other Information - Ratings").
BOOK-ENTRY-ONLY SYSTEM	The definitive Certificates 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 Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates 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 Certificates (see "The Certificates - Book-Entry-Only System").

PAYMENT RECORD..... The County has never defaulted in payment of its general obligation tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated County Population ⁽¹⁾	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Deb	Per Capita G.O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
1994	18,488	\$ 415,412,261	\$ 22,469	\$ 0	\$ 0	0.00%	99.51%
1995	18,488	406,380,803	21,981	0	0	0.00%	98.63%
1996	18,488	410,648,852	22,212	0	0	0.00%	99.38%
1997	18,488	405,316,373	21,923	0	0	0.00%	99.40%
1998	18,488	416,452,222	22,526	2,400,000 ⁽²⁾	130 ⁽²⁾	0.58% ⁽²⁾	94.59% ⁽³⁾

(1) Source: 1990 U.S. Census for all years.

(2) Projected; the Certificates.

(3) Partial collections through May 31, 1998.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	1997	1996	1995	1994	1993
Fund Balance - Beginning of Year	\$ 739,364	\$ 936,377	\$ 988,337	\$ 953,362	\$ 1,128,278
Total Revenue	2,517,964	2,186,841	2,210,297	2,272,739	2,184,397
Total Expenditures	2,571,167	2,367,137	2,262,257	2,158,184	2,213,979
Adjustments	-	(28,358)	-	(16,761)	-
Fund Balance - End of Year	<u>\$ 702,222</u>	<u>\$ 739,364</u>	<u>\$ 936,377</u>	<u>\$ 988,337</u>	<u>\$ 953,362</u>

For additional information regarding the County, please contact:

Mr. Donald H. Hazelip, CPA
County Auditor
Eastland County
100 W. Main, Room 205
Eastland, Texas 76448
(254) 629-6077

or

Joe W. Smith
Executive Director
First Southwest Company
402 Cypress, Suite 707
Abilene, Texas 79601
(915) 672-8432

COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Commissioners Court</u>	<u>Length of Service</u>	<u>Term Expires</u>
Scott Bailey County Judge	35 Years	December, 1998
Ken Lyerla Commissioner #1	6 Years	December, 2000
Calvin Ainsworth Commissioner #2	7 Years	December, 1998
L. T. Owen Commissioner #3	26 Years	December, 2000
Reggie Pittman Commissioner #4	7 Years	December, 1998

OTHER ELECTED AND APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service to County</u>	<u>Term Expires</u>
Joann Johnson	County Clerk	19 Years	December, 1998
Sandra Cagle	Tax Assessor/Collector	2 Years	December, 2000
Ruth Pugliese Hart	County Treasurer	11 Years	December, 1998
Donald H. Hazelip, CPA	County Auditor	2 Years	January, 1999*

* Appointed by District Judge of 91st District Court, Eastland County.

CONSULTANTS AND ADVISORS

Architects.....	BSA Design Group, Inc. Fort Worth, Texas
Auditors	Cameron L. Gulley Certified Public Accountant Eastland, Texas
Bond Counsel	Fulbright & Jaworski L.L.P. Dallas, Texas
Financial Advisor	First Southwest Company Abilene, Texas

OFFICIAL STATEMENT
RELATING TO
\$2,400,000
EASTLAND COUNTY, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 1998

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$2,400,000 Eastland County, Texas, Certificates of Obligation, Series 1998. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order adopted June 8, 1998 by the Commissioners Court authorizing the issuance of the Certificates (the "Order"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates 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, First Southwest Company, Dallas, Texas.

DESCRIPTION OF THE COUNTY . . . The County was organized in 1873 and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical Commissioners 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 Judge whose court is located in Eastland County. The 1990 Census population for the County was 18,488, while the estimated 1998 population is 18,488. The County covers approximately 932 square miles. The City of Eastland is the County Seat.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated June 15, 1998, and mature on February 15 in each of the years and in the amounts shown on the cover page hereof. Interest 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, 1999. The definitive Certificates 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 Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates 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 Certificates. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and an Order passed by the Commissioners Court on June 8, 1998.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the County is subject to a continuing direct annual ad valorem tax levied by the County sufficient to provide for the payment of principal of and interest on all obligations payable in whole or in part from ad valorem taxes, which tax must be levied within limits prescribed by law.

TAX RATE LIMITATION . . . General Operations; Limited Tax Bonds, Time Warrants, Certificates of Obligation and Contractual Obligations . . . Texas Constitution (Article VIII, Section 9) imposes a limit of \$0.80 per \$100 assessed valuation for all purposes of General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, including debt service of bonds, 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 maximum tax rate calculated at 90% collection. The Certificates are limited tax obligations payable from the constitutional tax rate.

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2006, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2005, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the County may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date

and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, 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 Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

BOOK-ENTRY-ONLY SYSTEM . . . The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC 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 securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Certificates under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system described herein is discontinued.**

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the Record Date (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts on each payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered

in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Information concerning DTC and the Book-Entry 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 or the Purchasers.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is Bank One, Texas, N.A., Fort Worth, 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 Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the County agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates 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 Certificates will be issued to the owners of the Certificates and thereafter the Certificates 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. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates 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 Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates 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 Certificates 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 Certificates surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the County nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 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 Certificate.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Certificates 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, 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 Certificate 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.

CERTIFICATEHOLDERS' REMEDIES . . . The Order does not establish specific events of default with respect to the Certificates. Under State law there is no right to the acceleration of maturity of the Certificates upon the failure of the County to observe any covenant under the Order. Although a registered owner of Certificates could presumably obtain a judgment against the County

if a default occurred in the payment of principal of or interest on any such Certificates, such judgment could not be satisfied by execution against any property of the County. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the County to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Order does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the County to perform in accordance with the terms of the Order, or upon any other condition. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

USE OF CERTIFICATE PROCEEDS . . . Proceeds from the sale of the Certificates are expected to be expended as follows:

	<u>Certificates</u>
Estimated cost of construction and equipment of County Jail expansion	\$ 2,221,500
Estimated Architectural/Engineering fees and related costs	152,000
Estimated Costs of Issuance	<u>26,500</u>
Total	<u>\$ 2,400,000</u>

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the County is the responsibility of the Eastland County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the less of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The County may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the County by petition filed with the Appraisal Review Board.

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

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

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is \$5,000.

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

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

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

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

The County and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. The County also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The County in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . By each September 1 or as soon thereafter as practicable, the Commissioners Court adopts a tax rate per \$100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the County must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The Commissioners Court may not adopt a tax rate that exceeds the prior year's levy until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the County by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the County is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the County's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

COUNTY APPLICATION OF TAX CODE . . . The County grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$12,000; the disabled are also granted an exemption of \$12,000.

The County has not granted an additional exemption of 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.

The County does not tax nonbusiness personal property; and the County collects its own taxes.

The County does permit split payments, first half due by November 30, second half due by June 30; discounts are allowed; 3% in October; 2% in November and 1% in December.

The County does not tax freeport property.

The County does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The County has not adopted a tax abatement policy.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

1997 Market Valuation Established by Eastland County Appraisal District (excluding totally exempt property)	\$ 635,662,962
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Less Exemptions/Reductions at 100% Market Value:

Residence Homestead Exemptions (Over 65 or Disabled)	\$ 26,297,080	
Disabled Veteran Exemptions	1,693,850	
Freeport Loss	1,153,460	
Agricultural/Open-Space Land Use Reductions	<u>190,066,350</u>	<u>219,210,740</u>

1997 Taxable Assessed Valuation	\$ 416,452,222
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General Obligation Debt Payable from Ad Valorem Taxes (as of 5/31/98)

The Certificates ⁽¹⁾	<u>2,400,000</u>
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General Obligation Debt Payable from Ad Valorem Taxes	\$ 2,400,000
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Ratio Funded Debt to Taxable Assessed Valuation	0.58%
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1998 Estimated Population - 18,488 ⁽²⁾

Per Capita 1997 Taxable Assessed Valuation 22,526

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$130

(1) The County has no outstanding general obligation debt.

