

FINAL OFFICIAL STATEMENT

Dated February 17, 2009

Rating:
S&P: "AAA"
Assured Guaranty Insured
See ("MUNICIPAL BOND INSURANCE"
and "OTHER INFORMATION -
RATINGS" herein)

New Issue - Book-Entry-Only

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

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

\$16,399,999.60
SCURRY COUNTY, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2009

Dated Date: February 15, 2009

Due: February 15, as shown below

Interest Accrual Date: Date of Delivery

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the "Certificate of Obligation Act of 1971"), as amended, and an order passed by the Commissioners Court (the "Order"). The Certificates constitute direct obligations of Scurry County, Texas (the "County"), payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County (see "THE CERTIFICATES - Security and Source of Payment").

The \$16,399,999.60 Scurry County, Texas, Certificates of Obligation, Series 2009 (the "Certificates") will be issued in part as current interest certificates (the "Current Interest Certificates") and in part as capital appreciation certificates (the "Capital Appreciation Certificates") (collectively, the "Certificates"). Interest on the Current Interest Certificates will accrue from the date of delivery and will be payable February 15 and August 15 of each year commencing February 15, 2010, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Capital Appreciation Certificates will accrete from the date of their delivery to the Underwriters, will be payable at maturity or redemption prior to maturity, and will compound on February 15 and August 15 of each year beginning August 15, 2009 and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The sum of the principal of, premium, if any, and accreted/compounded interest (the "Maturity Amount") on the Capital Appreciation Certificates is payable at maturity. The Current Interest Certificates will be issued as fully registered obligations in the denominations of \$5,000 of principal amount or any integral multiple thereof for any one stated maturity and the Capital Appreciation Certificates will be issued in Maturity Amounts of \$5,000 or any integral multiple thereof. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** The principal and Maturity Amounts of the Certificates and interest on the Current Interest Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank, National Association, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").



The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Certificates by Assured Guaranty Corp. ("Assured Guaranty"). See "Municipal Bond Insurance" herein.

CUSIP PREFIX: 811250
SEE MATURITY SCHEDULE, 9 Digit CUSIP AND REDEMPTION
PROVISIONS
ON THE REVERSE OF THIS PAGE

The Certificates are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel, Austin, Texas (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP, Austin, Texas.

It is expected that the Certificates will be available for delivery through the DTC on March 17, 2009.

EDWARD JONES

MORGAN KEEGAN & COMPANY, INC.

MATURITY SCHEDULE**CUSIP Prefix: 811250 ⁽¹⁾****\$9,435,000 Current Interest Certificates**

Maturity (February 15)	Amount	Rate	Initial Price or Yield	CUSIP Suffix ⁽¹⁾	Maturity (February 15)	Amount	Rate	Initial Price or Yield	CUSIP Suffix ⁽¹⁾
2010	\$ 165,000	1.250%	1.250%	CS6	2019	\$ 550,000	3.450%	3.450%	CG2
****	****	****	****	****	2020	570,000	3.700%	3.700%	CH0
2012	450,000	2.500%	1.900%	BZ1	2021	590,000	4.000%	4.000%	CJ6
2013	465,000	2.500%	2.050%	CA5	2022	615,000	4.200%	4.200%	CK3
2014	475,000	2.500%	2.350%	CB3	2023	640,000	4.400%	4.400%	CL1
2015	485,000	2.550%	2.550%	CC1	2024	670,000	4.550%	4.550%	CM9
2016	500,000	2.750%	2.750%	CD9	2025	705,000	4.625%	4.625%	CN7
2017	515,000	3.000%	3.000%	CE7	2026	735,000	4.700%	4.700%	CP2
2018	530,000	3.200%	3.200%	CF4	2027	775,000	4.750%	4.750%	CT4

\$ 1,660,000 4.90% Current Interest Term Certificate Due February 15, 2029 Priced to Yield 4.90% CUSIP Suffix CQ0**\$ 1,835,000 5.00% Current Interest Term Certificate Due February 15, 2031 Priced to Yield 5.00% CUSIP Suffix CU1****\$ 3,125,000 5.10% Current Interest Term Certificate Due February 15, 2034 Priced to Yield 5.10% CUSIP Suffix CR8****(Interest to Accrue from Date of Delivery)****\$344,999.60 Capital Appreciation Certificates**

Principal Amount	Maturity (February 15)	Initial Offering Price per \$5,000 Maturity Amount	Yield to Maturity	Maturity Amount	CUSIP Suffix (1)
\$ 344,999.60	2011	\$ 4,813.40	2.00%	\$ 445,000.00	BY4

(Interest to accrete from the Date of Delivery)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

The County reserves the right, at its option, to redeem the Current Interest Certificates having stated maturities on and after February 15, 2015, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2014, or any date thereafter, at the redemption prices (expressed as percentages of the principal amount of the Current Interest Certificates to be redeemed) applicable to the date of redemption within the applicable period set forth in the following table, plus accrued interest to the date of redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
February 15, 2014 through February 14, 2015	102%
February 15, 2015 through February 14, 2016	101%
February 15, 2016 and thereafter	100%

The Capital Appreciation Certificates are not subject to redemption prior to maturity.

The Current Interest Certificates maturing on February 15, 2029, February 15, 2031 and February 15, 2034 (the "Term Certificates") are subject to annual sinking fund redemption at par on the dates and in the principal amounts described herein under "THE CERTIFICATES - Mandatory Sinking Fund Redemption".

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE COUNTY The County is a legal subdivision of the State, located in West Texas. The County covers approximately 908 square miles. The City of Snyder is the County Seat.

THE CERTIFICATES The 16,399,999.60 Scurry County, Texas Certificates of Obligation, Series 2009 are issued in part as capital appreciation certificates maturing February 15 in the year 2011 (the "Capital Appreciation Certificates"), and also as current interest certificates maturing serially on February 15 in the years 2010 and 2012 through 2027 (the "Current Interest Certificates"), and as Term Certificates maturing February 15, 2029, 2031 and 2034 (the "Term Certificates") (the "Current Interest Certificates" and together with the "Capital Appreciation Certificates" are referred to as the "Certificates") (see "THE CERTIFICATES - Description of the Certificates").

AUTHORITY FOR ISSUANCE The Certificates are issued pursuant to the general laws of the State of Texas, including particularly Subchapter C of Chapter 271, Texas Local Government Code (the "Certificate of Obligation Act of 1971"), as amended, and an Order passed by the Commissioners Court of the County (see "THE CERTIFICATES - Authority for Issuance").

SECURITY FOR THE CERTIFICATES The Certificates constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County (see "THE CERTIFICATES - Security and Source of Payment").

