

**OFFICIAL STATEMENT**  
**Dated June 24, 2002**

**NEW ISSUE - BOOK-ENTRY-ONLY**

**RATING: S&P - "AAA"**

(See "OTHER PERTINENT INFORMATION - Municipal  
Bond Rating" and "BOND INSURANCE" herein)

*In the opinion of Bond Counsel interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.*

*The County has designated the Certificates as "Qualified Tax-Exempt Obligations"*

**\$3,600,000**  
**UPTON COUNTY, TEXAS**  
**CERTIFICATES OF OBLIGATION, SERIES 2002**

**Dated Date: June 1, 2002**

**Due: August 1st, as shown below**

The \$3,600,000 Upton County, Texas Certificates of Obligation, Series 2002 (the "Certificates") are being issued by the Commissioners Court of Upton County, Texas (the "County") pursuant to the general laws of the State of Texas, particularly the Certificate of Obligation Act of 1971, as amended, Section 271.041 et seq., Texas Local Government Code, and an order (the "Order") adopted by the Commissioners Court.

The Certificates constitute direct obligations of the County, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the County, and (ii) a pledge of surplus net revenues of the County public library, as provided in the Order. See "The CERTIFICATES - Security for Payment."

Interest on the Certificates will accrue from the dated date as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2003, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by The Bank of New York Trust Company of Florida, N.A., Dallas, Texas, as Paying Agent/Registrar, to Cede & Co., which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates.

Proceeds from the sale of the Certificates will be used for the purpose of (1) constructing and equipping a county jail/law enforcement center, and (2) to pay costs of issuance in connection therewith.

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. (See "BOND INSURANCE" herein.)



**STATED MATURITY SCHEDULE**  
**\$2,755,000 Serial Certificates Due August 1**

<u>Principal Amount</u>	<u>Stated Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Principal Amount</u>	<u>Stated Maturity</u>	<u>Interest Rate</u>	<u>Yield</u>
\$125,000	2004	2.15%	2.15%	\$190,000	2012	4.10%	4.10%
130,000	2005	2.65%	2.65%	200,000	2013	4.25%	4.25%
140,000	2006	2.95%	2.95%	210,000	2014	4.40%	4.40%
145,000	2007	3.15%	3.15%	220,000	2015	4.50%	4.50%
155,000	2008	3.40%	3.40%	230,000	2016	4.60%	4.60%
160,000	2009	3.70%	3.70%	245,000	2017	4.70%	4.70%
170,000	2010	3.90%	3.90%	255,000	2018	4.80%	4.80%
180,000	2011	4.00%	4.00%				

\$845,000 4.95% Term Certificate due August 1, 2021 priced at 4.95%

The Certificates stated to mature on and after August 1, 2013 are subject to optional redemption, in whole or in part, in principal amounts of \$5,000 (and if less than all within a stated maturity by lot, by the Paying Agent/Registrar), on August 1, 2012 or any date thereafter, at a price of par (100%) plus accrued interest to the date fixed for redemption. In addition, the Certificates maturing on August 1, 2021, are subject to mandatory sinking fund redemption. See "The CERTIFICATES - Redemption Provisions for the Certificates."

*The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser (the "Underwriter") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas. The legal opinion of Bond Counsel will be printed on or attached to the Certificates. Certain matters will be passed upon for the Underwriter by its legal counsel Fulbright & Jaworski L.L.P., San Antonio, Texas. It is expected that the Certificates will be available for delivery through the services of DTC on or about July 18, 2002.*

**SAMCO CAPITAL MARKETS**  
*A Division of Service Asset Management Company*

**UPTON COUNTY, TEXAS**  
**Post Office Box 482**  
**Rankin, Texas 79778-0482**

**COMMISSIONERS COURT**

<u>Name</u>	<u>Position</u>	<u>Year Elected</u>	<u>Term Expires December 31</u>
Vikki Bradley	County Judge	1993	2002
Brent Wrinkle	Commissioner, District 1	2000	2004
Tommy Owens	Commissioner, District 2	1994	2002
W. M. Martinez	Commissioner, District 3	1992	2004
Leon Patrick	Commissioner, District 4	1994	2002

**COUNTY OFFICIALS**

<u>Name</u>	<u>Position</u>	<u>Years Served</u>
Melanie Spratt	County Attorney	1
Nancy Poage	County Treasurer	11
Phyllis Stephens	County Clerk	15
Elizabeth Craig	County Auditor	14
Dan Brown	Tax Assessor Collector/Sheriff	14

**CONSULTANTS AND ADVISORS**

McCall, Parkhurst & Horton L.L.P.  
Dallas, Texas

Bond Counsel

Eckert, Ingram, Tinkler, Oliphant & Featherston, L.L.P.  
San Angelo, Texas

Certified Public Accountants

For Additional Information Contact:

The Honorable Vikki Bradley  
County Judge  
Upton County Courthouse  
P. O. Box 482  
Rankin, Texas 79778-0482  
(915) 693-2321  
Fax (915) 693-2243

Floyd R. Westerman  
Duane L. Westerman  
SAMCO Capital Markets  
8700 Crownhill Blvd., Suite 601  
San Antonio, Texas 78209  
(210) 832-9760  
Fax (210) 832-9740

Jack E. Brown  
SAMCO Capital Markets  
Post Office Box 547  
Marfa, Texas 79843  
(915) 358-4446  
Fax (915) 358-4476

Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

No dealer, broker, salesman, or other person has been authorized by the County or the Underwriter to give any information or to make any representation with respect to the Certificates, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Certificates by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expressions of opinion 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 information or opinions set forth herein after the date of this Official Statement.

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

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

NEITHER THE COUNTY NOR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

## OFFICIAL STATEMENT SUMMARY INFORMATION

The following information is qualified in its entirety by more detailed information and financial statements appearing elsewhere in this Official Statement:

<b>THE ISSUER</b> .....	Upton County, Texas (the "County") is a political subdivision of the State of Texas and is governed by the Commissioners Court, which is composed of four County Commissioners and the County Judge. The County's 2000 population was 3,404. See "APPENDIX B - General Information Regarding Upton County, Texas" herein.
<b>THE CERTIFICATES</b> .....	<p>\$3,600,000 Upton County, Texas Certificates of Obligation, Series 2002 (the "Certificates"). The Certificates are being issued as serial certificates maturing on August 1, 2004 through August 1, 2018 and as a term certificate maturing August 1, 2021. Interest is payable on February 1, 2003 and each August 1 and February 1 thereafter.</p> <p>The Certificates will mature on the dates indicated on the cover page hereof.</p>
<b>DATED DATE</b> .....	June 1, 2002.
<b>REDEMPTION</b> .....	The Certificates stated to mature on and after August 1, 2013 are subject to optional redemption on August 1, 2012, or any date thereafter, at a price of par (100%) plus accrued interest to the date fixed for redemption. The Certificates stated to mature on August 1, 2021 are also subject to mandatory sinking fund redemption. See "THE CERTIFICATES - Redemption Provisions" herein.
<b>SECURITY FOR THE CERTIFICATES</b> .....	<p>The Certificates constitute direct obligations of the County payable, both as to principal and interest, a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the County, and (ii) a pledge of surplus net revenues of the County public library, as provided in the Order.</p> <p>See "THE CERTIFICATES - Security for Payment" herein</p>
<b>BOOK-ENTRY-ONLY SYSTEM</b> .....	The County intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment as to principal and interest.
<b>PAYING AGENT/REGISTRAR</b> .....	The Bank of New York Trust Company of Florida, N.A., Dallas, Texas.
<b>TAX MATTERS</b> .....	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from the gross income of the owners thereof for federal income tax purposes under existing law. See "TAX MATTERS" and "APPENDIX D - Form of Opinion of Bond Counsel" herein.
<b>QUALIFIED TAX EXEMPT OBLIGATIONS</b> .....	The County will designate the Certificates as "Qualified Tax Exempt Obligations" for financial institutions. See "TAX MATTERS - Qualified Tax Exempt Obligations" herein.
<b>USE OF PROCEEDS</b> .....	Proceeds from the sale of the Certificates will be used for the purpose of (1) constructing and equipping a county jail/law enforcement center, and (2) to pay costs of issuance in connection therewith.
<b>BOND INSURANCE</b> .....	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. See "BOND INSURANCE" herein.
<b>RATING</b> .....	Standard & Poor's Corporation, a division of The McGraw-Hill Companies, Inc. ("S&P"), has assigned its contract rating of "AAA" to the Certificates with the understanding that upon delivery of the Certificates a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Certificates will be issued by Financial Security Assurance Inc. See "OTHER PERTINENT INFORMATION - Municipal Bond Rating, "BOND INSURANCE" and APPENDIX E herein.
<b>FUTURE BOND ISSUES</b> .....	The County does not anticipate the issuance of any additional indebtedness in 2002.
<b>PAYMENT RECORD</b> .....	The County has never defaulted on the payment of its bonded indebtedness.
<b>DELIVERY</b> .....	When issued, anticipated on or about July 18, 2002.
<b>LEGALITY</b> .....	The Certificates are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. See "APPENDIX D - Form of Opinion of Bond Counsel" herein.

**OFFICIAL STATEMENT**  
relating to

**\$3,600,000 UPTON COUNTY, TEXAS**  
**CERTIFICATES OF OBLIGATION, SERIES 2002**

**INTRODUCTION**

This Official Statement of Upton County, Texas (the "County") is provided to furnish information in connection with the sale of the County's Certificates of Obligation, Series 2002 (the "Certificates"), in the aggregate principal amount of \$3,600,000.

There follows in this Official Statement a description of the Certificates and certain other information about 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 Treasurer at the County Courthouse, P. O. Box 45, Rankin, Texas 79778 and, during the offering period, from the Underwriter upon payment of reasonable handling, mailing, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the County's undertaking to provide certain information on a continuing basis, upon payment of reasonable handling, mailing, and delivery charges.

**THE CERTIFICATES**

**Authority for Issuance**

The Certificates are being issued by the Commissioners Court of the County pursuant to the general laws of the State of Texas, particularly the Certificate of Obligation Act of 1971, as amended, Section 271.041 et seq, Texas Local Government Code, and an order (the "Order") adopted by the Commissioners Court. See "THE CERTIFICATES - Security for Payment" herein.

**General**

The Certificates will be dated June 1, 2002 and will be issued in principal denominations of \$5,000 or any integral multiple thereof.

The Certificates bear interest from such date at the stated interest rates indicated on the cover page hereof. Interest on the Certificates will be calculated on the basis of a 360-day year of twelve 30-day months payable on February 1, 2003 and each August 1 and February 1 thereafter, until the earlier of maturity or redemption.

The County intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or behalf of DTC to discontinue such system. Principal, premium, if any, and interest on of the Certificates will be payable by the paying agent/registrar, initially The Bank of New York Trust Company of Florida, N.A., Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., as nominee of DTC. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer. DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interest in the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein. So long as the Certificates are in Book-Entry-Only form, and DTC is the securities depository therefore, Cede & Co., as nominee for DTC, will be the registered owner of the Certificates and references herein to bondholders or registered owners shall mean Cede & Co. and not the beneficial owners of the Certificates. **No physical delivery of the Certificates will be made to the beneficial owners thereof.**

**Security for Payment**

The Certificates will be payable from the levy of an annual ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the County. The Certificates are payable from the County's \$.80 tax rate authorized by Article VIII, Section 9 of the Texas Constitution. See "TAX RATE AND FUNDED DEBT LIMITATIONS" herein. Additionally, the Certificates are payable from and secured by a pledge of surplus net revenues of the County public library, as provided in the Order.

## Payment Record

The County has never defaulted on the payment of its bonded indebtedness. See APPENDIX A-1 - "NON-FUNDED DEBT" herein.

## Legality

McCall, Parkhurst & Horton L.L.P., Attorneys, Dallas, Texas and the Attorney General of the State of Texas. The legal opinion of Bond Counsel will be printed on or attached to the Certificates. A form of the legal opinion of Bond Counsel appears in Appendix D.

## Delivery

When issued; anticipated on or about July 18, 2002.

## Use of Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of (1) constructing and equipping a county jail/law enforcement center, and (2) to pay professional services in connection therewith.

## Redemption Provisions of the Certificates

### Optional Redemption:

The Certificates stated to mature on and after August 1, 2013 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if less than all within a stated maturity by lot, by the Paying Agent/Registrar), on August 1, 2012 or on any date thereafter, at a price of par plus accrued interest to the date fixed for redemption.

### Mandatory Redemption:

In addition to being subject to optional redemption as provided above, the Certificates stated to mature on August 1, 2021 (the "Term Certificates") are subject to mandatory redemption in part prior to their maturity from money required to be deposited in the Interest and Sinking Fund for such purpose and shall be redeemed by lot or other customary method, at the redemption price of par plus accrued interest to the date of redemption in the following principal amounts and on the date as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 2019	\$270,000
August 1, 2020	280,000
August 1, 2021*	295,000

\* Maturity.

The principal amount of Term Certificates required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the County, by the principal amount of Term Certificates of like maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been acquired by the County at a price not exceeding the principal amount of such Term Certificate plus accrued interest to the date of purchase thereof and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the County at a price not exceeding the principal amount of such Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against the mandatory redemption requirement.