(2) 1990 U.S. Census.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	1998		1997		1996	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	\$ 114,504,960	18.01%	\$ 112,320,930	18.00%	\$ 110,313,791	17.59%
Real, Residential Multi-Family	4,059,980	0.64%	4,076,670	0.65%	4,440,211	0.71%
Real, Vacant Lots/Tracts	4,848,560	0.76%	4,473,292	0.72%	4,476,406	0.71%
Real, Acreage (Land Only)	230,746,050	36.30%	230,809,640	36.99%	245,063,347	39.08%
Real, Farm and Ranch Improvements	65,658,442	10.33%	63,561,220	10.19%	46,254,604	7.38%
Real, Commercial and Industrial	52,692,440	8.29%	52,790,980	8.46%	52,789,304	8.42%
Real, Oil, Gas and Other Minerals	32,007,060	5.04%	30,373,550	4.87%	37,644,210	6.00%
Non-prod minerals	3,600	0.00%	8,160	0.00%	11,540	0.00%
Real and Tangible Personal, Utilities	75,196,290	11.83%	71,931,380	11.53%	73,732,850	11.76%
Tangible Personal, Commercial and Industrial	53,885,560	8.48%	51,402,951	8.24%	49,941,189	7.97%
Tangible Personal, Mobile Homes	1,741,020	0.27%	1,740,880	0.28%	1,890,240	6.00%
Tangible Personal, Other	319,000	0.05%	438,560	0.07%	448,080	0.07%
Total Appraised Value Before Exemptions	\$ 635,662,962	100.00%	\$ 623,928,213	100.00%	\$ 627,005,772	105.70%
Less: Total Exemptions/Reductions	(219,210,740)		(218,611,840)		(216,356,920)	
Taxable Assessed Value	<u>\$ 416,452,222</u>		<u>\$ 405,316,373</u>		<u>\$ 410,648,852</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	1995		1994	
	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	\$ 108,349,250	17.31%	\$ 108,385,445	17.06%
Real, Residential Multi-Family	4,494,310	0.72%	4,735,472	0.75%
Real, Vacant Lots/Tracts	4,792,375	0.77%	4,790,600	0.75%
Real, Acreage (Land Only)	245,661,599	39.26%	246,046,210	38.73%
Real, Farm and Ranch Improvements	45,588,909	7.29%	44,083,080	6.94%
Real, Commercial and Industrial	55,243,654	8.83%	56,818,572	8.94%
Real, Oil, Gas and Other Minerals	39,469,680	6.31%	43,545,430	6.86%
Non-prod minerals	10,700	0.00%	10,810	0.00%
Real and Tangible Personal, Utilities	68,496,933	10.95%	71,617,891	11.27%
Tangible Personal, Commercial and Industrial	50,143,773	8.01%	51,272,012	8.07%
Tangible Personal, Mobile Homes	2,305,080	0.37%	2,256,150	0.36%
Tangible Personal, Other	1,200,530	0.19%	1,182,990	0.19%
Intangible Personal	-	0.00%	463,200	0.07%
Total Appraised Value Before Exemptions	\$ 625,756,793	100.00%	\$ 635,207,862	100.00%
Less: Total Exemptions/Reductions	(219,375,990)		(219,795,601)	
Taxable Assessed Value	<u>\$ 406,380,803</u>		<u>\$ 415,412,261</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Eastland County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
1994	18,488	\$ 415,412,261	\$ 22,469	\$ 0	0.00%	\$ 0
1995	18,488	406,380,803	21,981	0	0.00%	0
1996	18,488	410,648,852	22,212	0	0.00%	0
1997	18,488	405,316,373	21,923	0	0.00%	0
1998	18,488	416,452,222	22,526	2,400,000 ⁽³⁾	0.58% ⁽³⁾	130 ⁽³⁾

(1) Source: 1990 U.S. Census for all years.

(2) As reported by the Eastland County Appraisal District on County's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Projected; the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% Current Collections ⁽¹⁾	% Total Collections ⁽²⁾
		General Fund	Interest and Sinking Fund			
1994	\$ 0.38091	\$ 0.38091	\$ -	\$ 1,581,949	93.31%	99.51%
1995	0.38091	0.38091	-	1,553,130	93.17%	98.63%
1996	0.38090	0.38090	-	1,558,952	93.44%	99.38%
1997	0.40067	0.40067	-	1,626,004	93.23%	99.40%
1998	0.40470	0.40470	-	1,690,591	91.85% ⁽³⁾	94.59% ⁽³⁾

(1) Current Collections for 1993-1996 calculated for the period October 1 through June 30.

(2) Total Collections for 1993-1996 calculated for the period October 1 through September 30.

(3) Collections for part year only, through May 31, 1998.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

Constitutional Tax Rate ⁽¹⁾	Fiscal Year Ended September 30,				
	1997	1996	1995	1994	1993
General Fund ⁽¹⁾	\$ 0.40470	\$ 0.40067	\$ 0.38090	\$ 0.38091	\$ 0.38091
Interest and Sinking Fund ⁽²⁾	-	-	-	-	-
Total Constitutional Tax Rate	\$ 0.40470	\$ 0.40067	\$ 0.38090	\$ 0.38091	\$ 0.38091

(1) The County levies a Constitutional Tax Rate only. For each year shown, including 1997, ad valorem taxes received from levy of the General Fund Tax Rate were, and are, divided 65% to the County's "General Fund" and 35% to the County's "Road and Bridge Fund" (accounted for as part of the "Special Revenue Fund"). The allocation of ad valorem taxes to the Road and Bridge Fund is further allocated to each of the four Commissioners Precincts on the basis of total County Road miles in each Precinct.

(2) The County had no outstanding general obligation debt during these years.

TABLE 6 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	1997 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Southwestern Bell Telephone Company	Telephone Utility	\$ 13,903,240	3.34%
Enserch Corporation - Lone Star Gas Division	Gas Utility	11,562,450	2.78%
EBAA Iron Inc.	Ductile Iron Castings	10,475,170	2.52%
Enserch Processing Company	Natural Gas Processing and Transmission	8,906,610	2.14%
Texas Utilities Electric Company	Electric Utility	8,686,220	2.09%
Birdsong Peanuts	Peanut Processing and Storage	6,241,510	1.50%
Missouri Pacific Railroad	Railroad (Union Pacific)	4,375,690	1.05%
North Ridge Corporation	Mineral Properties	4,211,960	1.01%
Western Gas Resources	Mineral Properties	2,476,340	0.59%
West Texas Utilities Company	Electric Utility	2,645,290	0.64%
		<u>\$ 73,484,480</u>	<u>17.65%</u>

GENERAL OBLIGATION DEBT LIMITATION . . .

Limited Tax Bonds Payable From the \$0.80 Constitutional Tax Rate . . . Article 722, VATCS, limits the amount of bonds that may be issued for certain purposes as follows:

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

However, courthouse, jail and certain other types of bonds may be issued under the authority of Article 2370b, VATCS, which removes the above limitations.

Article VIII, Section 9. of the Texas Constitution, imposes a limit of \$0.80 per \$100 Assessed Valuation for all constitutional purposes, including the General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, and debt service of bonds, certificates, warrants and certificates of obligation issued against such funds. Administratively, the Attorney General of the State of Texas will permit allocation of \$0.40 of the \$0.80 constitutional tax rate for Limited Tax Bond debt service.

The Certificates are limited tax obligations payable from within the County's \$0.80 constitutional tax rate.

Unlimited Tax Road Bonds . . . Article III, Section 52, Texas Constitution, provides that Unlimited Tax Road Bond Debt may not exceed 25% of the County's assessed valuation of real estate.

TABLE 7 - TAX ADEQUACY

Average Annual Principal and Interest Requirements, the Certificates, 1999 - 2008	\$	308,927
\$0.08 Tax Rate at 95% Collection Produces	\$	316,504

TABLE 8 - 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.