PAYMENT OF INTEREST Interest on the Capital Appreciation Certificates will accrete from the date of their initial delivery, and such interest will be payable at maturity on February 15, 2011. Interest on the Current Interest Certificates accrues from the date of their initial delivery, and is payable February 15, 2010, and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").

REDEMPTION The County reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2015, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2014, or any date thereafter, at the redemption prices (expressed as percentages of the principal amount of the Certificates to be redeemed) applicable to the date of redemption within the applicable period set forth in the following table, plus accrued interest to the date of redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
February 15, 2014 through February 14, 2015	102%
February 15, 2015 through February 14, 2016	101%
February 15, 2016 and thereafter	100%

The Term Certificates are also subject to mandatory redemption prior to maturity (see "The Certificates – Mandatory Sinking Fund Redemption").

The Capital Appreciation Certificates are not subject to redemption prior to maturity.

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

The County has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").

USE OF PROCEEDS Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (1) construction and equipping of a new County Law Enforcement Center (County Jail), including the acquisition of a site therefor in the City of Snyder, and (2) the payment of professional services and costs of issuance related thereto.

RATINGS The Certificates are assigned a rating of "AAA" by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") based upon the financial guaranty insurance policy of Assured Guaranty Corp. to be issued simultaneously with the delivery of the Certificates (see "OTHER INFORMATION - Ratings" and "MUNICIPAL BOND INSURANCE"). In addition, the Certificates have been assigned an underlying rating of "AA-" by S&P.

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

OFFICIAL STATEMENT
RELATING TO
\$16,399,999.60
SCURRY COUNTY, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2009

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$16,399,999.60 Scurry County, Texas, Certificates of Obligation, Series 2009. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates, except as otherwise indicated herein.

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

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES

The Certificates will be dated February 15, 2009. The Current Interest Certificates will accrue interest from the date of their delivery to the Underwriters, and such interest is payable on February 15 and August 15 in each year, commencing February 15, 2010, until maturity or prior redemption. The Capital Appreciation Certificates will accrete in value from the date of their delivery to the Underwriters, and such interest will compound semiannually on each February 15 and August 15, commencing February 15, 2010 (the "Accretion Dates"), and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Maturity Amount (as defined below) on the Capital Appreciation Certificates is payable only at maturity. The Current Interest Certificates will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on page 2 of this Official Statement, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Capital Appreciation Certificates will mature on the date, in the amount due at maturity (the "Maturity Amount") and will accrete in value at the approximate yield based upon the initial offering price to the public, which is set forth on page 2 of this Official Statement.

The "Accreted Value" of the Capital Appreciation Certificates means the original principal amount of the Capital Appreciation Certificates plus the initial premium, if any, paid therefor with interest compounded semiannually to February 15 or August 15, as the case may be, next preceding the date of such calculation (or the date of calculation, if such calculation is made on February 15 or August 15), using the respective yield to maturity stated on page two of this Official Statement. For any day other than a February 15 or August 15, the "Accreted Value" of the Capital Appreciation Certificates is to be determined by a straight line interpolation between the values for the applicable semiannual compounding dates (based on 30-day months). Based on the initial offering prices for the Capital Appreciation Certificates, a schedule of Accreted Values per \$5,000 Maturity Amount on the respective Accretion Dates, using the yields stated on page two of this Official Statement, is set forth in Schedule I attached hereto.

Interest on the Current Interest Certificates is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Current Interest Certificates is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Maturity Amount of the Capital Appreciation Certificates is payable at maturity or upon prior redemption upon presentation and surrender to the Paying Agent/Registrar. If the date for the payment of the Maturity Amount or 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 designated corporate office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or a day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

The Certificates will be issued only in fully registered form and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. The Current Interest Certificates will be issued in denominations of \$5,000 of principal amount or any integral thereof within a maturity. The Capital Appreciation Certificates will be issued in denominations of \$5,000 of Maturity Amount or any integral multiple thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** The Maturity Amount of the Capital Appreciation Certificates and the principal of and interest on the Current Interest Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "Book-Entry-Only System" herein.

YIELD ON CAPITAL APPRECIATION CERTIFICATES

The approximate yields of the Capital Appreciation Certificates as set forth on page 2 of this Official Statement are based upon the initial offering prices therefore set forth on page 2 of this Official Statement. Such offering prices include the principal amount of such Capital Appreciation Certificates plus premium, if any, equal to the amount by which such offering prices exceed the principal amount of such Capital Appreciation Certificates. The yield on the Capital Appreciation Certificates to a particular purchaser may differ depending upon the price paid by the purchaser. For various reasons, securities that do not pay interest periodically, such as the Capital Appreciation Certificates, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

AUTHORITY FOR ISSUANCE

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

SECURITY AND SOURCE OF PAYMENT

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

TAX RATE LIMITATION

General Operations; Limited Tax Bonds, Time Warrants, Certificates of Obligation and Contractual Obligations

The Texas Constitution (Article VIII, Section 9) imposes a limit of \$0.80 per \$100 assessed valuation for all purposes of General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, including debt service of bonds, warrants or certificates of obligation issued against such funds. The Attorney General of Texas will not approve limited tax bonds in an amount which produces debt service requirements exceeding that which can be paid from \$0.40 of the foregoing \$0.80 maximum tax rate calculated at 90% collection. The Certificates are limited tax obligations payable from the constitutional tax rate.

Unlimited Tax Road Bonds

Unlimited tax rate authorized for debt service by Article III, Section 52 of Texas Constitution.

Road Maintenance (Special Road and Bridge Tax)

Imposed by Texas Constitution, Article VIII, Section 9, \$0.15 per \$100 Assessed Valuation, no part of which may be used for debt service.

Farm-to-Market and Flood Control Purposes

Imposed by Texas Constitution, Article VIII, Section 1-a, \$0.30 per \$100 assessed valuation after exemption of homesteads up to \$3,000; no allocation prescribed by statute between debt service and maintenance.

OPTIONAL REDEMPTION

The County reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2015, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2014, or any date thereafter, at the redemption prices (expressed as percentages of the principal amount of the Certificates to be redeemed) applicable to the date of redemption within the applicable period set forth in the following table, plus accrued interest to the date of redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
February 15, 2014 through February 14, 2015	102%
February 15, 2015 through February 14, 2016	101%
February 15, 2016 and thereafter	100%

If less than all of the Certificates are to be redeemed, the County may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION

The Certificates maturing on February 15 in the years 2029, 2031 and 2034 (the "Term Certificates"), are subject to mandatory redemption in part at a price of par, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

<u>Term Certificates due February 15, 2029</u>		<u>Term Certificates due February 15, 2031</u>		<u>Term Certificates due February 15, 2034</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
February 15, 2028	\$ 810,000	February 15, 2030	\$ 895,000	February 15, 2032	\$ 990,000
February 15, 2029	850,000 *	February 15, 2031	940,000 *	February 15, 2033	1,040,000
				February 15, 2034	1,095,000 *

* Stated Maturity.