## 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 each registered owner of a Certificate to be redeemed, in whole or in part, at the address of the Holder appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO

MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE BONDHOLDER. If a Certificate is subject by its terms to prior redemption and has been called for redemption and notice of redemption thereof has been duly given as herein above provided, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable and interest thereon shall cease to accrue from and after the redemption date therefor, provided moneys sufficient for the payment of such Certificate (or of the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

Certificates of a denomination larger than \$5,000 may be redeemed in part \$5,000 or any integral multiple thereof). Any Certificate to be partially redeemed must be surrendered in exchange for one or more new Certificates of the same stated maturity and interest rate for the unredeemed portion of the principal.

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

#### **Defeasance**

The Order provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money in an amount sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The Order provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of any agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The County has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the County moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the County to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the County: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorize.

#### **Amendments to the Order**

In the Order, the County has reserved the right to amend the Order without the consent of any holder for the purpose of amending or supplementing the Order to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Order that do not materially adversely affect the interests of the holders, (iv) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions

arising under the Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the County, do not materially adversely affect the interests of the holders.

The Order further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding Certificate shall have the right from time to time to approve any amendment not described above to the Order if it is deemed necessary or desirable by the County; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

#### **REGISTERED OWNERS' 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 a Certificate could presumably obtain a judgment against the County if a default occurred in payment of principal of or interest on any such Certificate, 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 interest of the bondholders upon any failure of the County to perform in accordance with the terms of the Order, or upon any other condition. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation debt 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.

#### **REGISTRATION, TRANSFER, AND EXCHANGE**

##### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is The Bank of New York Trust Company of Florida, N.A., Dallas, Texas. The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest on the Certificates will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date (see "Record Date" herein) or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal of the Certificates will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

##### **Successor Paying Agent/Registrar**

The County covenants that until the Certificates are paid it will at all times maintain and provide a paying agent/registrar. In the Order, the County retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the County, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the County shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the



County will promptly cause a notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

#### **Record Date**

The record date ("Record Date") for the payment of interest on a Certificate is the fifteenth day of the month next preceding each interest payment date.

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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Certificate appearing on the 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.

#### **Registration, Transferability and Exchange**

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Certificates and thereafter the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and at the same maturity or maturities as the Certificate or Certificates surrendered for exchange or transfer. Neither the County or the Paying Agent/Registrar will be required to transfer or exchange any Certificates (i) during a period beginning at the close of business on any Record Date and ending with the next interest payment date or (ii) with respect to any Certificates or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. (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.)

#### **Replacement Certificates**

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

#### **BOOK-ENTRY-ONLY SYSTEM**

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

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the

Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates (the "Securities" or the "Security"). The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Securities 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. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to

The County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County and the Underwriter take no responsibility for the accuracy thereof.

#### **Use of Certain Terms in Other Sections of This Official Statement**

In reading this Official Statement it should be understood that while the Securities 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 Ordinance will be given only to DTC.

### **BOND INSURANCE**

#### **Bond Insurance Policy**

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

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida 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 an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At March 31, 2002, Financial Security's total policyholders' surplus and contingency reserves were approximately \$1,644,743,000 and its total unearned premium reserve was approximately \$841,749,000 in accordance with statutory accounting principles. At March 31, 2002, Financial Security's total shareholders' equity was approximately \$1,746,106,000 and its total net unearned premium reserve was approximately \$693,860,000 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 Certificates. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc., 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 Certificates, 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 Certificates or the advisability of investing in the Certificates. 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.

## **AD VALOREM TAX PROCEDURES**

### **Ad Valorem Taxation**

The Certificates are payable from an ad valorem tax levied, within the limitations prescribed by law, on all taxable property within the County. Reference is hereby made to the Texas Property Tax Code for identification of property subject to taxation, property exempt or which may be exempted from taxation, the appraisal of property for taxation purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes. Among other provisions, the Texas Property Tax Code contains the following provisions with respect to the assessment of property and the levy and collection of ad valorem taxes:

- (1) a single appraisal district in each county to appraise property for taxation purposes for all taxing units located wholly or partly within the county;
- (2) all property to be assessed at 100% of its appraised value and the assessment of property on the basis of a percentage of its appraised value is prohibited;
- (3) requires an "effective tax rate" and "rollback tax rate" to be annually calculated and publicized and necessitates the holding of a public hearing when the tax rate proposed to be adopted exceeds the lower of the rollback tax rate or 103% of the effective tax rate; if the adopted tax rate exceeds the rollback tax rate, a referendum election may be required to be held on limiting the tax rate the County may adopt for the following year to the rollback tax rate; and
- (4) the value of property is generally assessed for purposes of taxation on January 1 of each year and taxes levied each year generally become due and payable on October 1 and become delinquent on February 1 of the following year in which the taxes are imposed.

### **Taxable Property, Exemptions and Agricultural Exclusions**

All real property located in the taxing unit and certain personal property is taxable property unless exempt by law. With certain exceptions, intangible personal property is not taxable property. Certain property is taxed according to income capacity, if claimed, including open space land (ranch and farm land) and timber land.

Principal categories of exempt property include: (1) property owned and used for public purposes by the State of Texas or its political subdivisions; (2) property exempt by federal law; (3) family supplies, household goods and personal effects not held or used in the production of income; (4) certain property owned by charitable organizations, youth development associations, and religious organizations; (5) certain properties used for school purposes; (6) solar and wind-powered energy devices; (7) farm products, livestock, and poultry in the hands of the producer, and family supplies for home and farm use; (8) implements of husbandry used in the production of farm and ranch products; (9) personally owned automobiles (unless affirmatively provided to be taxed by taxing entity); (10) property owned by disabled veterans or by the surviving spouse and surviving minor children of disabled veterans is exempt from taxation in amounts ranging from \$1,500 to \$3,000 depending on the disability rating of the veteran; and (11) other miscellaneous exceptions.

A recent constitutional amendment (Article VIII, Section 1-i) exempts from taxation goods, wares, merchandise, other tangible personal property and ores (other than oil, natural gas and other petroleum products) acquired or imported for assembling, storing, manufacturing, processing or fabricating purposes while such property is being detained in the State, and such property is to be forwarded outside the State within 175 days after the date of its acquisition or importation. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax is taken before April 1, 1990. The official action to tax such property can subsequently be rescinded and, if rescinded, such property shall thereafter be exempt from taxation.

Additionally, a percentage of the value of the residence homestead of a person may be exempt from taxation at the option of the governing body of the taxing entity, such exemption not to exceed 20% each year. Furthermore, not less than \$3,000 of the market value of the residence homestead of a person 65 years of age or older and certain disabled persons may be exempt from taxation, if such exemption is allowed by the governing body of the taxing entity or imposed by referendum election.

## TAX RATE AND FUNDED DEBT LIMITATIONS

**Limited Tax Funded Debt Payable From Proceeds of \$0.80 Constitutional Tax Rate:** Article VIII, Section 9 of the Texas Constitution imposes a limit of \$.80 per \$100 assessed valuation for all purposes of the General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, including debt service of bonds, warrants, tax notes and certificates of obligation issued against such funds. By administrative policy, the Attorney General of Texas will permit allocation of \$0.40 of the constitutional \$0.80 tax rate for the payment of the debt service requirements on the County's limited tax general obligation indebtedness. The issuance of the Certificates does not violate this administrative policy.

The Certificates described herein are being issued pursuant to the laws of the State of Texas, including particularly the Certificate of Obligation Act of 1971, as amended, Section 271.041 et seq., Texas Local Government Code, as amended, and the Order. There are no specific limitations as to the amount of such debt under this authority; however, the Certificates are limited tax obligations payable from proceeds within the \$0.80 constitutional tax rate.

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

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

**Unlimited Tax Road Bonds:** Article III, Section 52, Texas Constitution, provides that such debt may not exceed 25% of the County's assessed valuation of real estate. The County has no outstanding unlimited tax road bond debt.

**Road Maintenance:** As imposed by statute (Section 256.052, Texas Transportation Code, Vernon's Texas Civil Statutes) \$0.15 per \$100 assessed valuation, no part of which may be used for debt service.

**Farm-to-Market and/or Flood Control:** As imposed by statute (Section 256.054, Texas Transportation Code, Article VIII, Section 1-8, Vernon's Texas Civil Statutes), \$0.30 per \$100 assessed valuation after exemption of homesteads up to \$3,000; no allocation prescribed by statute between debt service and maintenance. All or part may be used for either purpose.

## INVESTMENT DATA

### 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 or instrumentality's, (2) direct obligations of the State of Texas or its agencies and instrumentality's, (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 of their respective agencies and instrumentality's, (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 securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptance 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 AAA-m, or its 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) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (4) require the qualified representative of firms offering to engage in any investment transaction with the County to: (a) receive and review the County's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the County and the business organization that are not authorized by the County's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the County's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the County and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the County's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, or other investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) 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; (9) require local government investment pools to confirm to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the County.

#### **Current Investments**

As of December 31, 2001, the following percentages of the County's invested funds were invested in the following categories of investments:

<u>Description</u>	<u>Maturity</u>	<u>Percent</u>	<u>Amount</u>
TexPool	Daily liquidity	84.38%	\$4,860,938
Bank Certificate of Deposit	n/a	15.62%	900,000
Total		<u>100.00%</u>	<u>\$5,760,938</u>

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

#### **LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE**

The County will furnish the Underwriter with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the County, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Order, are valid and legally binding obligations of the County and, subject to the qualifications set forth herein under "TAX MATTERS" herein, including the alternative minimum tax on corporations, the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the caption "THE CERTIFICATES" (other than the information under the subcaption "Payment Record"), "REGISTRATION, TRANSFER AND EXCHANGE," "LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (other than the information under the subcaption "Compliance with Prior Undertakings"), and the subcaption "Legal Investments and Eligibility to Security Public Funds in Texas" under the caption "OTHER PERTINENT INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the provisions of the Order. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Fulbright & Jaworski L.L.P., San Antonio, Texas.

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

#### **NO LITIGATION**

On the date of delivery of the Certificates to the Underwriter, the County will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Certificates or which would adversely affect the provisions made for their payment or security, or in any manner questioning the validity of the Certificates.

The County is not a party to any litigation or other proceedings pending or, to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the County, would have a material adverse effect on the financial statements of the County.

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix D--Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the County, including information and representations contained in the County's federal tax certificate, and (b) covenants of the County contained in the Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Certificates and the property financed therewith. Although it is expected that the Certificates will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Certificates could be affected by future events. However, future events beyond the control of the County, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgement based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner that would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the County as the taxpayer and the Certificateholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Certificates (the "Original Issue Discount Certificates") may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue 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 Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the



amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent for taxable income exceeding \$175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Interest on the Certificates may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local and Foreign Taxes**

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

## **QUALIFIED TAX EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations, other than certain "private activity bonds," which are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as referring to any corporation described in section 585(a)(2) of the Code or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution.

The County has designated the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the County has covenanted to take such action that would assure, or to refrain from such action which would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public (or, in the case of original issue discount bonds, the stated redemption price at maturity) exceeds \$10,000,000, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."

## **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Certificates qualifies for the SEC Rule 15c2-12(d)(2) exemption from SEC Rule 15c2-12(b)(5) regarding the County's continuing disclosure obligations because the County has not issued more than \$10,000,000 in aggregate amount of outstanding obligations and no person is committed by contract or other arrangement with respect to payment of the Certificates. Pursuant to this exemption, the County in the Order has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the County will be obligated to 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.

### **Updated Information and Data**

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the County must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 120 days after the close of the County's fiscal year. The County's fiscal records and audit reports are available for public inspection during the regular business hours, and the County is required to provide a copy of the County's audit reports to any bondholder or other member of the public within a reasonable time upon submission of a written request to the County Auditor, Upton County, Post Office Box 482, Rankin, Texas 79778-0482 and upon payment of charges prescribed by the Texas General Services Commission.

The County will provide certain updated financial information and operating data annually to the appropriate state information depository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC"). The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in Appendix A, exclusive of table reflecting "Consolidated Overlapping Gross Funded Debt Payable from Ad Valorem Taxes" and certain information in the annual financial statements in Appendix C. The County will update and provide this information within six months after the end of each fiscal year ending in or after 2002.

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 for the County, if the County commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the County will provide unaudited financial statements for the applicable fiscal year to any SID, with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the County's annual financial statements 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 December 31. Accordingly, it must provide updated information by the last day in June in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify each nationally recognized municipal securities information repository ("NRMSIR") and any SID of the change.

## **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 makes any provision for debt service reserves or liquidity enhancement. In addition, the County will provide timely notice of any failure by the County to provide information, data, or financial statements in accordance with its agreement described above under "Updated Information and Data". The County will provide each notice described in this paragraph to any SID and to either each 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 NRMSIRs and any SID. 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.

The Municipal Advisory Council of Texas has been designated by the State of Texas as a SID, and has been qualified as a SID by the staff of the SEC. 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.