Governmental Subdivision	1997 Taxable Assessed Value	1997 Tax Rate	Total G.O. Tax Debt	Estimated % Applicable	County's Overlapping G.O. Tax Debt As of 5/31/98	Authorized But Unissued Debt As of 5/31/98
Eastland County	\$ 416,452,222	\$ 0.40470	\$ 2,400,000 ⁽¹⁾	100.00%	\$ 2,400,000	\$ 0
Special Districts						
Cisco Hospital District	\$ 101,255,772	\$ 0.17158	0	100.00%	\$ 0	\$ 0
Eastland Memorial Hospital District	153,782,650	0.11000	0	100.00%	0	0
Ranger Hospital District	62,788,780	0.28932	0	100.00%	0	0
Ranger Junior College District	62,162,920	0.23084	0	100.00%	0	0
County-Line Special District						
Cisco Junior College District	\$ 103,994,872	\$ 0.19274	0	99.73%	\$ 0	\$ 0
Total Special Districts					\$ 0	
Cities						
City of Carbon	\$ 3,493,080	\$ 0.82170	0	100.00%	\$ 0	\$ 0
City of Cisco	52,212,140	0.79500	172,471	100.00%	172,471	0
City of Eastland	70,970,820	0.57797	2,125,000	100.00%	2,125,000	0
City of Gorman	20,454,790	1.20287	270,000	100.00%	270,000	0
City of Ranger	30,373,710	0.55028	0	100.00%	0	0
City of Rising Star	8,465,780	0.64000	0	100.00%	0	0
Total Cities					\$ 2,567,471	
School Districts						
Eastland ISD	\$ 154,410,060	\$ 1.26500	0	100.00%	\$ 0	\$ 0
County-Line School Districts						
Cisco ISD	\$ 90,833,372	\$ 1.30000	0	99.69%	\$ 0	\$ 0
Cross Plains ISD	59,968,004	1.09520	1,015,000	20.58%	208,887	0
De Leon ISD	97,114,781	1.16640	595,000	8.90%	52,955	0
Gorman ISD	37,433,270	1.20287	60,000	85.56%	51,336	0
Huckabay ISD	37,905,102	1.18650	0	0.98%	0	0
Lingleville ISD	30,874,733	1.28000	0	4.70%	0	0
Ranger ISD	56,406,450	1.34000	555,000	92.27%	512,099	0
Rising Star ISD	23,532,560	1.30000	0	93.19%	0	0
Total School Districts					\$ 825,277	
Total Direct and Consolidated Overlapping G.O. Tax Debt					\$ 5,792,748	
Ratio of Direct and Consolidated Overlapping G.O. Tax Debt to Taxable Assessed Valuation					1.39%	
Per Capita Consolidated Overlapping G.O. Tax Debt					\$ 313	

(1) The Certificates.

DEBT INFORMATION

TABLE 9 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	This \$2,400,000 Issue ⁽¹⁾			% of Principal Retired
	Principal	Interest	Total	
1999	\$ 165,000	\$ 138,593	\$ 303,593	
2000	200,000	108,885	308,885	
2001	210,000	98,430	308,430	23.96%
2002	225,000	87,337	312,337	
2003	235,000	75,608	310,608	
2004	250,000	63,240	313,240	53.54%
2005	260,000	50,235	310,235	
2006	270,000	36,720	306,720	
2007	285,000	22,567	307,567	
2008	300,000	7,650	307,650	100.00%
	<u>\$ 2,400,000</u>	<u>\$ 689,265</u>	<u>\$ 3,089,265</u>	

(1) Average life of the issue - 5.631 years. Interest on the Certificates has been calculated at the rate of 5.10% for purposes of illustration.

TABLE 10 INTEREST AND SINKING FUND BUDGET PROJECTION

The County has no outstanding tax supported funded debt and does not currently have an Interest and Sinking Fund Budget. The Budget for Fiscal Year Ending September 30, 1999 will include a tax levy for debt service on the Certificates.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

After issuance of the Certificates the County will have no authorized but unissued general obligation bonds or other obligations.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The County does not anticipate the issuance of additional general obligation debt within the foreseeable future.

TABLE 12 - OTHER OBLIGATIONS

Capital Leases *

* Source: Eastland County, Texas.

At May 31, 1998 the County had outstanding seven capital lease agreements for the purpose of acquiring certain equipment. These leases were as follows:

Payable From:

General Fund	Equipment	Lease Obligation Date	Lessor	Principal Balance 5/31/98
Sheriff's Department	Pickup	1-96	Ford Motor Credit Co.	\$ 2,769
Sheriff's Department	Patrol Car	5-97	Ford Motor Credit Co.	5,345
Total				<u>\$ 8,114</u>

Road & Bridge Fund ⁽¹⁾	Equipment	Lease Obligation Date	Lessor	Principal Balance 5/31/98
Commissioners Precinct:				
#1	Motor Grader	12-96	Caterpillar Financial Services	\$ 87,228
#2	Motor Grader	4-95	Caterpillar Financial Services	48,282 ⁽²⁾
#2	Wheel-Loader	12-97	Caterpillar Financial Services	70,327
#3	Wheel-Loader	12-97	Caterpillar Financial Services	55,827
#4	Track-Loader	12-96	Caterpillar Financial Services	40,175
Total				<u>\$ 301,839</u>

(1) Accounted for in the Special Revenue Fund.

(2) Classified as a "Loan Payable" in the County's Annual Financial Report for the Year Ended September 30, 1997 (see Appendix B, "Excerpts from the Eastland County Annual Financial Report" including Notes #4 and #5 thereunder).

Consolidated Capital Lease Payment Schedule

Fiscal Year Ended	General Fund			Road and Bridge Fund		
9/30	Principal	Interest	Total	Principal	Interest	Total
1998	\$ 9,002 ⁽¹⁾	\$ 991	\$ 9,993	\$ 60,903 ⁽¹⁾	\$ 13,076	\$ 73,979
1999	6,744	412	7,156	87,202	16,765	103,967
2000				74,366	11,651	86,017
2001				47,554	7,603	55,157
2002				50,422	4,735	55,157
2003				28,255	1,695	29,950
	<u>\$ 15,746</u>	<u>\$ 1,403</u>	<u>\$ 17,149</u>	<u>\$ 348,702</u>	<u>\$ 55,525</u>	<u>\$ 404,227</u>

(1) \$7,632 of this principal had been paid as of 5-31-98; outstanding principal balance at 5-31-98 was \$8,114.

(1) \$46,863 of this principal had been paid as of 5-31-98; outstanding principal balance at 5-31-98 was \$301,839.

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 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" - Note #6.)

FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	1997	1996	1995	1994	1993
Revenues					
Taxes	\$ 1,117,228	\$ 1,067,263	\$ 1,043,854	\$ 1,070,905	\$ 1,089,091
Fees and other non-tax revenue	980,174	915,524	931,090	948,261	850,135
Revenue from other governments	60,671	46,146	79,782	122,753	89,768
Other	359,891	157,908	155,571	130,820	155,403
Total Revenues	<u>\$ 2,517,964</u>	<u>\$ 2,186,841</u>	<u>\$ 2,210,297</u>	<u>\$ 2,272,739</u>	<u>\$ 2,184,397</u>
Expenditures					
General administration	\$ 1,219,872	\$ 1,157,117	\$ 1,145,191	\$ 1,118,762	\$ 1,159,137
Law enforcement	666,962	618,127	577,783	566,301	582,659
Agriculture	56,084	53,876	50,325	50,037	48,449
Courts and district attorney	322,040	297,466	294,335	285,217	246,311
Other general government	306,209	240,551	194,623	137,867	157,386
Principal	-	-	-	-	16,889
Interest	-	-	-	-	3,148
Total Expenditures	<u>\$ 2,571,167</u>	<u>\$ 2,367,137</u>	<u>\$ 2,262,257</u>	<u>\$ 2,158,184</u>	<u>\$ 2,213,979</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (53,203)</u>	<u>\$ (180,296)</u>	<u>\$ (51,960)</u>	<u>\$ 114,555</u>	<u>\$ (29,582)</u>
Other Financing Sources (Uses)					
Proceeds from capital leases	\$ 16,061	\$ 11,641	\$ -	\$ 37,181	\$ 14,354
Transfers to other funds	-	-	-	(100,000)	(159,688)
Total Other Financing Sources (Uses)	<u>\$ 16,061</u>	<u>\$ 11,641</u>	<u>\$ -</u>	<u>\$ (62,819)</u>	<u>\$ (145,334)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (37,142)</u>	<u>\$ (168,655)</u>	<u>\$ (51,960)</u>	<u>\$ 51,736</u>	<u>\$ (174,916)</u>
Fund Balance - Beginning of Year	\$ 739,364	\$ 936,377	\$ 988,337	\$ 953,362	\$ 1,128,278
Adjustments	-	(28,358)	-	(16,761)	-
Fund Balance - End of Year	<u>\$ 702,222</u>	<u>\$ 739,364</u>	<u>\$ 936,377</u>	<u>\$ 988,337</u>	<u>\$ 953,362</u>