Approximately forty-five (45) days immediately preceding each of the mandatory redemption dates specified above that the Term Certificates are to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable maturity to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund. Any Term Certificates not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the 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 the Term Certificates of the same maturity which, at least sixty (60) days prior to the mandatory redemption date, (i) shall have been defeased or acquired by the County at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been purchase and cancelled by the Paying Agent/Registrar at the request of the County with money in the Interest and Sinking Fund.

NOTICE OF REDEMPTION

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

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 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 an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, 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. Provided, however, the County has reserved the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption, at an earlier date, those Certificates which have been defeased to their maturity date, 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 authorizes.

BOOK-ENTRY-ONLY SYSTEM

This section 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 accredited 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 Direct 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.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, 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 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company of DTC, National

Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 and www.dtc.org.

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participant to whose account such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Certificates 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 the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Certificates will be made to 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 dates 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 in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the County, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT

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

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the County, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR

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

TRANSFER, EXCHANGE AND REGISTRATION

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

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month.

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

each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

CERTIFICATEHOLDERS' REMEDIES

The Order does not establish specific events of default with respect to the Certificates. If the County defaults in the payment of the principal of or interest on the Certificates when due, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the County to make such payment or observe and perform such covenants, obligations, or conditions. Such right is in addition to any other rights the registered owners of the Certificates may be provided by the laws of the State. Under Texas 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. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the County to 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 certificateholders 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 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 certificateholders 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.

AMENDMENT

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

SOURCES AND USES OF CERTIFICATE PROCEEDS

Proceeds from the sale of the Certificates are expected to be expended as follows:

SOURCES OF FUNDS:

Principal Amount of the Certificates	\$ 16,399,999.60
Reoffering Premium	102,096.80
Total Sources of Funds	<u>\$ 16,502,096.40</u>

USES OF FUNDS:

Deposit to Construction Fund	\$ 16,000,000.00
Deposit to Interest and Sinking Fund	384.91
Underwriters' Discount	297,462.50
Costs of Issuance (Includes Bond Insurance Premium)	204,248.99
Total Uses of Funds	<u>\$ 16,502,096.40</u>

TAX MATTERS

TAX EXEMPTION

In the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel to the County, assuming continuing compliance by the County with the tax covenants described below, under existing law, interest on the Certificates will not be includable for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals or corporations pursuant to Section 55 of the Code. The adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Interest on certain tax-exempt obligations issued in 2009 and 2010, such as the Certificates, is excluded in computing a corporation's "adjusted current earnings."

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

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCE

Prospective purchasers of the Certificates should be aware that the ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers including, without limitation, holders who may be deemed to have incurred or continued indebtedness to acquire or carry tax-exempt obligations, holders of certain interests in a financial asset securitization investment trust, Subchapter S corporations, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and individuals who otherwise qualify for the earned income credit. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Certificates will constitute disqualified income for this purpose. The Code also provides that for years beginning after December 31, 2010, the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Certificates will be included in determining the modified adjusted gross income of the taxpayer. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Certificates received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation. In addition, passive investment income, including interest on the Certificates, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

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

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

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

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

Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

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

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS

Section 265(b) of the Code provides, in pertinent part, that interest paid or incurred by a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b)(3) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$30,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The County has designated the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Code. In furtherance of that designation, the County has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$30,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$30,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$30,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."**

MUNICIPAL BOND INSURANCE

The following information has been supplied by the Insurer for inclusion in this Official Statement. No representation is made by the County or the Underwriters as to the accuracy or completeness of the information.

The following information is not complete and reference is made to Appendix D for a specimen of the financial guaranty insurance policy (the "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer").

THE INSURANCE POLICY

Assured Guaranty has made a commitment to issue the Policy relating to the Certificates, effective as of the date of issuance of such Certificates. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Certificates that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Certificates, the stated maturity date thereof, or the date on which such Certificates 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 a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Certificates, means the stated dates for payment of interest.

"Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Certificates. It is further understood that the term Nonpayment in respect of a Certificate also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Certificate in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Certificates to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY CORP.

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements,

including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" (stable) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" (stable) by Fitch, Inc. ("Fitch") and "Aa2" (stable) by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Agreement to Acquire FSA

On November 14, 2008, AGL announced that it had entered into a definitive agreement with Dexia SA to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company, Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the "SEC") on November 17, 2008.

Ratings

On July 21, 2008, Moody's issued a press release stating that it had placed under review for possible downgrade the "Aaa" insurance financial strength rating of Assured Guaranty. In a press release dated November 14, 2008, Moody's responded to AGL's announcement of its agreement to acquire FSA, stating that "the potential impact of the proposed transaction on the ratings of Assured Guaranty and FSA will be considered in the context of its ongoing rating reviews of both companies; those reviews are now expected to conclude in the near term." Reference is made to the press releases for the complete text of Moody's comments; copies of such documents are available at www.moodys.com.

On November 21, 2008, Moody's issued a press release announcing that it had downgraded the insurance financial strength rating of Assured Guaranty to "Aa2" from "Aaa" and that the status of Assured Guaranty's insurance financial strength rating had been changed to "outlook stable" from "on review for possible downgrade." In the release, Moody's stated that "Today's rating action concludes a review for possible downgrade that was initiated on July 21, 2008, and primarily reflects Moody's updated views on Assured's exposure to weakness inherent in the financial guaranty business model. The outlook for the ratings is stable, and the announced acquisition of FSA's financial guaranty business is not expected to have a meaningful impact on the credit profile of [Assured Guaranty].... The rating agency added that the acquisition of FSA by [AGL] will, if completed as planned, create a combined entity with substantial financial resources and a strong market position." Reference is made to such release for the complete text of Moody's comments; a copy of such document is available at www.moodys.com.

Assured Guaranty's "AAA" (stable) financial strength ratings by S&P and by Fitch were affirmed on June 18, 2008 and December 12, 2007, respectively. On November 14, 2008, Fitch issued a press release responding to AGL's announcement of its agreement to acquire FSA, indicating that they do not expect the acquisition, as presented, to have a negative impact on Assured Guaranty's rating. Reference is made to the press release for the complete text of Fitch's comments; a copy of such press release is available at www.fitchratings.com. On November 17, 2008, S&P issued a press release responding to AGL's announcement of its agreement to acquire FSA, stating that the agreement "appears to pose limited rating risk" for Assured Guaranty. Reference is made to the press release for the complete text of S&P's comments; a copy of such press release is available at www.ratingsdirect.com. There can be no assurance as to what impact, if any, Moody's downgrade or the proposed acquisition will have on the company's financial strength ratings from Fitch or S&P.