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

## **Compliance with Prior Undertakings**

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

## **OTHER PERTINENT INFORMATION**

### **Authenticity of Financial Data and Other Information**

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

### **Registration and Qualification of Certificates for Sale**

The sale of the Certificates has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities act of any other 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 271.051 Texas Local Government Code, as amended, 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 funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas." Texas law further provides that obligations, such as the Certificates, are eligible to secure deposits 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 (Vernon's Texas Civil Statutes, 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. See "MUNICIPAL BOND RATING" herein.

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

### **Municipal Bond Rating**

Standard & Poor's Corporation, a Division of the McGraw-Hill Companies, Inc. ("S&P") has assigned its contract rating of "AAA" to the Certificates with the understanding that upon delivery of the Certificates a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Certificates will be issued by Financial Security Assurance Inc. See "BOND INSURANCE" and APPENDIX E herein.

The rating reflects only the views of such organization at the time such rating was given, 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 the rating company if, in the judgment of such rating company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

### **Underwriting**

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the County at a price of \$3,546,000 plus accrued interest on the Certificates to the date of initial delivery of the Certificates to the Underwriter. This purchase will result in a total compensation to the Underwriter of \$54,000. The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Certificates, if the Certificates are purchased. The

Certificates may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

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

#### **Forward Looking Statements**

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

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

#### **GASB 34 Implication for the County**

In June 1999, the Governmental Accounting Standards Board issued Statement No. 34, "Basic Financial Statements -- Management's Discussion and Analysis -- for State and Local Governments." The objective of this Statement is to enhance the clarity and usefulness of the general-purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors. The County must implement GASB 34 for its fiscal year ending December 31, 2004. While adoption of this Statement will alter the presentation of some financial information, County management believes that there will be no material adverse impact to the County's financial position, results of operation, or cash flow.

#### **Authorization of the Official Statement**

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

This Official Statement has been approved by the Commissioners Court of the County for distribution in accordance with provisions of the Security and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

The Order 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 Underwriter.

#### **UPTON COUNTY, TEXAS**

/s/ Vikki Bradley  
County Judge

ATTEST:

/s/ Phyllis Stephens  
County Clerk

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**APPENDIX A**

**Selected Financial Information  
of the County**

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## GENERAL PURPOSE, GENERAL OBLIGATION BONDS AND CERTIFICATES

2001 Appraised Valuation of County @ 100% .....		\$1,028,024,220
Less Exemptions and Exclusions:		
Local Over-65/Disabled Exemption .....	\$ 11,411,336	
Veterans Exemptions .....	130,300	
Pollution Control Loss .....	507,000	
Productivity Loss .....	59,816,490	
Abatement Loss .....	11,793,500	
Value Lost to 10% Cap .....	40,550	
2001 Taxable Assessed Valuation .....		<u>83,699,176</u> <u>\$ 944,325,044</u>

Source: Comptroller of Public Accounts 2001 Upton County Self-Report.

County Funded Debt Payable from Ad Valorem Taxes: (as of 6-1-2002)		
Certificates of Obligation, Series 2002 (The Certificates) .....		3,600,000
Less Interest and Sinking Fund Balance (as of 6-1-2002) .....		-0- *
Net Funded Debt Outstanding (as of 6-1-2002) .....		\$3,600,000
Ratio Total Funded Debt to 2001 Taxable Assessed Valuation .....		0.38%
Ratio Net Funded Debt to 2001 Taxable Assessed Valuation .....		0.38%

(\*) The County does not have any currently outstanding general obligation indebtedness.

2000 U.S. Census Population - 3,404  
 Per Capita 2001 Taxable Assessed Valuation - \$272,165.45  
 Per Capita Total General Purpose Funded Debt - \$2,057.58  
 Area - 2,000 square Miles (1,280,000 acres)  
 Total General Purpose Funded Debt Per Acre \$2.81

## AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The County has no authorized but unissued general obligation debt.

## NON-FUNDED DEBT

The County is committed under various lease agreements as lessee for financing the acquisition of heavy equipment. These lease agreements qualify as capital leases for accounting purposes.

Future minimum lease payments are as follows:

Year Ending <u>December 31</u>	
2001	\$ 33,314
2002	33,314
2003	33,314
2004	33,314
2005	5,554
Total Future Minimum Lease Payments	\$138,810
Less, Amounts Representing Interest	<u>16,012</u>
Net Lease Payments	<u>\$122,798</u>

Source: County's 2000 audited financial statement.

### ANTICIPATED ISSUANCE OF ADDITIONAL BONDS

The County does not anticipate the issuance of any additional general obligation debt in 2002.

### TAX RATES AND COLLECTIONS

Year	Assessed Valuation	Tax Rate	% Total Collections	Year Ending
1991	\$683,625,374	\$0.4443	100.00%	12-31-1991
1992	688,896,657	0.4514	100.00%	12-31-1992
1993	757,657,760	0.4225	100.00%	12-31-1993
1994	689,898,075	0.4788	100.00%	12-31-1994
1995	635,632,677	0.5352	98.00%	12-31-1995
1996	608,567,055	0.5978	99.00%	12-31-1996
1997	740,404,231	0.5226	99.00%	12-31-1997
1998	710,135,081	0.5446	99.00%	12-31-1998
1999	527,275,953	0.7331	99.00%	12-31-1999
2000	602,145,959	0.6720	99.00%	12-31-2000
2001	944,325,044	0.6720	(in process of collection)	12-31-2001

### AD VALOREM TAX RATE DISTRIBUTION

Tax Year	2001	2000	1999	1998	1997
General Operations	\$0.6720	\$0.6720	\$0.7331	\$0.5446	\$0.5226
Interest & Sinking Fund	-0-	-0-	-0-	-0-	-0-
Totals	\$0.6720	\$0.6720	\$0.7331	\$0.5446	\$0.5226
Special Road and Bridge	-0-	-0-	-0-	-0-	-0-

### TAXPAYERS BY CLASSIFICATION

Classification	2001 Assessed Valuation	Percent of Total	2000 Assessed Valuation	Percent of Total	1999 Assessed Valuation	Percent of Total
Real Estate:						
Single Family Residential	\$ 23,213,168	2.26%	\$ 22,300,803	3.32%	\$ 21,924,748	3.77%
Multi-Family Residential	10,660	0.00%	10,350	0.00%	10,350	0.00%
Vacant - Platted Lots/Tracts	1,096,970	0.11%	795,650	0.11%	775,160	0.13%
Acreage (Land Only)	63,244,600	6.15%	46,590,360	6.93%	46,617,390	8.02%
Farm and Ranch Improvements	4,535,645	0.44%	4,449,755	0.66%	4,424,125	0.76%
Commercial	5,268,892	0.51%	4,949,567	0.74%	4,678,062	0.80%
Industrial	1,726,310	0.17%	2,281,140	0.34%	567,640	0.10%
Oil and Gas	775,258,590	75.42%	447,608,200	66.62%	379,875,370	65.32%
Other Minerals	16,480	0.00%	18,990	0.00%	3,720	0.00%
Non-producing Minerals	104,340	0.00%	102,640	0.02%	113,820	0.02%
Real & Intangible Personal:						
Vehicles	-0-	0.00%	-0-	0.00%	-0-	0.00%
Utilities	87,009,103	8.49%	84,737,682	12.61%	83,313,307	14.33%
Commercial	2,690,112	0.26%	3,085,619	0.46%	3,256,805	0.56%
Industrial	44,111,780	4.30%	53,654,797	7.99%	34,355,853	5.91%
Mobile homes	640,589	0.06%	719,049	0.11%	719,524	0.12%
Other	884,253	0.09%	592,408	0.09%	947,644	0.16%
Intangible Personal	17,873,840	1.74%	-0-	0.00%	-0-	0.00%
Real Inventory	-0-	0.00%	-0-	0.00%	-0-	0.00%
Special Inventory	5,888	0.00%	2,235	0.00%	-0-	0.00%
Total Valuation	\$1,028,024,220	100.00%	\$671,899,245	100.00%	\$581,583,518	100.00%
Less Exemptions & Exclusions	83,699,176		69,753,286		54,307,565	
Net Taxable Assessed Valuation	\$ 944,325,044		\$602,145,959		\$527,275,953	

Source: Comptroller of Public Accounts - Property Tax Division County Self-Reports.

### TEN LARGEST TAXPAYERS

Name	Nature of Property	2001 Assessed Valuation	% Of Assessed Valuation
Chevron USA, Inc.	Minerals & Industrial Personal	\$109,559,360	11.83%
Hunt Oil Company	Minerals	76,698,300	8.28%
Arco Permian	Minerals & Industrial Personal	68,369,400	7.38%
EOG Resources, Inc.	Minerals & Industrial Personal	56,890,880	6.14%
Pioneer Natural	Minerals	56,246,330	6.07%
Exxon Corporation	Minerals	39,354,770	4.25%
Mobil Production Texas/New Mexico, Inc.	Minerals	30,841,040	3.33%
Warren & Company	Minerals	27,371,890	2.95%
Western Gas Resources, Inc.	Gas, Plants, Pipelines & Industrial Personal	19,775,070	2.13%
Henry Petroleum Corp.	Minerals	19,045,660	2.06%
TOTAL .....		<u>\$504,152,700</u>	<u>54.42%</u>

Source: Upton County Appraisal District at 12-27-2001.

### CONSOLIDATED OVERLAPPING GROSS FUNDED DEBT PAYABLE FROM AD VALOREM TAXES

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

Taxing Body	Tax Rate	Gross Debt		Percent Overlapping	Amount Overlapping
		Amount	As Of		
Upton County Water District	\$0.0142	\$ -0-	2-01-01	100.00%	\$ -0-
McCamey, City of	0.3852	-0-	2-01-02	100.00%	-0-
McCamey I.S.D.	1.4400	-0-	2-01-02	100.00%	-0-
McCamey Fire District	0.0186	-0-	2-01-02	100.00%	-0-
McCamey Hospital District	0.6500	-0-	2-01-02	100.00%	-0-
Rankin, City of	0.7404	215,000	2-02-02	100.00%	215,000
Rankin I.S.D.	1.4500	-0-	2-02-02	100.00%	-0-
Rankin Fire District	0.0300	-0-	2-02-01	100.00%	-0-
Rankin Hospital District	0.2730	-0-	2-02-01	100.00%	-0-
Total Estimated Overlapping Debt .....					\$ 215,000
Upton County (the Certificates)		\$3,600,000	6-01-02	100.00%	<u>3,600,000</u>
Total Direct and Estimated Overlapping Debt.....					<u>\$3,815,000</u>
Ratio to Assessed Valuation (\$944,325,044) .....					0.40%

**DEBT SERVICE SCHEDULE**  
**At Actual Rates**

FISCAL YEAR 31-Dec	PRINCIPAL DUE 8/1	INTEREST DUE 2/1	INTEREST DUE 8/1	TOTAL
2003		\$ 100,961.67	\$ 75,721.25	\$ 176,682.92
2004	\$ 125,000	75,721.25	75,721.25	276,442.50
2005	130,000	74,377.50	74,377.50	278,755.00
2006	140,000	72,655.00	72,655.00	285,310.00
2007	145,000	70,590.00	70,590.00	286,180.00
2008	155,000	68,306.25	68,306.25	291,612.50
2009	160,000	65,671.25	65,671.25	291,342.50
2010	170,000	62,711.25	62,711.25	295,422.50
2011	180,000	59,396.25	59,396.25	298,792.50
2012	190,000	55,796.25	55,796.25	301,592.50
2013	200,000	51,901.25	51,901.25	303,802.50
2014	210,000	47,651.25	47,651.25	305,302.50
2015	220,000	43,031.25	43,031.25	306,062.50
2016	230,000	38,081.25	38,081.25	306,162.50
2017	245,000	32,791.25	32,791.25	310,582.50
2018	255,000	27,033.75	27,033.75	309,067.50
2019	270,000	20,913.75	20,913.75	311,827.50
2020	280,000	14,231.25	14,231.25	308,462.50
2021	295,000	7,301.25	7,301.25	309,602.50
	<u>\$3,600,000</u>	<u>\$989,122.92</u>	<u>\$963,882.50</u>	<u>\$5,553,005.42</u>

**2002/2003 PRO FORMA INTEREST & SINKING FUND  
MANAGEMENT INDEX**

Estimated Interest & Sinking Fund Balance at 12-31-2002 .....	\$ -0-
Estimated Proceeds from \$0.021 Tax Using 2001 Taxable Assessed Valuation of \$926,451,204 at 95% Collected .....	184,827
Estimated Interest Income .....	<u>2,000</u>
Total Available Funds for 2002/2003 Debt Service .....	186,827
2002/2003 Estimated Debt Service Requirement .....	<u>176,683</u>
Estimated Interest and Sinking Fund Balance at 12-31-2003 .....	\$ 10,144

## **THE COUNTY**

### **Administration of the County**

The County is divided into a number of different departments, each with its own legally constituted duties as prescribed by the Constitution of 1876 and/or legislative acts and each headed by either an elected or appointed official. The State court system is intertwined in the operation of the County as an entity.