TABLE 14 - SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
(ROAD AND BRIDGE AND OTHER)

	Fiscal Year Ended September 30,				
<u>Revenues</u>	1997	1996	1995	1994	1993
Taxes	\$ 529,632	\$ 510,291	\$ 514,815	\$ 525,601	\$ 428,561
Fees and other non-tax revenue	534,480	485,989	421,762	343,227	343,508
Revenue from other governments	339,465	251,396	215,394	214,906	186,627
Federal financial assistance	-	-	-	-	27,867
Other	80,716	92,357	87,296	79,338	154,278
Total Revenues	<u>\$ 1,484,293</u>	<u>\$ 1,340,033</u>	<u>\$ 1,239,267</u>	<u>\$ 1,163,072</u>	<u>\$ 1,140,841</u>
<u>Expenditures</u>					
Courts and district attorney	\$ 46,653	\$ 42,815	\$ 47,441	\$ 31,979	\$ 27,088
Public transportation	1,080,063	952,471	1,007,714	1,054,306	1,043,960
Federal financial assistance	-	-	-	-	27,867
Records management	2,270	1,578	-	3,515	-
County farm	14,420	15,460	9,510	10,920	9,665
Indigent health care	21,297	36,419	18,129	8,484	102
Adult probation	237,778	212,110	209,035	221,078	215,564
Juvenile probation	126,168	120,867	59,322	46,223	50,523
Principal	-	-	-	-	13,058
Interest	-	-	-	-	3,081
Total Expenditures	<u>\$ 1,528,649</u>	<u>\$ 1,381,720</u>	<u>\$ 1,351,151</u>	<u>\$ 1,376,505</u>	<u>\$ 1,390,908</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (44,356)</u>	<u>\$ (41,687)</u>	<u>\$ (111,884)</u>	<u>\$ (213,433)</u>	<u>\$ (250,067)</u>
Other Financing Sources (Uses)					
Proceeds from capital leases	\$ 164,610	\$ -	\$ -	\$ 29,750	\$ 67,450
Proceeds from loans	8,029	9,755	131,416	-	-
Transfers from other funds	-	-	-	100,000	164,947
Transfers to other funds	-	-	-	-	(5,259)
Total Other Financing Sources (Uses)	<u>\$ 172,639</u>	<u>\$ 9,755</u>	<u>\$ 131,416</u>	<u>\$ 129,750</u>	<u>\$ 227,138</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 128,283</u>	<u>\$ (31,932)</u>	<u>\$ 19,532</u>	<u>\$ (83,683)</u>	<u>\$ (22,929)</u>
Fund Balance - Beginning of Year	\$ 486,623	\$ 518,555	\$ 499,023	\$ 580,169	\$ 629,364
Adjustments	-	-	-	2,537	(26,266)
Fund Balance - End of Year	<u>\$ 614,906</u>	<u>\$ 486,623</u>	<u>\$ 518,555</u>	<u>\$ 499,023</u>	<u>\$ 580,169</u>

FINANCIAL POLICIES

Basis of Accounting . . . Governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations which are recognized when paid.

General Fund Balance . . . Eastland County's basic financial operations are conducted through the General Fund for general services and the Special Revenue Fund which includes the Road and Bridge Fund through which Road and Bridge operations ("Public Transportation") are conducted; the Road and Bridge Fund is divided between the four Commissioners Precincts and a Road and Bridge General account. Surplus balances in the Road and Bridge Fund can be transferred to the General Fund if needed.

The County's policy is to maintain a liquid balance in the General Fund of at least 10% of annual General Fund expenditures and a reasonable liquid balance in the Road and Bridge Fund.

Debt Service Fund . . . The County's policy will be to maintain a reasonable cash balance in the Debt Service Fund.

Budgetary Procedures . . . Formal budgetary accounting is employed as a management control for all funds of the County. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and the Special Revenue Funds and the same basis of account is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis. The budget is formally adopted by the commissioner's court at a duly advertised public meeting prior to the expenditure of funds, and is filed with the County Clerk.

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 (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (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) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for County deposits, (7) certificates of deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (5) or in any other manner and amount provided by law for County deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent.

The County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The County 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 includes 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 funds' 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 entity 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 the investment in mutual funds in the aggregate to no more than 80% of the County's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

COUNTY INVESTMENT POLICY . . . The County's investment policy was adopted November 13, 1995, and amended June 9, 1997.

Objectives

- Compliance with Article 842a-2, VATCS, the Public Funds Investment Act of 1993, as amended, 1995.
- Insure that sufficient funds are available for operations.
- Diversification of investments.
- Safety of County funds.
- Maximization of return through prudent and legal investments consistent with current Bank Depository Contracts.

Types of Investments Allowed (1)

- Obligations of the United States, its agencies and instrumentalities.
- Direct obligations of the State of Texas or its agencies.
- TexPool.
- Other obligations insured by the State of Texas or United States.
- Bank Certificates of Deposit ("CDs") that are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or its successors. (2)
- Money Market Investment Accounts.

Notes (1) Maximum maturity of any investment - two years or less.

(2) Bank CDs that are fully collateralized with approved collateral are permitted.

Investment Institutions Allowed

- Depository Banks.
- Other State or Federally chartered banks.
- Major brokerage houses that are primary dealers.
- TexPool.

Investment Collateral Required for Bank Investments not Insured by the FDIC

- United State Government Bonds, Notes and Bills.
- Securities of United States Agencies and instrumentalities.

Investment Committee (the "Committee")

- The Committee consists of the County Treasurer, County Auditor and one member of the Commissioners Court.
- In cooperation with the Commissioners Court the Committee determines the amount of funds available for investment and the type of investment.
- Quarterly reports to the Commissioners Court of invested funds are required.
- The County Auditor is the designated Investment Officer.

TABLE 15 - CURRENT INVESTMENTS

As of March 31, 1998, the County's investable funds were invested in the following categories:

Description	Amount	Maturity
Interest Bearing Checking Account ⁽¹⁾	\$ 785,768	Daily
Money Market Accounts ⁽¹⁾	625,789	Daily
Collateralized Certificates of Deposit	500,000	7-7-98/10-20-98
Total	<u>\$ 1,911,557 ⁽²⁾⁽³⁾</u>	

(1) Accounts at the County's depository banks that are covered by FDIC insurance or are fully collateralized for any balance not covered by the FDIC.

(2) Excludes \$986,981 Trust Funds held by the County in trust for the County, State and other non-county entities.

(3) \$927,514 of this balance is allocable to the General Fund and \$559,224 to the Road and Bridge Fund.

TAX MATTERS

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

Interest on all tax-exempt obligations, including the Certificates, owned by a corporation will be included in such corporation's adjusted current earnings for tax years beginning after 1989, for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization income trust (FASIT). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

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

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a 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.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code completely disallows any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the County, as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

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

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES . . . The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at

the yield to maturity on such Discount Certificate and generally will be allocated to 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 Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

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

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

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

OTHER INFORMATION

RATINGS

The County has no presently outstanding tax supported debt and consequently has no debt rated by Moody's, by S&P or by Fitch. Application for contract rating on this issue has been made to Moody's. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective 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, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

LITIGATION

It is the opinion of the 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 CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 9 of the Bond Procedures Act provides that the Certificates "shall constitute negotiable instruments, and are investment securities governed by Chapter 8, Texas Uniform Commercial Code, notwithstanding any provisions of law or court decision to the contrary, and are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking fund of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas". The Certificates are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256), the Certificates may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. No review by the County has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The County will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates 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 Certificates will be 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, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from County 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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates 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 has less than \$10,000,000 in aggregate amount of outstanding debt and no other person is committed by contract or other arrangement with respect to payment of the Certificates. Pursuant to the exemption, the County in the order awarding the sale of the Certificates will make the following agreement for the benefit of the holders and beneficial owners of the Certificates. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

ANNUAL REPORTS . . . The County will provide certain financial information and operating data annually to the appropriate state information depository ("SID"). 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 under Tables numbered 1 through 7 and 9 through 15 and in Appendix B. The County will update and provide this information within six months after the end of each fiscal year ending in or after 1998.