For more information regarding Assured Guaranty's insurance financial strength ratings, see AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 (which was filed by AGL with the SEC on November 7, 2008).

Capitalization of Assured Guaranty Corp.

As of September 30, 2008, Assured Guaranty had total admitted assets of \$1,767,134,629 (unaudited), total liabilities of \$1,341,373,221 (unaudited), total surplus of \$425,761,408 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$1,106,199,863 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of \$1,361,538,502 (audited), total liabilities of \$961,967,238 (audited), total surplus of \$399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of \$982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the SEC on February 29, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 (which was filed by AGL with the SEC on May 9, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008 (which was filed by AGL with the SEC on August 8, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 (which was filed by AGL with the SEC on November 7, 2008); and
- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Certificates shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "MUNICIPAL BOND INSURANCE – Assured Guaranty Corp." shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and at AGL's web site at <http://www.assuredguaranty.com>, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "MUNICIPAL BOND INSURANCE".

THE COUNTY

DESCRIPTION OF THE COUNTY

The County was organized in 1884 and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical Commissioners Precincts. The County Judge is elected for a term of four years and the Commissioners for four year staggered terms. Other major County elective officers include the County Clerk and County Tax Assessor/Collector. The County Auditor is appointed for a term of two years by, and serves at the will of, the District Judges whose courts are located in the County. The 2000 Census population for the County was 16,361, while the estimated 2009 population is 16,362. The County covers approximately 908 square miles. The City of Snyder is the County Seat.

COUNTY OFFICIALS

ELECTED OFFICIALS

<u>Commissioners Court</u>	<u>Length of Service</u>	<u>Term Expires</u>
Rod Waller County Judge	6 Years	December, 2010
Terry Williams Commissioner, Precinct No. 1	4 Years	December, 2012
Jerry House Commissioner, Precinct No. 2	6 Years	December, 2010
Howard Limmer Commissioner, Precinct No. 3	12 Years	December, 2012
Chloanne Lindsey Commissioner, Precinct No. 4	10 Years	December, 2010

OTHER COUNTY OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Employment with County</u>
Charlie Bell	County Auditor	16 Years
Nelda Colvin	County Treasurer	23 Years
Joan Bunch	County Clerk	18 Years
Michael Hartman	County Attorney	12 Years

For additional information regarding the County, please contact:

Mr. Charlie Bell
County Auditor
Scurry County, Texas
1806 25th Street
Snyder, Texas 79549
Phone: (325) 573-7121
Fax: (325) 573-1266

or

Mr. Vince Viaille
Managing Director
Specialized Public Finance Inc.
1001 Main Street, Suite 703
Lubbock, Texas 79401
Phone: (806) 749-7734
Fax: (806) 749-7733

AD VALOREM TAX INFORMATION AS IT PERTAINS TO THE COUNTY

AD VALOREM TAX LAW

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

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

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

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

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

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

Under Article VIII and State law, the governing body of a county, municipality or junior college district may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the later of (1) the year such residence qualified for such exemption or (2) the year the county or city chooses to establish the above-referenced limitation. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repeated or rescinded.

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

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

Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit", which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property.

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

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE

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

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

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

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

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

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT

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

PENALTIES AND INTEREST

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

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

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

COUNTY APPLICATION OF TAX CODE

The County grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$15,000; the disabled are also granted an exemption of \$15,000.

The County has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

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

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

The County does not tax nonbusiness personal property; and the Scurry County Tax Assessor/Collector collects taxes for the County.

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

The County does tax freepoint property.

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

The County has adopted a tax abatement policy.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2008/2009 Market Valuation Established by Scurry County Appraisal District (excludes exempt property)		\$ 3,677,540,836
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions (Local Option)	\$ 61,710,890	
Residence Homestead Exemptions (Over 65)	15,549,043	
Disabled Veterans Exemptions	1,064,363	
Productivity Loss	265,657,971	
Homestead Capped Value Loss	30,481,788	
Abatements	319,031,605	
Pollution Control	4,985,750	
Prorated Exemptions	54,145	
Freeze Loss	<u>53,891,625</u>	<u>752,427,180</u>
2008/2009 Taxable Assessed Valuation		\$ 2,925,113,656
County Funded Debt Payable from Ad Valorem Taxes		
General Obligation Debt (as of 1-1-09)	\$ - ⁽¹⁾	
The Certificates	<u>16,400,000</u>	
Net General Obligation Debt Payable from Ad Valorem Taxes		<u>\$ 16,400,000</u>

(1) All of the County's outstanding debt is represented by the County's Certificates of Obligation, Series 2001 and Tax Notes, Taxable Series 2006 which were issued solely for the County's hospital. Pursuant to a petition from the registered voters in the County, the Commissioners Court on May 6, 2008 ordered an election to be held on June 24, 2008 on the establishment of the Scurry County Hospital District (the "District"). The election was canvassed on July 3, 2008, and the voters approved the creation of the District.

Pursuant to Section 286.071 of the Texas Health and Safety Code, on the creation of the District, the County was required to transfer all of the real property and equipment used for the County to the District, as well as all operating funds, taxes levied for hospital purposes, and any interest and sinking funds that the County had accumulated for the Certificates of Obligation, Series 2001 and the Tax Notes, Taxable Series 2006, because such obligations were assumed by the District as a result of the election.

Section 286.073(a) of the Texas Health and Safety Code provides that on creation of the District, the District (1) assumes full responsibility for operating hospital facilities and for furnishing medical and hospital care for the District's needy inhabitants and (2) assumes any outstanding indebtedness incurred by the County.

Section 286.072 of the Texas Health and Safety Code also provides that after the creation of the District, the County can no longer levy taxes for hospital purposes.