The County Judge and the four County Commissioners who comprise the Commissioners Court, the County Tax Assessor/Collector, and the County Treasurer, all of whom are elected officials, and the County Auditor have responsibility for the financial administration of the County.

The Commissioners Court is the governing body of the County. It has certain powers expressly granted to it by the legislature and powers necessarily implied from such grant. The functions of the Commissioners Court are to establish a courthouse and jail, appoint numerous minor officials, fill vacancies in certain county offices, let contracts in the County, build roads and bridges, administer the County's welfare services, perform numerous duties in regard to elections, set the County tax rate, issue bonds, adopt the County budget and serve as a board of equalization for tax assessments.

The County Judge is the presiding officer of the Commissioners Court and is elected for a four-year term by the voters of the County. Each Commissioner represents one of four Commissioner Precincts into which the County is divided and is elected by the voters of such precinct for a four-year term.

The County Tax Assessor-Collector is elected by the voters of the County at large and is responsible for assessing the property within the County, certain State and County fees, and other taxes. The Upton County Appraisal District collects ad valorem taxes for the County.

The County Treasurer is elected by the voters of the County at large and the duties are prescribed by the Legislature. The Treasurer's duties include receiving and investing all money collected by the County. However, the funds can be withdrawn only upon the Treasurer's signature and the countersignature of the County Auditor. The function of the office is essential as a feature of internal control in the custody of the bank.

The County Auditor is appointed by the District Judges. The Auditor serves as the chief accounting officer of the County and assists the County Judge in all areas of County finance. The County Auditor has general oversight of all financial records of the County. The County Auditor countersigns all warrants written and checks written by the County Treasurer.

The County Attorney is responsible for representing the County in all legal matters, advising County officials, and representing the County and State in all courts except when the County is a defendant in civil litigation.

The Criminal District Attorney is responsible for prosecuting all felonies and misdemeanors

### **Budgeting and Capital Planning**

The County Judge is, by statute, the budget officer and has the responsibility of preparing the County's budget. Under the County's budgeting procedures, each department submits a budget request to the County Auditor and the County Judge. The County Auditor then prepares an estimate of revenues and a compilation of the requested departmental expenditures and submits it to the Commissioners Court.

The Commissioners Court invites a representative of each department to appear for a hearing concerning the department's budget request. Before finalizing the budget, Commissioners Court may increase or decrease the budget amounts requested by the various departments. The finalized budget cannot exceed the County Auditor's projected revenues and available cash.

When the budget has been approved by the Commissioners Court, the County Auditor is responsible for monitoring the expenditures of the various departments to prevent expenditures from exceeding budgeted appropriations as well as keeping the members of the Commissioners Court advised of the condition of the various appropriation accounts. Purchase orders and contracts are not valid until the County Auditor certifies that money is, or will be, available to make payment for same.

Each fund is budgeted on an annual basis with no carry-overs into the next year. If a fund has or shows a balance at the end of the year, the balance is included in making computation of available cash for the next year's budget. Trust and Agency Funds are not budgeted for.

## County Services

As a subdivision of the State of Texas, the County provides only those services allowed by statute. This includes judicial, detention facilities, public safety, highways, flood control, health and limited social services, public improvements and general administrative services.

## Employees

The approximate number of County employees in each of the years 1998 through 2001 was 85.

*Source: County Treasurer's Office*

## Pension Fund Liability

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (the "TCDRS"). The County has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 7.53% for the months of the accounting year in 2000. Each qualified employee of the County contributed 7.00% of gross earnings. County employees are also covered by the United States Social Security Program.

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

	Fiscal Year Ending December 31				
	2001	2000	1999	1998	1997
<b>Revenues:</b>					
Tax and Tax Related Revenues	\$4,239,938	\$3,618,735	\$4,281,111	\$3,864,042	\$3,439,106
Licenses & Permits	147,108	148,727	151,737	148,601	151,551
Fines and Forfeitures	37,751	40,158	28,117	31,259	36,854
Charges and Fees for Services	139,820	155,174	152,366	141,839	93,381
Intergovernmental	118,580	155,820	171,101	36,730	32,192
Lateral Road Funds	13,607	14,062	14,086	13,954	13,860
Contract Landfill - Rankin	6,960	6,960	6,960	6,960	6,960
State Comptroller	6,969	1,112	1,617	23,873	7,548
Interest Collected	86,053	127,799	86,744	101,472	105,464
Miscellaneous	52,175	44,917	44,022	41,135	36,529
<b>Total Revenues</b>	<b>\$4,848,961</b>	<b>4,313,464</b>	<b>4,937,861</b>	<b>4,409,865</b>	<b>3,923,444</b>
<b>Expenditures:</b>					
General Government	1,779,897	1,549,901	1,451,240	1,361,003	1,381,822
Health & Welfare	33,961	35,113	34,020	38,914	37,008
Library	72,581	74,858	71,899	77,574	75,283
Agriculture	105,109	81,949	95,183	97,503	71,702
Airport	6,534	6,061	6,989	5,093	6,809
Road and Bridge	901,405	956,643	778,908	982,325	836,819
Parks and Recreation	412,742	437,234	408,909	445,140	422,552
Miscellaneous	1,428,038	1,433,955	1,420,735	1,602,676	1,290,902
<b>Total Expenditures</b>	<b>4,740,267</b>	<b>4,575,714</b>	<b>4,267,883</b>	<b>4,610,228</b>	<b>4,122,897</b>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	108,694	( 262,250 )	669,978	( 200,363 )	( 199,452 )
<b>BEGINNING FUND BALANCE ( Jan 1)</b>	<b>1,008,946</b>	<b>1,271,196</b>	<b>601,218</b>	<b>801,581</b>	<b>1,001,033</b>
<b>ENDING FUND BALANCE (Dec 31)</b>	<b>\$1,117,640</b>	<b>\$1,008,946</b>	<b>\$1,271,196</b>	<b>\$ 601,218</b>	<b>\$ 801,581</b>

*Source: County's audited financial statements.*

## **APPENDIX B**

### **General Information Regarding The County**

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This Appendix contains a brief discussion of certain economic and demographic characteristics of County. It does not constitute a part of this Official Statement. Information in this Appendix has been obtained from the sources noted. They are believed to be reliable, although no investigation has been made to verify the accuracy of such information. Much of the information was obtained from the *Texas Almanac*, Upton County, City of Rankin and City of McCamey.

### COUNTY ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

Upton County ("the County"), created in 1887 from Tom Green county, is located in the southern portion of West Texas, south of Midland county, and traversed by U.S. Hwys 67 and 385, as well as numerous state highways and county roads.

<u>Approximate Distance (in Miles)</u>	
Odessa/Midland	75
Dallas	190
San Angelo	100

The County is in the Edwards Plateau vegetation region. The economy is based on petroleum production, electric power plant, and cotton and ranching. The area of the County is 1,241.8 square miles.

The City of Rankin ("Rankin") is the county seat. Rankin and the City of McCamey ("McCamey") are centers for petroleum, ranching and tourism activities. Rankin is located at the intersection of US Hwy 67 and State Hwy 576 approximately 20 miles east of McCamey.

#### Population - US Census Bureau

<u>Year</u>	<u>Upton County</u>	<u>City of Rankin</u>	<u>City of McCamey</u>
1960	6,239	n/a	3,375
1970	4,697	1,206	2,647
1980	4,619	1,216	2,436
1990	4,447	1,011	2,493
2000	3,404	800	1,805

#### County Employment and Wages by Industry

	<u>Number of Employees</u>			
	<u>4th Quarter 2000</u>	<u>4th Quarter 1999</u>	<u>4th Quarter 1998</u>	<u>4th Quarter 1997</u>
Agriculture	55	65	67	83
Mining	288	231	240	296
Construction	-	-	-	-
Manufacturing	-	-	-	11
Transportation and Utilities	63	68	78	84
Trade	173	175	185	182
Finance, Insurance and Real Estate	-	-	39	-
Service and Other	152	147	113	161
State Government	14	15	18	18
Local Government	412	436	432	453
Total Employment	1,157	1,137	1,172	1,288
Total Wages	\$9,054,931	\$8,490,288	\$8,782,637	\$9,179,332
Federal Employment	5	6	7	6
Total Wages	\$33,829	\$54,608	\$65,864	\$ 45,018

Source: *Texas Workforce Commission, Research Analysis Department*

## County Labor Force Statistics

	November 2001	2000	Average		
			1999	1998	1997
Civilian Labor Force	1,367	1,442	1,569	1,627	1,643
Total Employed	1,292	1,362	1,449	1,534	1,588
Total Unemployed	75	80	120	93	55
% Unemployed	5.5%	5.5%	7.6%	5.7%	3.3%
% Unemployed (Texas)	5.2%	4.2%	4.6%	4.8%	5.4%
% Unemployed (United States)	5.3%	4.0%	4.2%	4.5%	4.9%

Source: Texas Workforce Commission, Research Analysis Department.

## Agriculture

Agricultural income is derived from cotton; cattle; pecans, mostly irrigated; sheep, goats, and Barbados sheep. Market value is \$7.7 million.

## Minerals

Minerals consist of oil and natural gas.

## Points of Interest

The West Texas Wind Farm, perched atop "M" Mountain, King Mountain and surrounding mesas is McCamey's latest addition. West Texas Wind Farms has installed the generator of the greatest amount of wind energy in the United States. These giant windmills, some with blades up to 90 feet long, stretch their arms to the vast skies of West Texas to harness the ever-present wind. It is quite an awesome sight.

Mendoza Trail Museum offers a glimpse of McCamey over the last 75 years and beyond.

Horsehead Crossing was once the most popular crossing place on the Pecos River for miles around for wagon trains, cattle drives and other parties fording that notoriously winding river.

Castle Gap is a gap in the mountains that was a popular crossing place for expeditions. Legend has it that Maximillian left a treasure buried somewhere in Castle Gap.

Million Barrel, now located on private property, is a tank that was constructed to store a full million barrels of oil. Unfortunately, leaks prevented it from being utilized and it now serves as a "white elephant" reminder of a time from long ago.

**APPENDIX C**

**FINANCIAL REPORT  
COUNTY OF UPTON, TEXAS**

**For Fiscal Year Ended  
December 31, 2001**

The information contained in this Appendix has been reproduced from the Upton County, Texas Financial Report for the year ended December 31, 2001.

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COUNTY OF UPTON  
Year Ended December 31, 2001

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## FINANCIAL SECTION

**ECKERT, INGRUM, TINKLER, OLIPHANT, FEATHERSTON & BARR, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

2201 SHERWOOD WAY, SUITE 302

P.O. BOX 5821

SAN ANGELO, TEXAS 76902-5821

(915) 944-3571

FAX (915) 942-1093

JOHN A. INGRUM, CPA

JERRY L. TINKLER, CPA

MICHAEL E. OLIPHANT, CPA

A. CALVIN FEATHERSTON, CPA

WAYNE BARR, CPA

MEMBERS OF

AMERICAN INSTITUTE OF CPAS

TEXAS SOCIETY OF CPAS

**INDEPENDENT AUDITORS' REPORT**

The Honorable County Judge  
and Commissioners' Court  
County of Upton  
P.O. Box 482  
Rankin, TX 79778-0482

We have audited the accompanying financial statements of the County of Upton, Texas, for the year ended December 31, 2001, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the accompanying financial statements present only the funds which are maintained by the office of the County Treasurer and are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

As described in Note A, the County's policy is to prepare its financial statements on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash transactions of the funds which are maintained by the office of the County Treasurer of the County of Upton for the year ended December 31, 2001, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2002, on our consideration of the County of Upton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Eckert, Ingrum, Tinkler, Oliphant, Featherston & Barr, L.L.P.*

May 21, 2002

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Summary  
Year Ended December 31, 2001

<u>Fund</u>	<u>Receipts</u>		<u>Disbursements</u>	
	<u>Receipts</u>	<u>Transfers</u>	<u>Disbursements</u>	<u>Transfers</u>
<b><u>GOVERNMENTAL FUND TYPES</u></b>				
General Funds				
General Fund	\$ 4,848,961	\$ 0	\$ 4,740,267	\$ 0
Special Revenue Funds				
Upton - Reagan Counties Juvenile				
Probation Fund	112,510	0	121,633	0
Attorney Administration Fund	3,672	0	1,593	0
Clerk Records Management Fund	29,343	0	33,969	0
Records Management Preservation Fund	1,196	0	0	0
Security Fee Fund	5,995	0	0	0
911 Fund	2,183	0	2,181	0
Sheriff Forfeiture Fund	4,709	0	757	0
Justice of the Peace Technology Fund	8	0	0	0
Totals	<u>\$ 5,008,577</u>	<u>\$ 0</u>	<u>\$ 4,900,400</u>	<u>\$ 0</u>
<b><u>FIDUCIARY FUND TYPES</u></b>				
Trust and Agency Funds				
Employee Benefit Trust Fund	\$ 796,441	\$ 0	\$ 832,263	\$ 0
Building and Fleet Insurance Fund	51,960	0	0	0
State Fee Fund	46,924	0	47,026	0
Crimestopper Fund	1	0	0	0
Sheriff Cash Bond Account	10,895	0	9,645	0
Justice of the Peace Fund	93,371	0	91,306	0
Totals	<u>\$ 999,592</u>	<u>\$ 0</u>	<u>\$ 980,240</u>	<u>\$ 0</u>
Grand Totals	<u>\$ 6,008,169</u>	<u>\$ 0</u>	<u>\$ 5,880,640</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this financial statement.



COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Summary  
Year Ended December 31, 2001

Excess Receipts (Disbursements)	Balances		Summary of Ending Balances	
	Beginning of Year	End of Year	Cash	Time Deposits and TEXPOOL
\$ 108,694	\$ 1,008,946	\$ 1,117,640	\$ (1,803)	\$ 1,119,443
(9,123)	12,906	3,783	3,783	0
2,079	145	2,224	2,224	0
(4,626)	11,966	7,340	7,340	0
1,196	5,804	7,000	7,000	0
5,995	21,207	27,202	27,202	0
2	29,069	29,071	29,071	0
3,952	3,018	6,970	6,970	0
8	0	8	8	0
<u>\$ 108,177</u>	<u>\$ 1,093,061</u>	<u>\$ 1,201,238</u>	<u>\$ 81,795</u>	<u>\$ 1,119,443</u>
\$ (35,822)	\$ 45,325	\$ 9,503	\$ 8,195	\$ 1,308
51,960	865,762	917,722	17,722	900,000
(102)	1,389	1,287	1,287	0
1	1,569	1,570	1,570	0
1,250	6,800	8,050	8,050	0
2,065	28,346	30,411	30,411	0
<u>\$ 19,352</u>	<u>\$ 949,191</u>	<u>\$ 968,543</u>	<u>\$ 67,235</u>	<u>\$ 901,308</u>
<u>\$ 127,529</u>	<u>\$ 2,042,252</u>	<u>\$ 2,169,781</u>	<u>\$ 149,030</u>	<u>\$ 2,020,751</u>

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**GOVERNMENTAL FUND TYPES**

**GENERAL FUNDS**

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
General Fund  
Year Ended December 31, 2001

	Actual	Budget	Variance - Favorable (Unfavorable)
<b><u>RECEIPTS</u></b>			
Ad valorem Taxes	\$ 4,239,938	\$ 4,077,106	\$ 162,832
Beverage License	1,106	1,500	(394)
Vehicle License	146,002	146,003	(1)
Fines	37,751	37,751	0
Fees - Motor Vehicles	15,132	15,132	0
Fees - Boats, Vehicles, and Titles	6,856	6,856	0
Fees - Justice of the Peace	6,807	6,807	0
Fees - County Clerk	61,078	61,079	(1)
Fees - District Clerk	18,788	18,788	0
Fees - Judge, Attorney, and Sheriff	3,852	3,852	0
Fees - Law Library	700	700	0
Fees - Golf Course	2,436	2,436	0
Lateral Road Funds	13,607	13,607	0
Equipment Rentals	15,478	15,479	(1)
Park Rentals	2,893	2,893	0
Cemetery Sales	5,800	5,800	0
Contract Landfill - Rankin	6,960	6,960	0
Police Consolidation	20,000	20,000	0
Animal Control	3,000	3,000	0
State Comptroller	6,969	6,969	0
Interest Collected	86,053	86,543	(490)
Task Force	51,156	51,157	(1)
County Attorney Supplement	33,900	33,900	0
Judge State Supplement	10,524	10,525	(1)
Miscellaneous	52,175	52,175	0
Total Receipts	\$ 4,848,961	\$ 4,687,018	\$ 161,943
<b><u>DISBURSEMENTS</u></b>			
Commissioners' Court			
Salary - County Judge	\$ 48,776	\$ 48,776	\$ 0
Salary - Secretary	24,302	24,302	0
Salary - State Supplement	10,941	10,942	1
Office Expense	1,056	2,200	1,144
Telephone	3,475	4,000	525
Out-of-County Expense	5,092	5,800	708
Legal Lines	5,034	5,034	0
Miscellaneous	2,571	2,572	1
Total	\$ 101,247	\$ 103,626	\$ 2,379

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
General Fund - Continued  
Year Ended December 31, 2001

	Actual	Budget	Variance - Favorable (Unfavorable)
<b>DISBURSEMENTS - Continued</b>			
County and District Clerk			
Salary - Clerk	\$ 41,679	\$ 41,679	\$ 0
Salary - Deputies	77,587	77,587	0
Salary - Extra Hire	3,704	3,704	0
Office Expense	11,969	11,970	1
Telephone	4,194	4,194	0
Equipment Maintenance	0	50	50
Out-of-County Expense	5,574	5,750	176
Clerk Records Management Fund	15,000	15,000	0
Miscellaneous	275	300	25
Total	<u>\$ 159,982</u>	<u>\$ 160,234</u>	<u>\$ 252</u>
County Attorney			
Salary - Attorney	\$ 41,078	\$ 41,079	\$ 1
Salary - Secretary	22,526	22,526	0
Salary - State Supplement	33,900	33,901	1
Office Expense	2,222	2,800	578
Telephone	535	1,000	465
Computer Maintenance	0	300	300
Out-of-County Expense	2,943	3,000	57
Miscellaneous	483	500	17
Total	<u>\$ 103,687</u>	<u>\$ 105,106</u>	<u>\$ 1,419</u>
County Auditor			
Salary - Auditor	\$ 47,167	\$ 47,168	\$ 1
Salary - Assistant	25,253	25,253	0
Salary - Extra Hire	459	460	1
Office Expense	2,235	2,235	0
Telephone	1,362	1,363	1
Out-of-County Expense	1,937	1,937	0
Miscellaneous	155	155	0
Computer Equipment	13,289	13,290	1
Total	<u>\$ 91,857</u>	<u>\$ 91,861</u>	<u>\$ 4</u>
County Treasurer			
Salary - Treasurer	\$ 41,558	\$ 41,559	\$ 1
Salary - Extra Hire	4,141	4,141	0
Office Expense	2,373	2,374	1
Telephone	417	650	233
Out-of-County Expense	1,666	1,667	1
Miscellaneous	100	250	150
Total	<u>\$ 50,255</u>	<u>\$ 50,641</u>	<u>\$ 386</u>
Sheriff-Tax Collector			
Salary - Sheriff-Tax Collector	\$ 44,203	\$ 44,203	\$ 0
Salary - Deputy Sheriffs	243,295	243,296	1
Salary - Deputy Tax Collectors	81,426	81,426	0
Salary - Dispatchers	119,850	119,850	0

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
General Fund - Continued  
Year Ended December 31, 2001

	Actual	Budget	Variance - Favorable (Unfavorable)
<b>DISBURSEMENTS - Continued</b>			
Sheriff-Tax Collector - Continued			
Salary - Extra Hire	345	346	1
Office Expense	8,998	8,998	0
Communication Expense	26,935	26,936	1
Police Supplies	8,097	8,098	1
Out-of-County Expense	5,865	5,866	1
Association Dues and Bonds	1,520	1,520	0
Miscellaneous	700	700	0
Auto Expense	38,865	38,865	0
Voter Registration	453	750	297
In-County Expense	330	500	170
Medical for Deputies	820	900	80
Auction Sale Expense	4,645	7,464	2,819
Total	\$ 586,347	\$ 589,718	\$ 3,371
Courthouse			
Salary - Custodian	\$ 22,457	\$ 22,457	\$ 0
Salary - Extra Hire	1,060	1,061	1
Maintenance	23,855	24,702	847
Repairs	0	10,000	10,000
Utilities	35,157	35,158	1
Total	\$ 82,529	\$ 93,378	\$ 10,849
McCarney Substation			
Salary - Janitor	\$ 2,730	\$ 2,800	\$ 70
Utilities	5,520	6,000	480
Maintenance	2,520	4,500	1,980
Insurance	850	850	0
DPS Telephone	1,740	2,400	660
Total	\$ 13,360	\$ 16,550	\$ 3,190
Jury Expense - 83rd District			
Grand Jury	\$ 785	\$ 2,000	\$ 1,215
Petit Jury	0	3,000	3,000
Jury Meals	0	500	500
Total	\$ 785	\$ 5,500	\$ 4,715
Jury Expense - 112th District			
Grand Jury	\$ 1,620	\$ 1,800	\$ 180
Petit Jury	1,800	3,000	1,200
Jury Meals	415	500	85
Total	\$ 3,835	\$ 5,300	\$ 1,465
Jury Expense - County Court			
Petit Jury	\$ 0	\$ 300	\$ 300
Jury Meals	0	200	200
Miscellaneous	2,585	3,000	415
Total	\$ 2,585	\$ 3,500	\$ 915

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
General Fund - Continued  
Year Ended December 31, 2001

	Actual	Budget	Variance - Favorable (Unfavorable)
<b>DISBURSEMENTS - Continued</b>			
Justices of the Peace			
Salary - Justices of the Peace	\$ 66,461	\$ 66,461	\$ 0
Office Expense	2,719	4,500	1,781
Telephone	1,282	1,500	218
Out-of-County Expense	2,079	2,080	1
Miscellaneous	60	300	240
Autopsy	3,655	3,655	0
Computer Maintenance	1,800	1,800	0
Total	<u>\$ 78,056</u>	<u>\$ 80,296</u>	<u>\$ 2,240</u>
Health and Welfare			
Salary - Animal Control Officer	\$ 15,494	\$ 15,495	\$ 1
County Service Officer Expense	2,777	2,900	123
Indigent Service	0	2,400	2,400
Miscellaneous	3,795	3,900	105
Commitments	422	2,826	2,404
Health Department	2,553	2,600	47
Mental Health	8,920	12,000	3,080
Emergency Disaster Fund	0	50	50
Total	<u>\$ 33,961</u>	<u>\$ 42,171</u>	<u>\$ 8,210</u>
Agriculture			
Salary - County Agent	\$ 9,479	\$ 11,004	\$ 1,525
Salary - FCS Agent	10,840	10,840	0
Salary - Secretary	25,054	25,054	0
Salary - Extra Hire	0	400	400
Office Expense	3,506	3,506	0
Telephone	2,313	2,314	1
4-H Supplies	1,407	1,408	1
Stock Show Expense	644	645	1
Out-of-County Expense - FCS Agent	4,726	4,726	0
Auto Expense	4,246	4,246	0
Miscellaneous	165	165	0
FCS Supplies	540	541	1
Out-of-County Expense - County Agent	2,271	3,000	729
Predator Control	39,918	39,919	1
Total	<u>\$ 105,109</u>	<u>\$ 107,768</u>	<u>\$ 2,659</u>
McCamey Library			
Salary - Librarian	\$ 18,063	\$ 18,064	\$ 1
Salary - Extra Hire	3,890	3,891	1
Office Expense	327	750	423
Telephone	2,411	3,900	1,489
Out-of-County Expense	1,556	1,800	244
Book Allowance	4,500	4,500	0
Total	<u>\$ 30,747</u>	<u>\$ 32,905</u>	<u>\$ 2,158</u>

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
General Fund - Continued  
Year Ended December 31, 2001

	Actual	Budget	Variance - Favorable (Unfavorable)
<b>DISBURSEMENTS - Continued</b>			
Rankin Library			
Salary - Librarian	\$ 18,363	\$ 18,363	\$ 0
Salary - Extra Hire	1,966	1,967	1
Office Expense	1,058	1,059	1
Telephone	2,476	4,468	1,992
Out-of-County Expense	1,845	1,845	0
Book Allowance	4,500	4,500	0
Total	<u>\$ 30,208</u>	<u>\$ 32,202</u>	<u>\$ 1,994</u>
Midkiff Library			
Salary - Librarian	\$ 7,231	\$ 7,231	\$ 0
Salary - Extra Hire	449	449	0
Office Expense	647	650	3
Telephone	1,378	1,378	0
Book Allowance	1,921	1,950	29
Total	<u>\$ 11,626</u>	<u>\$ 11,658</u>	<u>\$ 32</u>
83rd Judicial District			
Salary - District Judge	\$ 3,723	\$ 3,732	\$ 9
Salary - Court Reporter	9,903	9,904	1
Salary - Court Coordinator	4,410	5,084	674
Professional Services	913	3,106	2,193
Telephone	375	500	125
Miscellaneous	124	500	376
Conference and Mileage	426	500	74
Court Reporter Expense	374	2,000	1,626
Equipment	0	500	500
Trial Expense	0	5,000	5,000
Visiting Judges	0	1,200	1,200
Total	<u>\$ 20,248</u>	<u>\$ 32,026</u>	<u>\$ 11,778</u>
112th Judicial District			
Salary - District Judge	\$ 3,869	\$ 3,869	\$ 0
Salary - Court Reporter	3,640	3,640	0
Salary - Court Coordinator	3,453	3,453	0
Salary - Extra Hire	0	1,000	1,000
Defense Attorney	22,711	25,000	2,289
Telephone	196	250	54
Miscellaneous	124	200	76
Court Reporter Expense	2,423	5,200	2,777
Continuing Education	0	726	726
Trial Expense	1,161	2,000	839
Visiting Judges	714	1,200	486
Total	<u>\$ 38,291</u>	<u>\$ 46,538</u>	<u>\$ 8,247</u>



COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
General Fund - Continued  
Year Ended December 31, 2001

	Actual	Budget	Variance - Favorable (Unfavorable)
<b>DISBURSEMENTS - Continued</b>			
County Court			
Salary - Court Reporter	\$ 0	\$ 191	\$ 191
Defense Attorney	7,733	7,733	0
Interpreter	0	50	50
Juvenile Boot Camp	0	20,250	20,250
Miscellaneous	26	200	174
Total	<u>\$ 7,759</u>	<u>\$ 28,424</u>	<u>\$ 20,665</u>
83rd District Attorney			
Salary - Legal Assistant	\$ 4,909	\$ 8,125	\$ 3,216
Salary - Task Force II	14,118	32,640	18,522
Miscellaneous and Telephone	49	2,900	2,851
Forfeiture Funds	9,331	18,864	9,533
Total	<u>\$ 28,407</u>	<u>\$ 62,529</u>	<u>\$ 34,122</u>
112th District Attorney			
Salary - Investigator	\$ 800	\$ 800	\$ 0
Salary - Administrator	2,771	2,771	0
Salary - Secretary	2,562	2,562	0
Salary - Victim Coordinator	583	583	0
Insurance	5,814	5,814	0
Office Supplies	64	100	36
Fuel Mileage	97	100	3
Communications	225	426	201
Liability Insurance	4,000	4,000	0
Total	<u>\$ 16,916</u>	<u>\$ 17,156</u>	<u>\$ 240</u>
McCarney Airport			
Telephone	\$ 552	\$ 600	\$ 48
Utilities	3,730	4,000	270
Maintenance	1,152	1,700	548
Insurance	500	500	0
Land Lease	600	600	0
Total	<u>\$ 6,534</u>	<u>\$ 7,400</u>	<u>\$ 866</u>
Jail and Jail Residence			
Salary - Jailer	\$ 23,977	\$ 23,977	\$ 0
Jail Utilities	1,079	1,080	1
Residence Maintenance	0	700	700
Maintenance	8,188	8,188	0
Repairs	395	2,000	1,605
Meals	11,523	11,993	470
Medical for Prisoners	3,247	3,500	253
Miscellaneous	6,314	15,000	8,686
Total	<u>\$ 54,723</u>	<u>\$ 66,438</u>	<u>\$ 11,715</u>

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
General Fund - Continued  
Year Ended December 31, 2001

	Actual	Budget	Variance - Favorable (Unfavorable)
<b>DISBURSEMENTS - Continued</b>			
Miscellaneous			
Constables Expenses	\$ 0	\$ 1,400	\$ 1,400
Historical Commission Supplies	0	200	200
Annual Audit	9,139	9,200	61
Appraisal District	99,454	99,454	0
McCamey Ambulance	0	1,800	1,800
Entomologist	750	750	0
Contingency Fund	8,729	213,200	204,471
Postage	12,825	27,000	14,175
Group Insurance	720,000	720,000	0
Juvenile Probation	25,212	25,212	0
Risk Management - Loss Control	4,946	5,000	54
Elections	6,460	15,000	8,540
General Liability Insurance	78,358	78,358	0
Middle Concho SWCD	25	200	175
Solid Waste Management	134	5,000	4,866
Workers' Compensation Insurance	37,392	37,392	0
Texas Workforce Commission	67	68	1
McCamey Museum	4,000	4,000	0
Rankin Museum	4,000	4,000	0
Social Security Taxes	143,162	143,163	1
Retirement	137,241	137,241	0
Copy Machine Expense	24,107	27,000	2,893
Telephone Equipment Expense	3,148	10,000	6,852
Law Library Expense	23,485	23,486	1
Detention Facility Attorney	21,092	50,000	28,908
Task Force Insurance	15,380	15,380	0
Courthouse Internet Service	16,133	25,000	8,867
Detention Facility	27,199	75,400	48,201
Redistricting 2001	5,600	10,000	4,400
Total	<u>\$ 1,428,038</u>	<u>\$ 1,763,904</u>	<u>\$ 335,866</u>
Road and Bridge			
Salary - Commissioners	\$ 138,443	\$ 138,444	\$ 1
Salary - Foremen	94,242	95,000	758
Salary - Labor	307,630	320,000	12,370
Supplies	56,515	56,516	1
Telephone	2,494	2,800	306
Utilities	8,640	9,000	0
Paving	67,542	76,380	8,838
Road Maintenance	18,383	18,383	0
Cattle Guards and Culverts	0	1,000	1,000
Gas and Oil	48,359	48,359	0
Tires and Tubes	9,300	12,000	2,700
Equipment Repair	56,072	58,525	2,453

**COUNTY OF UPTON**  
**Statement of Cash Receipts and Disbursements - Actual and Budget**  
**General Fund - Continued**  
**Year Ended December 31, 2001**

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
<b><u>DISBURSEMENTS</u> - Continued</b>			
Road and Bridge - Continued			
Miscellaneous	610	4,649	4,039
4-H Building Maintenance	1,337	3,000	1,663
Equipment	58,524	75,000	16,476
Equipment Lease Purchase	33,314	33,600	286
Total	<u>\$ 901,405</u>	<u>\$ 952,656</u>	<u>\$ 51,251</u>
Rankin Park and Pool			
Salary - Lifeguard	\$ 5,937	\$ 6,000	\$ 63
Utilities	4,818	5,000	182
Telephone	1,156	1,157	1
Maintenance	11,159	11,159	0
Insurance	350	350	0
Total	<u>\$ 23,420</u>	<u>\$ 23,666</u>	<u>\$ 246</u>
McCamey Park and Pool			
Salary - Caretaker	\$ 25,379	\$ 25,787	\$ 408
Salary - Lifeguard	8,015	8,015	0
Utilities	19,292	20,000	708
Telephone	552	735	183
Maintenance	34,477	36,150	1,673
Insurance	500	500	0
Dunbar Cemetery	562	1,000	438
Total	<u>\$ 88,777</u>	<u>\$ 92,187</u>	<u>\$ 3,410</u>
Dunbar Park and Pool			
Utilities	\$ 9,350	\$ 9,800	\$ 450
Telephone	1,093	1,100	7
Maintenance	1,736	3,500	1,764
Insurance	500	500	0
Total	<u>\$ 12,679</u>	<u>\$ 14,900</u>	<u>\$ 2,221</u>
Rankin Park Building			
Salary - Custodian	\$ 14,437	\$ 14,437	\$ 0
Salary - Extra Hire	1,903	1,903	0
Utilities	7,005	7,005	0
Telephone	1,083	1,083	0
Maintenance	4,907	4,908	1
Insurance	3,500	3,500	0
Total	<u>\$ 32,835</u>	<u>\$ 32,836</u>	<u>\$ 1</u>
McCamey Park Building			
Salary - Custodian	\$ 5,087	\$ 9,267	\$ 4,180
Salary - Extra Hire	5,460	5,461	1
Utilities	7,631	7,632	1
Telephone	1,748	2,000	252
Maintenance	2,763	2,768	5
Insurance	3,000	3,000	0
Total	<u>\$ 25,689</u>	<u>\$ 30,128</u>	<u>\$ 4,439</u>

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
General Fund - Continued  
Year Ended December 31, 2001

	Actual	Budget	Variance - Favorable (Unfavorable)
<b>DISBURSEMENTS - Continued</b>			
Midkiff Community Building			
Salary - Custodian	\$ 3,124	\$ 3,125	\$ 1
Utilities	7,728	7,729	1
Telephone	552	553	1
Maintenance	1,279	1,279	0
Insurance	1,200	1,200	0
Midkiff Ball Park	149	500	351
Total	<u>\$ 14,032</u>	<u>\$ 14,386</u>	<u>\$ 354</u>
Rankin Ball Park			
Utilities	\$ 2,100	\$ 2,700	\$ 600
Maintenance	3,241	8,000	4,759
Insurance	250	250	0
Athletic Programs	1,200	1,200	0
Pony League	0	250	250
Total	<u>\$ 6,791</u>	<u>\$ 12,400</u>	<u>\$ 5,609</u>
McCamey Ball Park			
Utilities	\$ 11,769	\$ 12,436	\$ 667
Maintenance	1,613	1,800	187
Insurance	250	250	0
Athletic Programs	2,763	2,764	1
Soccer Program	412	500	88
Total	<u>\$ 16,807</u>	<u>\$ 17,750</u>	<u>\$ 943</u>
Rankin Youth Center			
Swimming Instructor	\$ 1,300	\$ 1,300	\$ 0
Telephone	635	700	65
Supplies	30	75	45
Rankin Youth Center	4,200	4,200	0
Cable TV	454	454	0
Total	<u>\$ 6,619</u>	<u>\$ 6,729</u>	<u>\$ 110</u>
McCamey Youth Center			
Telephone	\$ 552	\$ 552	\$ 0
Supplies	0	198	198
McCamey Youth Center	5,496	5,500	4
Total	<u>\$ 6,048</u>	<u>\$ 6,250</u>	<u>\$ 202</u>
Rankin Cemetery			
Utilities	\$ 979	\$ 979	\$ 0
Maintenance	1,262	1,263	1
Total	<u>\$ 2,241</u>	<u>\$ 2,242</u>	<u>\$ 1</u>
McCamey Cemetery			
Salary - Custodian	\$ 25,379	\$ 25,379	\$ 0
Utilities	12,866	12,866	0
Maintenance	3,335	3,336	1
Total	<u>\$ 41,580</u>	<u>\$ 41,581</u>	<u>\$ 1</u>

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
General Fund - Continued  
Year Ended December 31, 2001

	Actual	Budget	Variance - Favorable (Unfavorable)
<b>DISBURSEMENTS - Continued</b>			
McCamey Rodeo Grounds			
Utilities	\$ 1,050	\$ 1,200	\$ 150
Maintenance	209	2,000	1,791
Insurance	300	300	0
Total	<u>\$ 1,559</u>	<u>\$ 3,500</u>	<u>\$ 1,941</u>
Rankin Rodeo Grounds			
Utilities	\$ 8,294	\$ 8,500	\$ 206
Maintenance	2,908	6,000	3,092
Insurance	300	300	0
Total	<u>\$ 11,502</u>	<u>\$ 14,800</u>	<u>\$ 3,298</u>
McCamey Senior Citizens			
Salary - Director	\$ 17,298	\$ 17,299	\$ 1
Salary - Cooks	3,000	3,000	0
Program Operations	7,000	7,000	0
Audit	2,396	2,500	104
Miscellaneous	0	64	64
Building Insurance	1,800	1,800	0
Maintenance	3,913	3,914	1
Utilities	6,916	6,916	0
Total	<u>\$ 42,323</u>	<u>\$ 42,493</u>	<u>\$ 170</u>
Rankin Senior Citizens			
Salary - Director	\$ 17,298	\$ 17,299	\$ 1
Salary - Cooks	3,000	3,000	0
Program Operations	7,000	7,000	0
Audit	2,419	2,500	81
Miscellaneous	50	100	50
Building Insurance	1,800	1,800	0
Maintenance	1,466	1,686	220
Utilities	7,099	8,000	901
Total	<u>\$ 40,132</u>	<u>\$ 41,385</u>	<u>\$ 1,253</u>
Rankin Golf Course			
Salary - Caretaker	\$ 10,508	\$ 13,801	\$ 3,293
Salary - Extra Hire	0	200	200
Utilities	4,930	4,931	1
Maintenance	2,566	3,050	484
Equipment Repair	346	3,050	2,704
Miscellaneous	0	270	270
Insurance	500	500	0
Telephone	364	400	36
Total	<u>\$ 19,214</u>	<u>\$ 26,202</u>	<u>\$ 6,988</u>

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
General Fund - Continued  
Year Ended December 31, 2001

	Actual	Budget	Variance - Favorable (Unfavorable)
<b>DISBURSEMENTS - Continued</b>			
Park Miscellaneous			
Salary - Landfill Custodian	\$ 16,900	\$ 16,900	\$ 0
Contingency Fund	0	3,700	3,700
Park Insurance	2,000	2,000	0
Total	<u>\$ 18,900</u>	<u>\$ 22,600</u>	<u>\$ 3,700</u>
McCamey Water Wells			
Utilities	\$ 757	\$ 1,200	\$ 443
Maintenance	837	2,500	1,663
Total	<u>\$ 1,594</u>	<u>\$ 3,700</u>	<u>\$ 2,106</u>
Fixed Assets			
Justice of the Peace	\$ 8,190	\$ 8,190	\$ 0
Sheriff Vehicles	45,427	45,428	1
Rankin Library	531	670	139
County Judge	146	300	154
Courthouse	17,042	95,190	78,148
McCamey Park Building	0	13,000	13,000
Auditor	2,026	2,050	24
Agriculture	1,525	1,525	0
County Clerk	64,876	64,876	0
McCamey Senior Citizens Building	117,580	117,581	1
Rankin Rodeo Grounds	2,573	2,574	1
McCamey Library	0	280	280
McCamey Park and Pool	10,950	10,950	0
Rankin Park and Pool	0	6,200	6,200
McCamey Water Wells	0	4,500	4,500
McCamey Substation Purchase	68,162	75,200	7,038
Contingency Fund	0	42,495	42,495
Total	<u>\$ 339,028</u>	<u>\$ 491,009</u>	<u>\$ 151,981</u>
 Total Disbursements	 <u>\$ 4,740,267</u>	 <u>\$ 5,450,229</u>	 <u>\$ 709,962</u>
Excess Receipts (Disbursements)	\$ 108,694	\$ (763,211)	\$ 871,905
Beginning Balance	<u>1,008,946</u>	<u>1,008,946</u>	<u>0</u>
Ending Balance	<u><u>\$ 1,117,640</u></u>	<u><u>\$ 245,735</u></u>	<u><u>\$ 871,905</u></u>

**SUMMARY OF ENDING BALANCE**

Cash in Bank	\$ (1,803)
Cash in Savings	408,078
Cash in TEXPOOL	711,365
Total	<u><u>\$ 1,117,640</u></u>

The accompanying notes are an integral part of this financial statement.