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, 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 audited financial statements when and if audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B 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's current fiscal year end is September 30, 1998. Accordingly, it must provide updated information by March 31 in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify the SID of the change.

The Municipal Advisory Council of Texas has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the Municipal Advisory Council is 600 West 8th Street, P. O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947.

MATERIAL EVENT NOTICES . . . The County will also provide timely notices of certain events to certain information vendors. The County will provide notice of any of the following events with respect to the Certificates, if such event is material to a decision to purchase or sell Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Certificates; (7) modifications to rights of holders of the Certificates; (8) Certificate calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates; and (11) rating changes. Neither the Certificates nor the Order make 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 SID and to either each nationally recognized municipal securities information repository ("NRMSIR") or the Municipal Securities Rulemaking Board ("MSRB").

AVAILABILITY OF INFORMATION FROM NRMSIRS AND SID . . . The County has agreed to provide the foregoing information only to the SID and with respect to material event notices the SID and either each NMRSIR or the MSRB. The information will be available to holders of Certificates only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

Questions concerning the information agreed to be provided by the County should be addressed to the County Auditor, Eastland County, 100 W. Main, Room 205, Eastland, Texas 76448 – Tel. (254) 629-6077.

LIMITATIONS AND AMENDMENTS . . . The County has agreed to update information and to provide notices of material 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 Certificates 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 Certificates may seek a writ of mandamus to compel the County to comply with its agreement.

The County may amend its continuing disclosure agreement 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, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the County (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The County may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 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 Certificates in the primary offering of the Certificates. If the County so amends the agreement, it has agreed to 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 financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The County has not previously made a continuing disclosure agreement in accordance with SEC Rule 15c2-12.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the County in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. First Southwest Company may submit a bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and 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 Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the County will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the County contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the 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 the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the County, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the County believes to be reliable and the County has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the County since the date of the last audited financial statements of the County.

The order awarding sale of the Certificates 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 Certificates by the Purchaser.

SCOTT BAILEY
County Judge
Eastland County, Texas

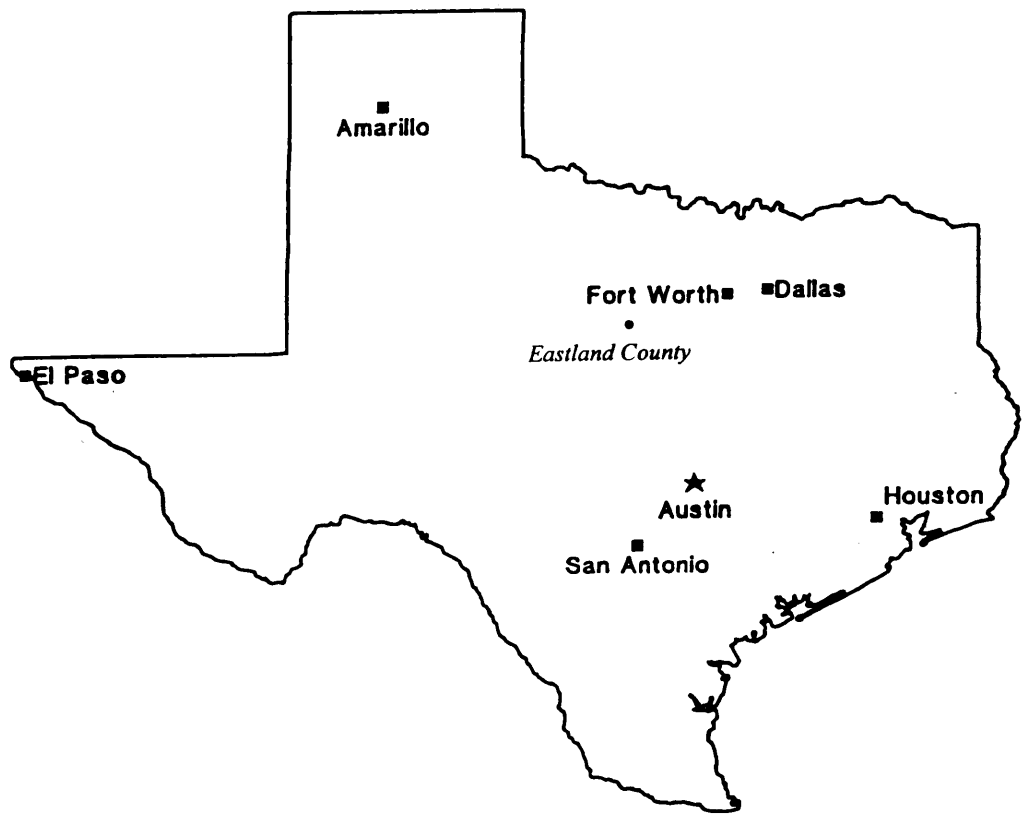
ATTEST:

JOANN JOHNSON
County Clerk

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APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY



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THE COUNTY

POPULATION AND LOCATION

Eastland County, 1990 U.S. census 18,488 (1998 estimated population 18,488) is located in West Central Texas approximately 100 miles west of Fort Worth and 60 miles east of Abilene. Incorporated cities in the County and their 1990 U.S. Census populations are Eastland, the County Seat (3,690); Carbon (255); Cisco (3,813); Gorman (1,290); Ranger (2,803); and Rising Star (859). The economy of the County is based on agribusiness, mineral production and related businesses, education and light manufacturing.

EASTLAND COUNTY LABOR FORCE ESTIMATES (1)

	April 1998 ⁽²⁾	Annual Averages			
		1997	1996	1995	1994
Civilian Labor Force	8,773	8,690	8,613	8,138	8,172
Total Employment	8,389	8,269	8,207	7,710	7,713
Total Unemployment	384	421	406	428	459
Percent Unemployment	4.40%	4.80%	4.70%	5.30%	5.60%

(1) Source: Texas Workforce Commission; subject to revision.

(2) Preliminary; subject to revision.

MAJOR EMPLOYERS IN EASTLAND COUNTY

Name of Company/Entity	Product/Service	Estimated Employment April, 1998 ⁽¹⁾
EBBA Iron (Eastland)	Ductile Iron Castings	235
Eastland Independent School District	Public School	220
Eastland Hospital District	Public Hospital	145
Cisco Independent School District	Public School	140
Birdsong Peanuts (Gorman)	Peanut Processing and Storage	110
Eastland County	County Government	95
Ranger Independent School District	Public School	95
Cisco Junior College	Public Junior College	92
Wal-Mart (Eastland)	Retail Store	90
Eastlander Designs (Eastland)	Drapes/Bedspreads	86
Parnell's Peanuts (Gorman)	Peanut Processing and Storage	80
Eagle Construction (Eastland)	Environmental Products	78
Burgess Industries (Cisco)	Industrial Mufflers and Separators	72
Ranger Junior College	Public Junior College	69
V C Menus (Eastland)	Menus/Printing	63
Moylan construction (Eastland)	Pipeline Construction	40
Texas Department of Transportation (Eastland)	State Highway Office	37
City of Eastland	Incorporated City	37
Love's Truck Stop (Ranger)	Truck Stop Services	32
City of Cisco	Incorporated City	31

(1) Sources: Eastland Economic Development corporation and Eastland County.

AGRIBUSINESS

Principal sources of agricultural income are peanuts, feed beef and dairy cattle, hay and pecans.

MINERALS (1)

Minerals produced in the County are oil and natural gas. In 1997 441,716 bbls. of crude oil, 25,321 bbls. of condensate liquids, 5,473,573 million cubic feet ("MCF") of natural gas and 1,428,727 MCF of casinghead gas were produced in Eastland County.

(1) Source: Texas Railroad Commission.