The obligations of the County were not cancelled. Although they remain in place, the District is responsible for levying the tax and paying the debt service.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended December 31,					
	2009		2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	\$ 292,569,573	7.96%	\$ 251,055,345	8.67%	\$ 217,335,705	8.94%
Real, Residential Multi-Family	6,459,609	0.18%	5,540,138	0.19%	5,145,894	0.21%
Real, Vacant Lots/Tracts	5,409,181	0.15%	5,142,423	0.18%	4,613,802	0.19%
Real, Agricultural Land	329,353,019	8.96%	299,261,804	10.34%	248,192,983	10.21%
Real, Farm and Ranch Improvements	74,306,687	2.02%	63,682,942	2.20%	54,174,244	2.23%
Real, Commercial and Industrial	604,990,039	16.45%	278,108,148	9.60%	217,864,243	8.96%
Oil and Gas	1,785,009,450	48.54%	1,428,070,877	49.32%	1,277,128,093	52.52%
Real and Tangible Personal, Utilities	99,136,335	2.70%	90,283,471	3.12%	87,482,768	3.60%
Tangible Personal, Commercial and Industrial	473,435,286	12.87%	468,139,301	16.17%	315,809,232	12.99%
Tangible Personal, Mobile Homes	3,154,441	0.09%	2,746,239	0.09%	2,328,030	0.10%
Residential Inventory	107,390	0.00%	136,062	0.00%	90,879	0.00%
Special Inventory	3,609,826	0.10%	3,287,287	0.11%	1,511,780	0.06%
Total Appraised Value Before Exemptions	\$ 3,677,540,836	100.00%	\$ 2,895,454,037	100.00%	\$ 2,431,677,653	100.00%
Less: Total Exemptions/Reductions	(752,427,180)		(425,766,119)		(371,657,423)	
Taxable Assessed Value	<u>\$ 2,925,113,656</u>		<u>\$ 2,469,687,918</u>		<u>\$ 2,060,020,230</u>	

Category	Taxable Appraised Value for Fiscal Year Ended December 31,			
	2006		2005	
	Amount	% of Total	Amount	% of Total
Real, Residential Single Family	\$ 200,628,766	10.02%	\$ 190,693,213	13.98%
Real, Residential Multi-Family	4,570,513	0.23%	4,561,334	0.33%
Real, Vacant Lots/Tracts	4,369,812	0.22%	4,599,101	0.34%
Real, Acreage (Land Only)	203,561,777	10.16%	178,867,367	13.11%
Real, Farm and Ranch Improvements	50,085,772	2.50%	42,414,424	3.11%
Real, Commercial and Industrial	247,121,600	12.34%	128,030,385	9.38%
Oil and Gas	1,011,735,647	50.51%	564,432,760	41.37%
Real and Tangible Personal, Utilities	78,660,764	3.93%	73,723,675	5.40%
Tangible Personal, Commercial and Industrial	200,439,571	10.01%	172,536,563	12.65%
Tangible Personal, Mobile Homes	1,853,126	0.09%	1,602,917	0.12%
Residential Inventory	77,552	0.00%	82,268	0.01%
Special Inventory	-	0.00%	2,732,951	0.20%
Total Appraised Value Before Exemptions	\$ 2,003,104,900	100.00%	\$ 1,364,276,958	100.00%
Less: Total Exemptions/Reductions	(319,303,120)		(187,164,542)	
Taxable Assessed Value	<u>\$ 1,683,801,780</u>		<u>\$ 1,177,112,416</u>	

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 12/31	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year	Ratio of Tax Debt to Taxable Assessed	Funded Tax Debt Per Capita	Tax Year
2005	16,055	\$ 1,177,112,416	\$ 73,317	\$ -	0.00%	\$ -	2004
2006	16,129	1,683,801,780	104,396	-	0.00%	-	2005
2007	16,203	2,060,020,230	127,138	-	0.00%	-	2006
2008	16,362	2,469,687,918	150,940	-	0.00%	-	2007
2009	16,362	2,925,113,656	178,775	16,400,000 ⁽³⁾	0.56% ⁽³⁾	1,002 ⁽³⁾	2008

(1) Source: County staff.

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

(3) Includes the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 12/31	Tax Rate	Distribution		Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy	Tax Year
		General Fund	Interest and Sinking Fund				
2005	\$ 0.446760	\$ 0.414770	\$ 0.031990	\$ 5,260,901	99.20%	101.22%	2004
2006	0.353000	0.330000	0.023000	6,101,279	97.88%	98.87%	2005
2007	0.337500	0.307200	0.030300	7,116,666	98.47%	99.46%	2006
2008	0.295400	0.278000	0.017400	7,449,285	98.33%	99.32%	2007
2009	0.247000	0.247000	-	7,320,591	In Process of Collection		2008

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

	Fiscal Years Ended December 31,				
	2009	2008	2007	2006	2005
General Fund	\$ 0.24700	\$ 0.27800	\$ 0.30720	\$ 0.33000	\$ 0.41477
Interest and Sinking Fund	-	0.01740	0.03030	0.02300	0.03199
Total Constitutional Tax Rate	\$ 0.24700	\$ 0.29540	\$ 0.33750	\$ 0.35300	\$ 0.44676
Special Road and Bridge Tax Rate	\$ -	\$ -	\$ -	\$ -	\$ -
Farm-to-Market Tax Rate	\$ -	\$ -	\$ -	\$ -	\$ -
Total Tax Rate	<u>\$ 0.24700</u>	<u>\$ 0.29540</u>	<u>\$ 0.33750</u>	<u>\$ 0.35300</u>	<u>\$ 0.44676</u>

TABLE 6 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2008/2009 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Kinder Morgan Production	Oil & Gas Royalty	\$ 721,689,934	24.67%
Patterson UTI Drilling Co.	Oil & Gas Equipment	312,693,910	10.69%
Occidental Permian LTD	Oil & Gas Royalty	221,271,319	7.56%
Kinder Morgan Production CO LP	Oil & Gas Royalty	126,726,340	4.33%
Apache Corporation	Oil & Gas Royalty	113,780,820	3.89%
Kinder Morgan Power Co.	Electric Generation Equipment	46,244,700	1.58%
Sharp Image Energy Inc.	Oil & Gas Royalty	36,852,812	1.26%
Fuller, Gillian Account	Oil & Gas Royalty	25,971,121	0.89%
French Capital Partners, LTD	Oil & Gas Royalty	23,315,002	0.80%
ONCOR Electric Delivery Co.	Electrical Transmission	20,032,970	0.68%
		<u>\$ 1,648,578,928</u>	<u>56.36%</u>

TABLE 7 - TAX ADEQUACY ⁽¹⁾

2010 Net Tax Supported Principal and Interest Requirements	\$ 1,123,396
\$0.0392 Tax Rate at 98% Collection Produces	\$ 1,123,712
Average Annual Net Tax Supported Principal and Interest Requirements, 2010 - 2034	\$ 1,123,320
\$0.0392 Tax Rate at 98% Collection Produces	\$ 1,123,712

(1) Includes the Certificates.