GOVERNMENTAL FUND TYPES

SPECIAL REVENUE FUNDS

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
Upton - Reagan Counties Juvenile Probation Fund  
Year Ended December 31, 2001

	Actual	Budget	Variance - Favorable (Unfavorable)
<b><u>RECEIPTS</u></b>			
Texas Juvenile Probation Commission Grant	\$ 51,745	\$ 56,449	\$ (4,704)
Federal JA Grant	12,950	12,950	0
Reagan County	22,312	22,312	0
Upton County	25,503	25,504	(1)
Miscellaneous	0	1,626	(1,626)
	<u>0</u>	<u>1,626</u>	<u>(1,626)</u>
Total Receipts	<u>\$ 112,510</u>	<u>\$ 118,841</u>	<u>\$ (6,331)</u>
<b><u>DISBURSEMENTS</u></b>			
Salaries	\$ 58,682	\$ 66,109	\$ 7,427
Office Expense	2,181	2,182	1
Telephone	4,010	5,410	1,400
Travel	6,626	7,000	374
Juvenile Detention	20,220	20,220	0
Psychological and Psychiatric	240	240	0
Workers' Compensation Insurance	1,458	1,458	0
Group Insurance	14,000	14,000	0
Miscellaneous	6,128	6,128	0
Social Security Taxes	4,489	4,500	11
Retirement	3,599	4,500	901
	<u>3,599</u>	<u>4,500</u>	<u>901</u>
Total Disbursements	<u>\$ 121,633</u>	<u>\$ 131,747</u>	<u>\$ 10,114</u>
Excess Receipts (Disbursements)	\$ (9,123)	\$ (12,906)	\$ 3,783
Beginning Balance	<u>12,906</u>	<u>12,906</u>	<u>0</u>
Ending Balance	<u>\$ 3,783</u>	<u>\$ 0</u>	<u>\$ 3,783</u>

The accompanying notes are an integral part of this financial statement.



COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
Attorney Administration Fund  
Year Ended December 31, 2001

	Actual	Budget	Variance - Favorable (Unfavorable)
<b><u>RECEIPTS</u></b>			
Attorney Fees	\$ 3,672	\$ 4,000	\$ (328)
<b><u>DISBURSEMENTS</u></b>			
Office Expense	\$ 453	\$ 1,000	\$ 547
Miscellaneous	1,140	2,500	1,360
Out-of-County Expense	0	645	645
Total Disbursements	\$ 1,593	\$ 4,145	\$ 2,552
Excess Receipts (Disbursements)	\$ 2,079	\$ (145)	\$ 2,224
Beginning Balance	145	145	0
Ending Balance	\$ 2,224	\$ 0	\$ 2,224

The accompanying notes are an integral part of this financial statement.

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
Clerk Records Management Fund  
Year Ended December 31, 2001

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
<b><u>RECEIPTS</u></b>			
Clerk Fees	\$ 14,343	\$ 14,343	\$ 0
General Fund	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Total Receipts	<u>\$ 29,343</u>	<u>\$ 29,343</u>	<u>\$ 0</u>
<b><u>DISBURSEMENTS</u></b>			
Equipment	\$ 10,012	\$ 15,000	\$ 4,988
Records Management Expenses	<u>23,957</u>	<u>26,309</u>	<u>2,352</u>
Total Disbursements	<u>\$ 33,969</u>	<u>\$ 41,309</u>	<u>\$ 7,340</u>
Excess Receipts (Disbursements)	\$ (4,626)	\$ (11,966)	\$ 7,340
Beginning Balance	<u>11,966</u>	<u>11,966</u>	<u>0</u>
Ending Balance	<u><u>\$ 7,340</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 7,340</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
Records Management Preservation Fund  
Year Ended December 31, 2001

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
<b><u>RECEIPTS</u></b>			
Clerk Fees	\$ 1,196	\$ 1,500	\$ (304)
<b><u>DISBURSEMENTS</u></b>			
Records Management Expenses	<u>0</u>	<u>7,304</u>	<u>7,304</u>
Excess Receipts (Disbursements)	\$ 1,196	\$ (5,804)	\$ 7,000
Beginning Balance	<u>5,804</u>	<u>5,804</u>	<u>0</u>
Ending Balance	<u><u>\$ 7,000</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 7,000</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
Security Fee Fund  
Year Ended December 31, 2001

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
<b><u>RECEIPTS</u></b>			
Justice of the Peace	\$ 2,717	\$ 2,718	\$ (1)
County Clerk	<u>3,278</u>	<u>3,279</u>	<u>(1)</u>
Total Receipts	\$ 5,995	\$ 5,997	\$ (2)
<b><u>DISBURSEMENTS</u></b>			
Courthouse Security	<u>0</u>	<u>27,204</u>	<u>27,204</u>
Excess Receipts (Disbursements)	\$ 5,995	\$ (21,207)	\$ 27,202
Beginning Balance	<u>21,207</u>	<u>21,207</u>	<u>0</u>
Ending Balance	<u><u>\$ 27,202</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 27,202</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
911 Fund  
Year Ended December 31, 2001

	<u>Actual</u>	<u>Budget</u>	Variance - Favorable (Unfavorable)
<b><u>RECEIPTS</u></b>			
911 Collections	\$ 2,183	\$ 2,182	\$ 1
<b><u>DISBURSEMENTS</u></b>			
911 Expenses	<u>2,181</u>	<u>31,251</u>	<u>29,070</u>
Excess Receipts (Disbursements)	\$ 2	\$ (29,069)	\$ 29,071
Beginning Balance	<u>29,069</u>	<u>29,069</u>	<u>0</u>
Ending Balance	<u><u>\$ 29,071</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 29,071</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements - Actual and Budget  
Sheriff Forfeiture Fund  
Year Ended December 31, 2001

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
<b><u>RECEIPTS</u></b>			
Forfeitures Collected	\$ 4,709	\$ 4,709	\$ 0
<b><u>DISBURSEMENTS</u></b>			
Law Enforcement Expenses	<u>757</u>	<u>7,727</u>	<u>6,970</u>
Excess Receipts (Disbursements)	\$ 3,952	\$ (3,018)	\$ 6,970
Beginning Balance	<u>3,018</u>	<u>3,018</u>	<u>0</u>
Ending Balance	<u><u>\$ 6,970</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 6,970</u></u>

The accompanying notes are an integral part of this financial statement.

**COUNTY OF UPTON**  
**Statement of Cash Receipts and Disbursements - Actual and Budget**  
**Justice of the Peace Technology Fund**  
**Year Ended December 31, 2001**

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
<b><u>RECEIPTS</u></b>			
Justice of the Peace	\$ 8	\$ 2,000	\$ (1,992)
<b><u>DISBURSEMENTS</u></b>			
Equipment	\$ 0	\$ 1,000	\$ 1,000
Miscellaneous	<u>0</u>	<u>1,000</u>	<u>1,000</u>
Total Disbursements	<u>\$ 0</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>
Excess Receipts (Disbursements)	\$ 8	\$ 0	\$ 8
Beginning Balance	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance	<u><u>\$ 8</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 8</u></u>

The accompanying notes are an integral part of this financial statement.

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FIDUCIARY FUND TYPES  
TRUST AND AGENCY FUNDS

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements  
Employee Benefit Trust Fund  
Year Ended December 31, 2001

**RECEIPTS**

County Contribution - General Fund	\$ 720,000
County Contribution - Juvenile Probation Fund	14,000
Employee Contributions - Dependent Health	38,852
Interest Collected	8,209
Task Force Refund	<u>15,380</u>
Total Receipts	<u>\$ 796,441</u>

**DISBURSEMENTS**

Administration and Insurance Fees	\$ 112,052
Medical Claims	694,768
Miscellaneous	<u>25,443</u>
Total Disbursements	<u>\$ 832,263</u>
Excess Disbursements	\$ (35,822)
Beginning Balance	<u>45,325</u>
Ending Balance	<u><u>\$ 9,503</u></u>

**SUMMARY OF ENDING BALANCE**

Cash in Bank	\$ 8,195
Cash in TEXPOOL	<u>1,308</u>
Total	<u><u>\$ 9,503</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements  
Building and Fleet Insurance Fund  
Year Ended December 31, 2001

**RECEIPTS**

County Contribution - General Fund	\$ 17,600
Interest Collected	<u>34,360</u>
Total Receipts	\$ 51,960

**DISBURSEMENTS**

Equipment and Building Damage	<u>0</u>
Excess Receipts	\$ 51,960
Beginning Balance	<u>865,762</u>
Ending Balance	<u><u>\$ 917,722</u></u>

**SUMMARY OF ENDING BALANCE**

Cash in Bank	\$ 17,722
Cash in Certificates of Deposit	<u>900,000</u>
Total	<u><u>\$ 917,722</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements  
State Fee Fund  
Year Ended December 31, 2001

**RECEIPTS**

State Fees	<u>\$ 46,924</u>
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**DISBURSEMENTS**

State Treasurer	\$ 38,408
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Service Fee	8,604
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Miscellaneous	<u>14</u>
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Total Disbursements	<u>\$ 47,026</u>
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Excess Disbursements	\$ (102)
----------------------	----------

Beginning Balance	<u>1,389</u>
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Ending Balance	<u><u>\$ 1,287</u></u>
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The accompanying notes are an integral part of this financial statement.

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements  
Crimestopper Fund  
Year Ended December 31, 2001

RECEIPTS

Miscellaneous	\$ 1
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DISBURSEMENTS

Miscellaneous	<u>0</u>
---------------	----------

Excess Receipts	\$ 1
-----------------	------

Beginning Balance	<u>1,569</u>
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Ending Balance	<u><u>\$ 1,570</u></u>
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The accompanying notes are an integral part of this financial statement.

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements  
Sheriff Cash Bond Account  
Year Ended December 31, 2001

**RECEIPTS**

Cash Bonds Received	\$ 10,895
---------------------	-----------

**DISBURSEMENTS**

Cash Bonds Paid	<u>9,645</u>
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Excess Receipts	\$ 1,250
-----------------	----------

Beginning Balance	<u>6,800</u>
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Ending Balance	<u><u>\$ 8,050</u></u>
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The accompanying notes are an integral part of this financial statement.

COUNTY OF UPTON  
Statement of Cash Receipts and Disbursements  
Justice of the Peace Fund  
Year Ended December 31, 2001

**RECEIPTS**

Fines and Fees	\$ 93,371
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**DISBURSEMENTS**

Upton County Fund	\$ 44,558
State Fee Fund	41,645
Security Fee Fund	2,717
Miscellaneous	2,378
Justice of the Peace Technology Fund	8

Total Disbursements	\$ 91,306
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Excess Receipts	\$ 2,065
-----------------	----------

Beginning Balance	28,346
-------------------	--------

Ending Balance	\$ 30,411
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The accompanying notes are an integral part of this financial statement.

COUNTY OF UPTON  
Notes to the Financial Statements  
December 31, 2001

**Note A - Summary of Significant Accounting Policies**

The County of Upton was created in 1887 and organized by an Act of the Texas Legislature in 1910. The County is governed by the Commissioners' Court, a five-member group consisting of the County Judge and the County Commissioners. Services provided by the County include public safety, judicial, health, welfare, agriculture, recreation, and culture as well as general administrative and support services.

The accounting policies of the County do not conform to generally accepted accounting principles applicable to state and local governments. The following is a summary of the significant policies:

**1. Reporting Entity**

The County's policy is to prepare financial statements for only those funds which are maintained by the office of the County Treasurer. This policy differs from generally accepted accounting principles which require the presentation of financial statements for the activities of all agencies, organizations, and other governmental entities over which the County exercises oversight responsibility. Accordingly, the County's financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

**2. Fund Accounting**

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its receipts, disbursements, and cash balances. Receipts are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the County:

**Governmental Fund Types**

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

**Special Revenue Funds** - These Funds are used to account for receipts from specific sources that are legally restricted to be spent for specified purposes.