TRANSPORTATION

Eastland County has a highway system that includes Interstate Highway 20, a major East-West interstate highway that provides close access to Ranger, Eastland and Cisco; U.S. Highway 183; five State highways and a network of paved farm-to-market roads.

Rail transportation is furnished by the Union Pacific Railroad with daily freight schedules at Eastland, Ranger and Cisco, including transcontinental schedules. Daily truck service is available.

The City of Eastland owns and operates a municipal airport with general aviation services; the airport has a lighted, asphalt 4,055' runway.

EDUCATION - JUNIOR COLLEGES

Cisco Junior college, a State funded public junior college, is located in Cisco with an educational center located in Abilene, 50 miles west. The College, owned and operated by the Cisco Junior College District, offers core academic programs leading to an associate degree and vocational technical courses. Spring, 1998, enrollment was 596 at the Cisco campus and 1,841 at the Abilene Educational Center, a total of 2,437.

Ranger Junior College, a State funded public junior college, is owned and operated by the Ranger Junior College District. The main college campus is located in Ranger with branch educational centers in Graham, Brownwood and Comanche. The College offers core academic programs leading to an associate degree and vocational - technical courses. Spring, 1998, enrollment was 385 at the Ranger campus, 220 at the Graham branch, 64 at the Brownwood branch and 75 at the Comanche branch.

MEDICAL CARE

Eastland Memorial Hospital, owned and operated by the Eastland Memorial Hospital District, is a 36 bed acute general care public hospital located in Eastland. Medical doctors and dentists practice in Eastland, Ranger and Cisco and there are several clinics and nursing homes in the County.

MISCELLANEOUS

Lake Leon, a 27,290 acre feet storage capacity reservoir located on the Leon River in Eastland County, is owned and operated by the Eastland County Water Supply District; the District provides total treated water supply requirements of its member Cities, Eastland and Ranger. . . The City of Cisco owns and operates Lake Cisco, its source of water supply. These lakes, together with parks and golf courses, provide recreational facilities. . . There are four newspapers, three bi-weekly - Eastland, Ranger and Cisco - and one weekly - Gorman.

APPENDIX B

EXCERPTS FROM THE

EASTLAND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 1997

The information contained in this Appendix consists of excerpts from the Eastland County, Texas Annual Financial Report for the Year Ended September 30, 1997, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information.

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Cameron L. Gulley
CERTIFIED PUBLIC ACCOUNTANT

935 E. Main St.
Eastland, Texas 76448
(817)629-8901
Fax (817)629-8785

INDEPENDENT AUDITOR'S REPORT

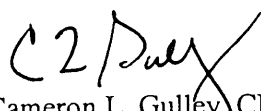
Commissioners' Court
Eastland County Courthouse
Eastland, Texas 76448

Honorable Judge and Members of the Commissioners' Court:

I have audited the accompanying general purpose financial statements of Eastland County, Texas, as of September 30, 1997, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of Eastland County, Texas. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Eastland County, Texas, as of September 30, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.


Cameron L. Gulley, CPA
November 21, 1997

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GENERAL PURPOSE FINANCIAL STATEMENTS

Eastland County, Texas
Combined Balance Sheet
All Fund Types and Account Groups
September 30, 1997

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUP	TOTALS (Memorandum Only)	
	General Fund	Special Revenue Fund	Trust and Agency Fund	General Fixed Assets	September 30,	
					1997	1996
ASSETS						
Cash	\$706,705	\$600,935	\$134,691		\$1,442,331	\$1,575,765
Taxes receivable - delinquent	588,711				588,711	569,329
Allowance for uncollectible accounts	(297,576)				(297,576)	(349,365)
Accounts receivable	4,158	33,838			37,996	0
Due from other funds	10,983	3,063			14,046	3,087
Prepaid insurance	53,208	15,368			68,576	62,979
Amounts available for loans payable		71,696			71,696	96,777
Amounts available for leases payable	17,430	164,610			182,040	18,551
Land				158,678	158,678	158,678
Buildings				1,352,574	1,352,574	1,308,239
Furniture and equipment				2,528,743	2,528,743	2,249,719
Total Assets	<u>\$1,083,619</u>	<u>\$889,510</u>	<u>\$134,691</u>	<u>\$4,039,995</u>	<u>\$6,147,815</u>	<u>\$5,693,759</u>
LIABILITIES AND FUND EQUITIES						
Liabilities						
Accounts payable	\$16,709	\$8,331			\$25,040	\$58,132
Due to other funds	3,061	26	10,959		14,046	3,087
Accrued payables	15,527	11,286	6,931		33,744	8,791
Accrued payroll	37,536	18,655			56,191	49,388
Loans payable		71,696			71,696	96,777
Due to state			53,420		53,420	52,120
Funds held for others			63,381		63,381	68,799
Deferred revenue	291,134				291,134	219,964
Obligations under capital leases	17,430	164,610			182,040	18,551
Due to other governments					0	175,527
Total Liabilities	<u>381,397</u>	<u>274,604</u>	<u>134,691</u>	<u>0</u>	<u>790,692</u>	<u>751,136</u>
Fund Equities						
Fund balance	702,222	614,906			1,317,128	1,225,987
Investment in general fixed assets				4,039,995	4,039,995	3,716,636
Total Fund Equities	<u>702,222</u>	<u>614,906</u>	<u>0</u>	<u>4,039,995</u>	<u>5,357,123</u>	<u>4,942,623</u>
Total Liabilities and Fund Equities	<u>\$1,083,619</u>	<u>\$889,510</u>	<u>\$134,691</u>	<u>\$4,039,995</u>	<u>\$6,147,815</u>	<u>\$5,693,759</u>

The accompanying notes are an integral part of this statement.

Eastland County, Texas
Combined Statement of Revenues,
Expenditures and Changes in Fund Balances -
All Governmental Fund Types
For the Year Ended September 30, 1997

	GOVERNMENTAL			
	FUND TYPES		TOTALS	
	General	Special Revenue	(Memorandum Only)	
	Fund	Fund	1997	1996
REVENUES				
Taxes	\$1,117,228	\$529,632	\$1,646,860	\$1,577,554
Fees and other non-tax revenue	980,174	534,480	1,514,654	1,401,513
Revenue from other governments	60,671	339,465	400,136	297,542
Other	359,891	80,716	440,607	250,265
Total Revenues	2,517,964	1,484,293	4,002,257	3,526,874
EXPENDITURES				
General administration	1,219,872		1,219,872	1,157,117
Law enforcement	666,962		666,962	618,127
Agriculture	56,084		56,084	53,876
Courts and district attorney	322,040	46,653	368,693	340,281
Other general government	306,209		306,209	240,551
Public transportation		1,080,063	1,080,063	952,471
Records management		2,270	2,270	1,578
County farm		14,420	14,420	15,460
Indigent health care		21,297	21,297	36,419
Adult probation		237,778	237,778	212,110
Juvenile probation		126,168	126,168	120,867
Total Expenditures	2,571,168	1,528,649	4,099,817	3,748,857
Excess Revenues Over (Under) Expenditures	(53,204)	(44,356)	(97,560)	(221,983)
Other Financing Sources (Uses)				
Proceeds from capital leases	16,061	164,610	180,671	11,641
Proceeds from loans		8,029	8,029	9,755
Total Other Financing Sources (Uses)	16,061	172,639	188,700	21,396
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(37,143)	128,283	91,140	(200,587)
Fund balance - beginning of year	739,364	486,623	1,225,987	1,454,932
Adjustments			0	(28,358)
Fund Balance - end of year	\$702,222	\$614,906	\$1,317,128	\$1,225,987

The accompanying notes are an integral part of this statement.