TABLE 8 - ESTIMATED CONSOLIDATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2008/2009 Taxable Assessed Value	2008/2009 Tax Rate	Total Funded Tax Debt 1/1/2009	Estimated % Applicable	County's Overlapping Tax Debt As of 1/1/09	Authorized But Unissued Debt As of 1/1/2009
Scurry County	\$ 2,925,113,656	\$ 0.247000	16,400,000 ⁽¹⁾	100.00%	\$ 16,400,000 ⁽¹⁾	\$ -
<u>Special Districts</u>						
Scurry County Jr. College	3,036,792,913	0.11740	-	100.00%	-	-
Scurry County Hospital District	3,226,232,815	0.27000	4,450,000 ⁽²⁾	100.00%	4,450,000	-
<u>Cities</u>						
Snyder	335,873,370	0.41230	3,545,000	100.00%	3,545,000	-
<u>School Districts</u>						
Snyder CISD	2,754,635,415	1.10150	22,460,000	90.78%	20,389,188	-
Ira ISD	255,590,387	1.04000	-	94.76%	-	-
Hermleigh ISD	137,617,901	1.04000	-	87.59%	-	-
<u>County Line School Districts</u>						
Colorado ISD	29,021,620	1.17000	-	1.82%	-	-
Roscoe ISD	3,206,686	1.24000	1,410,000	3.66%	51,606	-
Total Direct and Overlapping Funded Debt					\$ 44,835,794	
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation					1.53%	
Per Capita Overlapping Funded Debt					\$ 2,740	

(1) Includes the Certificates.

(2) Assumed from County by Hospital District election.

DEBT INFORMATION

TABLE 9 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 12/31	The Certificates ⁽¹⁾			% of Principal Retired
	Principal	Interest	Total	
2009	\$ -	\$ -	\$ -	
2010	165,000	958,396	1,123,396	
2011	345,000	777,847	1,122,846	
2012	450,000	672,221	1,122,221	
2013	465,000	660,784	1,125,784	
2014	475,000	649,034	1,124,034	11.59%
2015	485,000	636,913	1,121,913	
2016	500,000	623,854	1,123,854	
2017	515,000	609,254	1,124,254	
2018	530,000	593,049	1,123,049	
2019	550,000	575,081	1,125,081	27.32%
2020	570,000	555,049	1,125,049	
2021	590,000	532,704	1,122,704	
2022	615,000	507,989	1,122,989	
2023	640,000	480,994	1,120,994	
2024	670,000	451,671	1,121,671	46.13%
2025	705,000	420,126	1,125,126	
2026	735,000	386,550	1,121,550	
2027	775,000	350,871	1,125,871	
2028	810,000	312,620	1,122,620	
2029	850,000	271,950	1,121,950	69.76%
2030	895,000	228,750	1,123,750	
2031	940,000	182,875	1,122,875	
2032	990,000	134,130	1,124,130	
2033	1,040,000	82,365	1,122,365	
2034	1,095,000	27,923	1,122,923	100.00%
	<u>\$ 16,400,000</u>	<u>\$ 11,682,997</u>	<u>\$ 28,082,996</u>	

(1) Average life of the issue – 15.227 years. Interest on the Certificates has been calculated at the rates shown on page 2 hereof.

TABLE 10 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 12-31-10		\$ 1,123,396
Interest and Sinking Fund Balance, 12-31-09	\$ -	
Interest and Sinking Fund Tax Levy ⁽¹⁾	1,123,712	1,123,712
Estimated Balance Fiscal Year Ending 12-31-10		<u>\$ 316</u>

(1) Based on the 2008/2009 Taxable Assessed Value of \$2,925,113,656 and an I&S Tax Rate of \$0.0392 at 98% collection.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The County has no authorized but unissued general obligation bonds.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The County does not anticipate the issuance of additional general obligation debt within the next twelve months.

TABLE 12 - OTHER OBLIGATIONS

As of December 31, 2008, the County had the following obligations:

A \$77,947 capital lease obtained for the purchase of equipment, payable in monthly installments of \$1,821 including interest at 6.00%, final payment due August 15, 2010.

A \$75,950 capital lease obtained for the purchase of equipment, payable in annual installments of \$17,494 including interest at 4.73%, final payment due January 1, 2010.

PENSION FUND

The County provides pension, disability and death benefits for all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas County and District Retirement System (TCDRS). Under the state law governing TCDRS, the contribution rate of the County is a fixed percent equal to the contribution rate payable by the employee member, which is 12% as adopted by the governing body of the County. This rate is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception and when benefit increases are adopted is limited by statute to what the actuary determines can be adequately financed by the commitment of the employer to contribute the same amount as the employee. The statute specifies that the actuary's determination is based on a maximum period for amortizing the unfunded pension benefit obligation of 30 years. (For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the Scurry County, Texas Annual Financial Report" - Note #8.)

FINANCIAL INFORMATION

TABLE 13 - CHANGE IN NET ASSETS

	Fiscal Years Ended December 31,				
	2007	2006	2005	2004	2003
REVENUES:					
Program Revenues:					
Charges for Services	\$ 2,615,401	\$ 2,404,903	\$ 2,045,240	\$ 1,899,092	\$ 1,732,869
Operating Grants and Contributions	967,142	1,043,639	1,084,832	806,321	828,749
Capital Grants and Contributions	5,000	554,337	43,062	221,217	398,439
General Revenues:					
Property Taxes	\$ 6,105,688	\$ 5,308,739	\$ 4,507,556	4,043,597	3,726,035
Tax Collector Fees	233,886	254,781	193,085	144,310	120,634
Sales and Use Taxes	3,100,819	3,257,924	2,626,391	1,697,607	1,937,280
Mixed Drink Tax	8,578	6,648	7,016	7,418	6,345
Investment Earnings	756,708	584,436	284,021	111,735	83,601
Miscellaneous	55,659	52,459	121,605	183,249	59,736
Total Revenues	\$ 13,848,881	\$ 13,467,866	\$ 10,912,808	\$ 9,114,546	\$ 8,893,688
EXPENSES					
Governmental Activities:					
General Government	\$ 2,081,354	\$ 1,812,385	\$ 1,451,683	\$ 1,220,344	\$ 1,546,355
Health and Welfare	400,326	396,481	357,583	376,405	367,764
Judicial and Legal	2,362,866	2,103,943	1,996,692	1,930,463	1,759,805
Public Safety	1,649,338	1,639,093	1,487,246	1,399,761	1,316,342
Public Facilities	596,338	567,153	888,509	429,445	406,543
Culture and Recreation	928,698	1,561,667	1,400,654	1,161,327	804,146
Road Maintenance	2,016,758	1,849,902	1,377,747	1,397,928	1,341,942
Interest on Long-Term Debt	249,253	211,261	209,020	217,403	225,295
Total Expenses	\$ 10,284,931	\$ 10,141,885	\$ 9,169,134	\$ 8,133,076	\$ 7,768,192
Transfers	\$ (362,684)	\$ (1,107,825)	\$ -	\$ -	\$ -
Increase (Decrease) in Net Assets	\$ 3,201,266	\$ 2,218,156	\$ 1,743,674	\$ 981,470	\$ 1,125,496
Net Assets - Beginning	\$ 7,394,657 ⁽¹⁾	\$ 4,596,883	\$ 2,853,209 ⁽²⁾	\$ 1,268,896	\$ 143,400
Net Assets - Ending	\$ 10,595,923	\$ 6,815,039	\$ 4,596,883	\$ 2,250,366	\$ 1,268,896

(1) Restated. Insurance proceeds in the amount of \$579,618 received that were included as revenue in the governmental funds, but were recorded as a liability on the Statement of Net Assets.