**Fiduciary Fund Type**

**Trust and Agency Funds** - These Funds are used to account for receipts which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

**3. Basis of Accounting**

The County prepares its financial statements on the cash receipts and disbursements basis of accounting. Under this basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. This basis differs from generally accepted accounting principles primarily because the financial statements do not give effect to receivables, payables, or accrued items.



COUNTY OF UPTON  
Notes to the Financial Statements - Continued  
December 31, 2001

Note A - Summary of Significant Accounting Policies - Continued

3. Basis of Accounting - Continued

The beginning and ending balances of each fund consist of cash, time deposits, and TEXPOOL investments as applicable.

A major portion of the County's receipts are collected by County officials other than the County Treasurer. These officials are required to report and remit all receipts which they collect for the County during the month following the collection. Receipts collected by these County officials are not recognized by the County until they are physically remitted to the County Treasurer.

4. Budgets and Budgetary Accounting

The County prepares and adopts an official budget for all Governmental Fund Types prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the official budget. The official budget is amended by the Commissioners' Court during the year. Disbursements may not exceed the official budget including approved amendments at the departmental level.

Budgets for all Governmental Fund Types are adopted on a cash receipts and disbursements basis and cover a one-year period. Appropriations lapse at year end.

The County does not use encumbrance accounting in its accounting system.

5. Property Taxes

Property values are assessed on January 1 of each year at which time a tax lien attaches to the property to secure the payment of taxes. Property taxes are levied on October 1 of each year. The taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the following year at which time they become subject to penalties and interest.

Property taxes are recognized as receipts when they are collected from the Upton County Appraisal District.

6. Compensated Absences

County employees are entitled to vacation and sick leave based on their length of employment. Vacation leave does not accumulate or vest. Each employee can accumulate up to 60 days sick leave, but it does not vest. Employees are not paid for unused vacation or sick leave upon separation from service.

7. Interfund Transactions

Interfund transactions have not been eliminated in the financial statements.

Note B - Deposits and Investments

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

COUNTY OF UPTON  
Notes to the Financial Statements - Continued  
December 31, 2001

**Note B - Deposits and Investments - Continued**

The carrying amount of the County's deposits, cash and time deposits, at December 31, 2001, was \$1,665,520, and the balance at the bank was \$2,243,145. The balance at the bank is categorized as follows:

Amount Insured by the FDIC	\$ 518,931
Amount Collateralized with Securities Held by the Pledging Bank's Agent in the County's Name	1,358,993
Uncollateralized	<u>365,221</u>
 Total Balance at Bank	 <u><u>\$ 2,243,145</u></u>

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, certain municipal securities, repurchase agreements, and common trust funds and other investments specifically allowed by the Public Funds Investment Act as amended.

The County's investments at the year end consist of the following:

1. Time deposits with a carrying value cost of \$900,000 which are collateralized as explained above.
2. Investment in TEXPOOL, a Texas Local Government Investment Pool, with a carrying value of \$712,672. The entire pooled funds of TEXPOOL have a carrying amount of \$12,532,498,575 and a market value of \$12,541,759,643. Cost and market value of derivative financial instruments included in the pooled funds is not available.

The County's investing activities during the year consisted entirely of investments in time deposits and TEXPOOL.

**Note C - Capital Leases**

The County is committed under various lease agreements as lessee for financing the acquisition of heavy equipment and computer equipment. These lease agreements qualify as capital leases for accounting purposes.

Future minimum lease payments are as follows:

Year Ending <u>December 31,</u>	
2002	\$ 41,434
2003	41,434
2004	41,434
2005	13,673
2006	<u>4,059</u>
Total Future Minimum Lease Payments	\$ 142,034
Less, Amounts Representing Interest	<u>13,419</u>
 Net Lease Payments	 <u><u>\$ 128,615</u></u>

COUNTY OF UPTON  
Notes to the Financial Statements - Continued  
December 31, 2001

Note C - Capital Leases - Continued

Changes in capital leases are as follows:

	<u>Future Principal Payments</u>	<u>Future Interest Payments</u>	<u>Total Future Payments</u>
Beginning Balance	\$ 122,798	\$ 16,012	\$ 138,810
New Leases	35,787	4,811	40,598
Payments on Leases	<u>(29,970)</u>	<u>(7,404)</u>	<u>(37,374)</u>
Ending Balance	<u>\$ 128,615</u>	<u>\$ 13,419</u>	<u>\$ 142,034</u>

Note D - Retirement Plan

Plan Description - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 509 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

Funding Policy - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 7.66% for calendar year 2001. The deposit rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

COUNTY OF UPTON  
Notes to the Financial Statements - Continued  
December 31, 2001

Note D - Retirement Plan - Continued

Annual Pension Cost - For the employer's accounting year ended December 31, 2001, the annual pension cost for the TCDRS plan for its employees was \$140,692, and the actual contributions were \$140,692.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement 27 parameters based on the actuarial valuation as of December 31, 1999, the basis for determining the contribution rate for calendar year 2001. The December 31, 2000 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial Valuation Date	12-31-98	12-31-99	12-31-00
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open
Amortization Period	20	20	20
Asset Valuation Method	Long-Term Appreciation with Adjustments	Long-Term Appreciation with Adjustments	Long-Term Appreciation with Adjustments
Actuarial Assumptions:			
Investment Return <sup>1</sup>	8.0%	8.0%	8.0%
Projected Salary Increases <sup>1</sup>	5.9%	5.9%	5.9%
Inflation	4.0%	4.0%	4.0%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

<sup>1</sup> Includes Inflation at the Stated Rate

Trend Information

<u>Accounting Year Ended,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12-31-99	\$ 145,000	100%	\$ 0
12-31-00	141,935	100%	0
12-31-01	140,692	100%	0

COUNTY OF UPTON  
Notes to the Financial Statements - Continued  
December 31, 2001

Note D - Retirement Plan - Continued

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll <sup>1</sup>	UAAL as a Percentage of Covered Payroll
12-31-98	\$ 3,300,896	\$ 3,984,316	\$ 683,420	82.85%	\$ 1,741,144	39.25%
12-31-99	3,753,860	4,449,345	695,485	84.37%	1,915,817	36.30%
12-31-00	3,867,156	4,562,433	695,277	84.76%	1,884,922	36.89%

<sup>1</sup> The annual covered payroll is based on the employee deposits received by TCDRS for the year ending with the valuation date.

Note E - Self-Insurance

The County has established a limited plan of self-insurance for its employee health, life, and dental insurance. A consulting firm computes the funding requirement annually and administers employee claims. The County funds the entire cost of this plan, except for \$30 on dependent coverage, which is paid by the employees. The County funds all of the administrative costs. The plan covers all County employees and their families for health and dental insurance and provides \$30,000 of life insurance coverage on each County employee and \$10,000 of life insurance coverage for each County employee who is over 70 years old or retired.

The plan requires the Trust to pay all claims up to \$35,000. All claims in excess of \$35,000 are covered by stop-loss insurance. The total contribution to the plan for the year ended December 31, 2001, was \$734,000. Transactions are accounted for in the Employee Benefit Trust Fund.

The County has also adopted a limited plan of self-insurance for its vehicles and equipment. Under this plan the County self-insures all vehicles and equipment except for the liability portion. The County contributed \$17,600 to this plan for the year ended December 31, 2001. Transactions are accounted for in the Building and Fleet Insurance Fund.

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

COUNTY OF UPTON  
Notes to the Financial Statements - Continued  
December 31, 2001

Note E - Self-Insurance - Continued

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

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

Note F - Amounts Due from County Officials

The County does not recognize receipts collected by the various County officials until these receipts are physically remitted to the County Treasurer. Receipts collected by the various County officials which had not been remitted to the County Treasurer at the year end were as follows:

Tax Assessor-Collector	\$ 5,097
County and District Clerk	<u>10,696</u>
Total	<u>\$ 15,793</u>

Note G - Amounts Due from Appraisal District

The County does not recognize tax receipts collected by the Upton County Appraisal District until these receipts are physically remitted to the County by the Appraisal District. Receipts collected by the Appraisal District which had not been remitted to the County Treasurer at the year end amounted to \$580,522.

## COMPLIANCE AND INTERNAL CONTROLS SECTION

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**ECKERT, INGRUM, TINKLER, OLIPHANT, FEATHERSTON & BARR, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

2201 SHERWOOD WAY, SUITE 302

P.O. BOX 5821

SAN ANGELO, TEXAS 76902-5821

(915) 944-3571

FAX (915) 942-1093

JOHN A. INGRUM, CPA

JERRY L. TINKLER, CPA

MICHAEL E. OLIPHANT, CPA

A. CALVIN FEATHERSTON, CPA

WAYNE BARR, CPA

MEMBERS OF

AMERICAN INSTITUTE OF CPAS

TEXAS SOCIETY OF CPAS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable County Judge  
and Commissioners' Court  
County of Upton  
P.O. Box 482  
Rankin, TX 79778-0482

We have audited the financial statements of the County of Upton for the year ended December 31, 2001, and have issued our report thereon dated May 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County of Upton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Upton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the County of Upton in a separate letter dated May 30, 2002.

This report is intended solely for the information and use of the Commissioners' Court and state and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Eckert, Ingram, Tinkler, Oliphant, Featherston & Barr, L.L.P.*

May 21, 2002

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## **APPENDIX D**

### **Form of Opinion of Bond Counsel**

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***Proposed Form of Opinion of Bond Counsel***  
***An opinion in substantially the following form will be delivered by***  
***McCall, Parkhurst & Horton L.L.P., Bond Counsel,***  
***upon the delivery of the Certificates of Obligation, assuming no material changes in facts or law.***

LAW OFFICES

**McCALL, PARKHURST & HORTON L.L.P.**

600 CONGRESS AVENUE  
1250 ONE AMERICAN CENTER

717 NORTH HARWOOD STREET  
NINTH FLOOR

700 N. ST. MARY'S STREET  
1225 ONE RIVERWALK PLACE

**AUSTIN, TEXAS 78701-3248**  
Telephone: 512 478-3805  
Facsimile: 512 472-0871

**DALLAS, TEXAS 75201-6587**  
Telephone: 214 754-9200  
Facsimile: 214 754-9250

**SAN ANTONIO, TEXAS 78205-3503**  
Telephone: 210 225-2800  
Facsimile: 210-225-2984

**UPTON COUNTY, TEXAS**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION**  
**SERIES 2002, DATED JUNE 1, 2002,**  
**IN THE PRINCIPAL AMOUNT OF \$3,600,000**

**AS BOND COUNSEL FOR UPTON COUNTY, TEXAS** (the "County") in connection with the issuance of the Certificates of Obligation described above (the "Certificates of Obligation"), we have examined into the legality and validity of the Certificates of Obligation, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates of Obligation. Terms used herein and not otherwise defined shall have the meaning given in the order of the Commissioners Court of the County authorizing the issuance and sale of the Certificates of Obligation (the "Order").

**WE HAVE EXAMINED** the Constitution and laws of the State of Texas, certified copies of the proceedings of the Commissioners Court of the County relating to the issuance of the Certificates of Obligation, including the Order and other documents authorizing and relating to the issuance of the Certificates of Obligation; and we have examined various certificates and documents executed by officers and officials of the County upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Certificates of Obligation which we found to be in proper form and duly executed.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that the Certificates of Obligation have been duly authorized, issued, and delivered in accordance with law, and that the Certificates of Obligation, except as may be limited by laws applicable to the County relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, constitute valid and legally binding obligations of the County; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates of Obligation have been levied and pledged for such purpose, within the limit prescribed by law, as provided in the Order, and that the Certificates of Obligation are additionally secured by and payable from the surplus net revenues of the County's public library, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the County's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the County's public library.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Certificates of Obligation is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates of Obligation are not "specified private activity bonds" and that, accordingly, interest on the Certificates of Obligation will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates of Obligation and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the County to comply with such covenants, interest on the Certificates of Obligation may become includable in gross income retroactively to the date of issuance of the Certificates of Obligation.

**WE CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Certificates of Obligation, is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code, (b) subject to the branch profits tax imposed on foreign corporations by section 884 of the Code, and (c) included in the passive investment income of an S corporation and subject to the tax imposed by section 1375 of the Code.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates of Obligation.

**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates of Obligation, nor as to any such insurance policies issued in the future.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Certificates of Obligation is as Bond Counsel for the County, and, in that capacity, we have been engaged by the County for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates of Obligation under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates of Obligation for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the County, or the disclosure thereof in connection with the sale of the Certificates of Obligation, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates of Obligation and have relied solely on certificates executed by officials of the County as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the County. Our role in connection with the County's Official Statement prepared for use in connection with the sale of the Certificates of Obligation has been limited as described therein.

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

## **APPENDIX E**

### **Specimen of Municipal Bond Insurance Policy**

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**FINANCIAL  
SECURITY  
ASSURANCE®**

## **MUNICIPAL BOND INSURANCE POLICY**

ISSUER:

BONDS:

Policy No.: -N-

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 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 modified 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.

[Counter signature]

FINANCIAL SECURITY ASSURANCE INC.

By \_\_\_\_\_

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 (5/90)



**SAMCO CAPITAL MARKETS**  
*A Division of Service Asset Management Company*