Eastland County, Texas
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (GAAP Basis) and Actual
All Governmental Fund Types
For the Year Ended September 30, 1997

	GENERAL FUND			SPECIAL REVENUE FUND		
	Budget	Actual	Variance Favorable/ (Unfavorable)	Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES						
Taxes	\$1,096,611	\$1,117,228	\$20,617	\$537,588	\$529,632	(\$7,956)
Fees and other non-tax revenue	910,850	980,174	69,324	512,000	534,480	22,480
Revenue from other governments	78,450	60,671	(17,779)	303,026	339,465	36,439
Other	125,400	359,891	234,491	67,171	80,716	13,545
Total Revenues	2,211,311	2,517,964	306,653	1,419,785	1,484,293	64,508
EXPENDITURES						
General administration	1,246,993	1,219,872	27,121			0
Law enforcement	635,982	666,962	(30,980)			0
Agriculture	55,009	56,084	(1,075)			0
Courts and district attorney	332,092	322,040	10,052	50,075	46,653	3,422
Other general government	252,135	306,209	(54,074)			0
Public transportation			0	983,848	1,080,063	(96,215)
Records management			0	29,992	2,270	27,722
County farm			0	23,500	14,420	9,080
Indigent health care			0	41,034	21,297	19,737
Adult probation			0	234,607	237,778	(3,171)
Juvenile probation			0	105,909	126,168	(20,259)
Total Expenditures	2,522,212	2,571,168	(48,956)	1,468,965	1,528,649	(59,684)
Excess Revenues Over (Under) Expenditures	(310,901)	(53,204)	257,697	(49,180)	(44,356)	4,824
Other Financing Sources (Uses)						
Proceeds from capital leases	0	16,061	16,061	0	164,610	164,610
Proceeds from loans			0	0	8,029	8,029
Total Other Financing Sources (Uses)	0	16,061	16,061	0	172,639	172,639
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(310,901)	(37,143)	273,758	(49,180)	128,283	177,463
Fund balance - beginning of year	0	739,364	739,364	0	486,623	486,623
Adjustments			0			0
Fund Balance - end of year	(\$310,901)	\$702,222	\$1,013,123	(\$49,180)	\$614,906	\$664,086

The accompanying notes are an integral part of this statement.

EASTLAND COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

The accounting methods and procedures adopted by Eastland County, Texas (the "County"), conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the County's comprehensive annual financial report.

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The County was created in accordance to statutes of the State of Texas. The County continues to operate under the statutes and regulation of the State of Texas. The County operates under the direction of the Commissioner's Court which is made up of four elected commissioners from the precincts within the County and the elected County Judge who presides over the court. The County departments are headed by elected County officials who hire and maintain their staff within the budgetary restraints of the official County budget.

In conformity with generally accepted accounting principles, the financial statements of the County are in compliance with GASB Statement #15 in relationship to component units. In applying the criteria of GASB #15, the County has no component units.

B. Basis of Presentation - Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The County has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

Governmental Fund Types

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

- a. **General Fund** - This fund is established to account for resources devoted to financing the general services that the County performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the County are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

- b. Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.
- c. Fiduciary Funds - These funds account for assets held by the County as a trustee or agent for clearing activities and other governmental units. These unbudgeted funds have no equity. Assets are equal to liabilities and do not include revenue and expenditures for general operations of the County.

General Fixed Assets Account Group

This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Enterprise Funds and the Internal Service Funds.

C. Basis of Accounting

Governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations which are recognized when paid.

D. Budgetary Data

Formal budgetary accounting is employed as a management control for all funds of the County. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and the Special Revenue Funds and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis.

The official County budget was prepared for adoption for all fund types by October 1, 1996. The budget was formally adopted by the commissioner's court at a duly advertised public meeting prior to the expenditure of funds, and was filed with the County Clerk.

E. Supplies and Materials

Supplies and materials are debited as expenditures when purchased.

F. Fixed Assets and Long-Term Liabilities

Fixed assets are accounted for through the general fixed assets account group. Infrastructure assets are not reported.

G. Encumbrances

Encumbrance accounting is not utilized by the County.

H. Retirement System

The County's employees are participants in the Texas County and District Retirement System as administered by the Texas County and District Retirement System.

I. Total Columns

Total columns on the financial statements are indicated "Memorandum Only" as data in these columns do not present financial position in conformity with generally accepted accounting principles.

Note 2 - Property Taxes Receivable

Property taxes are levied on October 1 of each year based on the values as of January 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1. The County bills and collects its own property taxes and also for the City of Carbon, Texas, and for the Cisco Hospital District. County property tax revenues are recognized when levied to the extent that they result in accounts receivable.

Property taxes are all assessed by the General Fund with a single tax rate set by the Commissioner's Court. An allocation of the tax revenue is made to Public Transportation (Road and Bridge Fund) based on budgetary requirements. Allowance for uncollectible taxes within the General Fund are based upon a conservative historical experience in collecting property taxes.

As of September 30, 1997, the taxes receivable and allowance for uncollectible taxes were as follows:

Taxes Receivable	Allowance for Uncollectible Accounts	Net Taxes Receivable (Deferred Revenue)
\$ 588,711	\$ 297,576	\$ 291,134

Note 3 - General Fixed Assets

	Balance 10/1/96	Additions	Deletions	Balance 9/30/97
Land	\$ 158,678			\$ 158,678
Buildings	1,308,239	44,335		1,352,574
Furniture/Office Equipment	2,249,719	295,872	16,848	2,528,743
Total	\$ 3,716,636	\$ 340,207	\$ 16,848	\$ 4,039,995

Note 4 - Capital Leases

The County had five capital lease agreements at September 30, 1997. The equipment acquired from these leases has been included with the General Fixed Asset Account Group. The liability for principal payments has been included in the General Fund or Special Revenue Fund as appropriate.

1. \$11,641 payable to Ford Motor Credit Company in 36 monthly payments of \$355 beginning in February 1996 for the acquisition of a 1996 Ford Supercab pickup for the Sheriff's department.
2. \$8,420 payable to Steven Company in 48 monthly payments of \$220 beginning June 1994 for the acquisition of an EP4233 copier for the District Attorney's department.
3. \$106,010 payable to Caterpillar Financial Services in 5 annual payments of \$25,209 beginning December 1997 for the acquisition of a 140H Caterpillar motor grader for Precinct #1.
4. \$58,600 payable to Caterpillar Financial Services in 3 annual payments of \$21,882 beginning in December 1997 for the acquisition of a Caterpillar 963 track-type loader for Precinct #4.
5. \$16,061 payable to Ford Motor Credit Company in 3 annual payments of \$5,738 beginning in May 1997 for the acquisition of a 1997 Ford Crown Victoria patrol car for the Sheriff's Department.

Following is a schedule of future minimum lease payments:

Year Ended September 30,	Total Requirements
1998	\$ 58,842
1999	54,247
2000	47,092
2001	25,209
2002	25,209
Minimum lease payments for all capital leases	210,599
Less: Amount representing interest at the County's incremental borrowing rate of interest	28,559
Present value of minimum lease payments	<u><u>\$ 182,040</u></u>

Note 5 - Loans Payable

The County had two loans outstanding at September 30, 1997.

1. \$113,981 payable to Caterpillar Financial Services at an annual interest rate of 6.8% due in 60 monthly installments of \$2,244 beginning May 1995 for the acquisition of a new CAT 140G motor grader for Precinct #2.
2. \$8,029 payable to First National Bank - Cisco at an annual interest rate of 5.5% due in 1 installment of \$8,029 plus interest in November 1997 for the acquisition of a 1993 Chevrolet pickup.

Following is a schedule of future loan requirements:

Year Ended September 30,	Principal	Interest	Total
1998	\$31,369	\$3,930	\$35,299
1999	24,966	1,962	26,928
2000	15,361	348	15,709
Total	<u>\$71,696</u>	<u>\$6,240</u>	<u>\$77,936</u>

Note 6 - Retirement System

A. Plan Description

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), one of over 450 administered by TCDRS, an agent multiple-employer public employee retirement system. It is the opinion of the TCDRS management that the plans in TCDRS are substantially defined contribution plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the plan.

Under the state law governing TCDRS since 1991, the County has had the option of selecting the plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective January 1, 1992, the County adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 25-year amortization period which began January 1, 1994, using the entry age actuarial cost method. Monthly contributions by the employer are based on the covered payroll and the employer contribution

rate in effect. The rate, 9.69% for 1996, may vary from year to year.

The plan provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS. Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 80 or more. A member is vested after 10 years but must leave his accumulated contributions in the plan. If a member withdraws his personal contributions in a lump-sum, he is not entitled to any amounts contributed by the employer.