(2) Restated due to a retroactive recording of infrastructure assets caused by the County's implementation of Statement 34 of the Governmental Accounting Standards Board.

TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended December 31,				
<u>REVENUES:</u>	2007	2006	2005	2004	2003
Taxes	\$ 6,978,885	\$ 7,063,439	\$ 6,233,066	\$ 4,925,210	\$ 5,004,575
State and Federal Grants	191,542	176,329	130,612	141,930	95,217
Fines and Fees	1,104,394	1,113,496	978,538	871,242	737,718
Interest	670,735	529,703	250,794	103,710	76,006
Other Revenues	537,088	1,032,789	423,348	349,682	313,615
Total Revenues	\$ 9,482,644	\$ 9,915,756	\$ 8,016,358	\$ 6,391,774	\$ 6,227,131
<u>EXPENDITURES:</u>					
General Government	\$ 2,359,886	\$ 2,033,337	\$ 1,653,933	\$ 1,523,846	\$ 1,861,437
Health and Welfare	400,737	387,686	348,265	368,241	353,488
Judicial and Legal	1,550,608	1,370,268	1,247,417	1,168,550	1,016,695
Public Safety	1,583,631	1,555,905	1,387,138	1,351,630	1,215,378
Public Facilities	607,580	581,998	553,647	442,705	351,538
Culture and Recreation	1,010,202	980,645	902,723	1,024,081	822,369
Total Expenditures	\$ 7,512,644	\$ 6,909,839	\$ 6,093,123	\$ 5,879,053	\$ 5,620,905
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ 1,970,000	\$ 3,005,917	\$ 1,923,235	\$ 512,721	\$ 606,226
Other Financing Sources (Uses):					
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	(466,595)	(108,112)	(2,540)	(97,227)	(10,000)
Total Other Financing Sources (Uses)	\$ (466,595)	\$ (108,112)	\$ (2,540)	\$ (97,227)	\$ (10,000)
Net Change in Fund Balance	\$ 1,503,405	\$ 2,897,805	\$ 1,920,695	\$ 415,494	\$ 596,226
Fund Balances - Beginning	\$ 8,558,015	\$ 5,660,210	\$ 3,739,515	\$ 3,324,021	\$ 2,727,794
Fund Balances - Ending	\$ 10,061,420	\$ 8,558,015	\$ 5,660,210	\$ 3,739,515	\$ 3,324,020

FINANCIAL POLICIES

Basis of Accounting

The financial statements of the County are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenues are recognized when collected and expenditures are recognized in the period they are paid, with the exception of deferred revenue reported on the combined balance sheet that accounts for resources received by the County before it has the legal claim to them. The deferred revenue reported on the combined balance sheet accounts for ad valorem tax collections received prior to the tax year in which it is budgeted. The accounts of the County are organized on the basis of funds and account groups, each of which is a separate entity with its own self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. The cash basis of accounting is used for the Governmental Type Funds. This basis of accounting recognizes revenues in the accounting period in which they are received and expenditures in the accounting period in which the fund liability is paid.

General Fund

This fund is the primary operating fund of the County and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

This fund group consists of several separate and unrelated funds which are established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Budgetary Procedures

The State of Texas requires annual budgets to be prepared for the general and special revenue funds. The budgets are prepared on the modified cash basis in order to comply with the Constitution of the State of Texas. The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. As required by the State of Texas, the County Judge prepares an annual budget prior to the beginning of the fiscal year. Budgeted funds include the general and special revenue funds.
- B. In August, the proposed budget is filed in the County Clerk's office and is open to public inspection. The Commissioners Court is required to hold at least one public hearing on the budget no less than 15 days subsequent to the filing by the County Judge.
- C. The budget is then adopted at the conclusion of the last public hearing by the favorable votes of a majority of the members of the Commissioners Court.
- D. The Commissioners Court approves all revisions of the budget, including transfers of budgeted amounts between departments within a specific fund, transfers between funds, and increases to total expenditures of any fund.

INVESTMENTS

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

LEGAL INVESTMENTS

Under Texas law, the County is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed 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 clauses (1) through (6) or in any other manner and amount provided by law for County deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the County, held in the County's name and deposited at the time the investment is made with the County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by 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, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated 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 (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, 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. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The County may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the County retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the County must do so by order, ordinance, or resolution. The County is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the Agency or a third party designated by the Agency; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

INVESTMENT POLICIES

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

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

ADDITIONAL PROVISIONS

Under Texas law the County is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (3) require the registered principal of firms seeking to sell securities to the County to: (a) receive and review the County's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the County's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the County's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 14 - CURRENT INVESTMENTS

As of December 31, 2008, the County's investable funds were invested in the following categories:

Investments	Purchase Price	Maturity
TexPool	\$ 13,163,675	Daily

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the County has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

ANNUAL REPORTS

The County will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement under Tables numbered 1 through 7 and 9 through 14 and in Appendix B. The County will update and provide this information within six months after the end of each fiscal year ending in or after 2009. The County will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") approved by the staff of the United States Securities and Exchange Commission ("SEC") and to any state information depository ("SID") that is designated and approved by the State of Texas and by the SEC staff.

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial information and operating data which is customarily prepared by the County by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the County may be required to employ from time to time pursuant to state law or regulation.

The County's current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify each NRMSIR and the SID of the change.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the MAC is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947. The MAC has also received SEC approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the County. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at www.DisclosureUSA.org ("DisclosureUSA"). The County may utilize DisclosureUSA for the filing of information relating to the Certificates.

The County will provide the updated information (i) for any filing required pursuant to this Disclosure Agreement from the date hereof up to and including June 30, 2009, or, (ii) for any filing required pursuant to this Disclosure Agreement on or after July 1, 2009, the Electronic Municipal Market Access system, accessible at www.emma.msrb.org, as prescribed by the Municipal Securities Rulemaking Board, to each nationally recognized municipal securities information repository ("NRMSIR") approved by the staff of the United States Securities and Exchange Commission ("SEC") and to any state information depository ("SID") that is designated and approved by the State of Texas and by the SEC staff.