The contribution rate payable by all employee members is 7% as adopted by the governing body of the County. Monthly contributions by each employee member are based on the member's covered compensation and the employee contribution rate. The member's contributions are credited with interest at a rate determined each December by the TCDRS Board of Trustees according to governing state law. Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits, with interest. The level of these monetary credits is adopted by the governing body of the County. The County's current benefit plan provides for employer-financed monetary credits for service since the plan began of 200% of the employee's accumulated contributions and for employer-financed monetary credits for service before the plan began of 150% of a theoretical amount equal to twice what would have been contributed by the employee, with interest, prior to establishment of the plan. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions and the employer-financed monetary credits were used to purchase an annuity within TCDRS.

B. Payroll and Contribution Information

The County's total payroll in calendar year 1996 was \$1,673,800, and the County's contributions were based on a covered payroll of \$1,535,554. Employer and employee contributions for the year were made as required and are detailed below. Employee contributions may include the purchase of credits for military or legislative service or the buyback of previously forfeited service credit. There were no related-party transactions.

	Contribution Amounts (Rates)		
	Total	Normal Cost	Prior Service
Employee	\$107,489 (7%)	N/A	N/A
Employer	\$148,797 (9.69%)	\$92,441 (6.02%)	\$56,356 (3.67%)

C. Voluntary Additional Disclosure

Even though the substance of the County's plan is not to provide a defined benefit in some form, some additional voluntary disclosure is appropriate due to the nontraditional (for a defined contribution plan) existence of an unfunded pension benefit obligation and employer-financed monetary credits in excess of 100% of the employee's personal contributions. Part of the County's contribution is the normal cost, while the remaining portion is to amortize the unfunded

actuarial liability.

Statement No. 5 of the Governmental Accounting Standards Board (GASB 5) defines pension benefit obligation as a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of public employee pension plans, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee pension plans.

The pension benefit obligation shown below is similar in nature to the standardized disclosure measure required by GASB 5 for defined benefit plans except that there is no need to project salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 1995. Significant actuarial assumptions used to compute the actuarially determined contribution requirements in that valuation are the same as those used to compute the pension benefit obligation. Because of the money-purchase nature of the plan, the interest rate assumptions, currently 9% and 7% per year with a weighted average of 8%, do not have as much impact on the results as for a defined benefit plan. An annual rate of 9% is used for calculating the actuarial liability and normal cost contribution rate. For accumulating existing monetary credits after the valuation date, an annual rate of 7% is assumed, 2% lower than the 9% assumption in recognition of the statutory interest allocation method. Market value of assets is not determined separately for each plan, but the market value of assets for TCDRS as a whole was 111.0% of book value as of December 31, 1995.

Pension Benefit Obligation

Annuitants currently receiving benefits	\$ 322,969
Terminated employees	380,485
Current employees	
Accumulated employee contributions including allocated investment earnings	1,136,224
Employer-financed vested	1,467,134
Employer-financed non-vested	293,166
Total	<u>\$ 3,599,978</u>
Net assets available for benefits, at book value	\$ 3,021,232
Unfunded pension benefit obligation	\$ 578,746

Note 7 - Vacation, Sick Leave and Other Compensated Absences

County employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid.

Note 8 - Due From/To Other Funds

At September 30, 1997, the following amounts are due from/to other funds:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 10,983	\$ 3,061
Special Revenue Fund	3,063	26
Trust and Agency		10,959
Total	<u>\$ 14,046</u>	<u>\$ 14,046</u>

Note 9 - Deposits, Securities and Investments

The County's cash deposits at September 30, 1997, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank. The deposits were collateralized in accord with Texas Law.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Name of bank - First National Bank, Cisco, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$3,300,000.
- c. Largest cash savings and time deposits combined account balance amounted to \$2,140,125 and occurred during the month of February, 1997.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$200,000.

Cash deposits held at financial institutions can be categorized according to three levels of risk. The three levels of risk are:

- Category 1 Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 Deposits which are collateralized with securities held by pledging financial institution's trust department or agent in the entity's name.

Category 3 Deposits which are not collateralized.

Based on these three levels of risk, all of the County's cash deposits are classified as category 1.

Statutes authorize the County to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically authorized by Chapter 2256 Public Funds Investment and Chapter 2257 Collateral for Public Funds of the Texas Government Code.

Investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 Investments that are insured, registered or held by the entity or by its agent in the entity's name.
- Category 2 Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the entity's name.
- Category 3 Uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the entity's name.

Based upon these three levels of risk, all of the County's investments are classified as Category 1.

The County's temporary investments at September 30, 1997 are shown below:

Name	Carrying Amount	Market Value	Category
Certificates of Deposit	\$ 500,000	\$ 500,000	1

The County has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). All investments of the County are in compliance with the policy.

Note 10 - Negative Fund Balances

Of the nine individual funds comprising the Special Revenue Funds, the Records Management Fund, Courthouse Security Fund, DA Special Fund, and Indigent Health Care Fund had deficit fund balances of \$113, \$535, \$1,049, and \$4,031 respectively, at September 30, 1997.

Note 11 - Excess Expenditures

Any excess of expenditures over appropriations in individual funds for the year ended September 30, 1997, were as follows:

General Fund	\$ 48,956
Public Transportation	96,215
Courthouse Security	870
Adult Probation	3,170
Juvenile Probation	20,259

Note 12 - Potential Liability

The County is involved in several civil lawsuits which remain unresolved as of September 30, 1997. The outcomes of the various matters remain unknown. However, the possibility of a material unfavorable outcome for the County not covered by insurance is unlikely in any of the pending lawsuits. Therefore, no liability has been established for any potential settlement for which the County may be obligated.

Note 13 - Risk Management

The County's risks of significant losses from auto and property damage and general, law enforcement, and public official liability are covered by participation in the Texas Association of Counties (TAC) Risk Management Pool. Coverage with TAC is handled like commercial insurance by both parties. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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**FULBRIGHT & JAWORSKI
L.L.P.**

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HOUSTON
WASHINGTON, D.C.
AUSTIN
SAN ANTONIO
DALLAS
NEW YORK
LOS ANGELES
LONDON
HONG KONG

IN REGARD to the authorization and issuance of the "Eastland County, Texas, Certificates of Obligation, Series 1998" (the "Certificates"), dated June 15, 1998 (the "Certificate Date"), in the principal amount of \$2,400,000, we have examined into the legality and validity of the issuance thereof by Eastland County, Texas (the "County"), which Certificates are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a maturity), have stated maturities of February 15, 1999 through February 15, 2008, unless redeemed prior to maturity in accordance with the terms stated on the Certificates, and bear interest on the unpaid principal amount from the Certificate Date at the rates per annum stated in the order awarding the sale of the Certificates, such interest being payable on February 15 and August 15 in each year, commencing February 15, 1999, to the registered owners thereof shown on the registration books of the Paying Agent/Registrar on the Record Date (stated on the face of the Certificates).

WE HAVE SERVED AS BOND COUNSEL for the County solely to pass upon the legality and validity of the issuance of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion of the interest on the Certificates from gross income for federal income tax purposes and none other. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data or other material relating to the financial condition or capabilities of the County. Our examinations into the legality and validity of the Certificates included a review of the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the County relating to the authorization and issuance of the Certificates, including the order authorizing their issuance (the "Order"), customary certifications and opinions of officials of the County and other pertinent showings, and an examination of the Certificate executed and delivered initially by the County, which we found to be in due form and properly executed.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under applicable law of the United States of America and the State of Texas now in force and effect that:

1. The Certificates have been duly authorized by the County, and the Certificates issued in compliance with the provisions of the Order are valid, legally binding and enforceable obligations of the County, payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the County, except to the extent that the enforceability thereof may be affected by bankruptcy,

insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity; and

2. Assuming continuing compliance after the date hereof by the County with the provisions of the Order and in reliance upon representations and certifications of the County made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code, existing regulations, published rulings, and court decisions thereunder, and (2) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on all tax-exempt obligations, such as the Certificates, owned by a corporation will be included in such corporation's adjusted current earnings for tax years beginning after 1989 for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit (REMIC), a real estate investment trust (REIT) or a financial asset securitization investment trust (FASIT). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

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

EHE:dfc

Financial Advisory Services
Provided By



FIRST SOUTHWEST COMPANY

INVESTMENT BANKERS