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 of Obligation, if such event is material to a decision to purchase or sell the 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) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates; and (11) rating changes. In addition, the County will provide timely notice of any failure by

the County to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The County will provide each notice described in this paragraph to the SID and to each NRMSIR.

AVAILABILITY OF INFORMATION FROM NRMSIRs AND SID

The County has agreed to provide the foregoing information only to NRMSIRs and the 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.

AMENDMENTS

The County may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the County, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the County (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The County may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the County so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS

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

OTHER INFORMATION

RATINGS

The Certificates have been assigned a rating of "AAA" by S&P based upon the financial guaranty insurance policy of Assured Guaranty Corp. to be issued simultaneously with the delivery of the Certificates. In addition, the Certificates have been assigned an underlying rating of "AA-" by S&P. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the County makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of said company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with a capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the County has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL MATTERS

The delivery of the Certificates is subject to the approval of the Attorney General of Texas to the effect that the Certificates are valid and legally binding obligations of the County payable from the sources and in the manner described herein and in the Order, and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon 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 Underwriters by their counsel, Andrews Kurth LLP, Austin, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Certificates.

Bond Counsel was engaged by, and only represents, the County. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions "THE CERTIFICATES" (except under the subcaptions "Yield on Capital Appreciation Certificates", "Book-Entry-Only System", "Sources and Uses of Certificate Proceeds" and "Certificateholders' Remedies"), "TAX MATTERS," the subcaptions "OTHER INFORMATION-Registration and Qualification of Certificates for Sale," "OTHER INFORMATION-Legal Investments and Eligibility To Secure Public Funds In Texas, " and "OTHER INFORMATION-Legal Matters" (except for the last two sentences of the first paragraph thereof) and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance With Prior Undertakings"), and such firm is of the opinion that the information relating to the Certificates and legal matters 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 Order.

The 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 expressly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

FINANCIAL ADVISOR

Specialized Public Finance Inc. is employed as Financial Advisor to the County in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income

tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the County, at prices equal to the initial offering prices to the public, as shown on page 2 of this Official Statement, less an underwriting discount of \$297,462.50. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriters.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

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

/s/ ROD WALLER
County Judge
Scurry County, Texas

ATTEST:

/s/ JOAN BUNCH
County Clerk

SCHEDULE OF ACCRETED VALUE OF CAPITAL APPRECIATION CERTIFICATES

Accreting Date	Maturity Date 2/15/2011
3/17/2009	\$ 4,813.40
8/15/2009	4,852.94
2/15/2010	4,901.48
8/15/2010	4,950.49
2/15/2011	5,000.00

APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

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THE COUNTY

LOCATION

Scurry County is located in West Texas. The City of Snyder is the County Seat, and is located 84 miles southeast of Lubbock and 76 miles northwest of Abilene. The City's 2000 U.S. Census population was 10,783. Scurry County's 2000 U.S. Census population was 16,361. Snyder is the economic center of the area with an economy based on agri-business, education, medical care, mineral production and light manufacturing including cotton yarn processing. Western Texas College and the Texas Department of Criminal Justice Price Daniel Unit add to the economy.

ECONOMY

Scurry County's principal sources of agricultural income include cattle, swine, sheep and cotton.

Minerals produced in the County include oil and gas. In 2007 there were 14,740,279 barrels of crude oil and 27,839,916 MCF of natural gas extracted in the County. ⁽¹⁾

(1) Source: Texas Railroad Commission.

The Texas Department of Criminal Justice operates the 1,000 inmate capacity Price Daniel Unit, a state-owned prison, on a site four miles east of the City of Snyder, employing approximately 350 people.

The D.M. Cogdell Memorial Hospital, located within the City of Snyder, is an acute-care hospital with major-medical treatment facilities. The Hospital is owned and operated by Scurry County Hospital District, and currently operates 99 beds, of which 5 are intensive care units and approximately 35 are for long-term care. There are approximately 14 physicians practicing in the City.

SCURRY COUNTY LABOR FORCE ESTIMATES ⁽¹⁾⁽²⁾

	December,	Annual Averages			
		2007	2006	2005	2004
Scurry County	2008				
Civilian Labor Force	7,609	7,325	7,141	7,142	7,263
Total Employment	7,282	7,039	6,805	6,788	6,868
Unemployment	327	286	336	354	395
Percent Unemployment	4.30%	3.90%	4.71%	4.96%	5.44%

(1) Source: Texas Workforce Commission.

(2) Subject to revision.

TRANSPORTATION

The area's transportation network includes U.S. Highway 180, which crosses from east to west; and State Highway 208, which runs north to south through the middle of the County. A well developed system of farm-to-market roads also provide access to the County.

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APPENDIX B

EXCERPTS FROM THE
SCURRY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2007

The information contained in this Appendix consists of excerpts from the Scurry County, Texas Annual Financial Report for the Year Ended December 31, 2007, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information.

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CONDLEY AND COMPANY, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

993 North Third Street ■ P.O. Box 2993 ■ Abilene, Texas 79604-2993 ■ 325-677-6251 ■ FAX 325-677-0006 ■ www.condley.com ■ E-Mail: info@condley.com

May 15, 2008

The Honorable County Judge and Commissioners
Comprising the Commissioner's Court of
Scurry County, Texas

INDEPENDENT AUDITORS' REPORT

Qualified Opinion on General Purpose Financial Statements Prepared In Accordance With A Comprehensive Basis of Accounting Other Than Generally Accepted Accounting Principles Submitted Together with Combining and Individual Fund Financial Statements and Supporting Schedules as Supplementary Data

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scurry County, Texas, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Scurry County, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the County's 2006 financial statements and, in our report dated May 1, 2007, we expressed a qualified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The report dated May 1, 2007, was qualified because management elected to prepare its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements also excluded the financial statements of the D.M. Cogdell Memorial Hospital Enterprise Fund of the County, which if included would be reported as a major enterprise fund.

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

As discussed in Note 2, Scurry County, Texas prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to exclude the financial statements of the D.M. Cogdell Memorial Hospital Enterprise Fund of the County, which if included would be reported as a major enterprise fund and be included in the amounts reported for business-type activities. Accounting principles generally accepted in the United States of America, as applied to the County's modified cash basis of accounting, require that the activities of the D.M. Cogdell Memorial Hospital Enterprise Fund be included in the financial statements where appropriate. As a result, the amount by which this departure would affect the modified cash basis of the business-type activities is not reasonably

determinable. Also as a result, the financials statements do not purport to, and do not, present fairly the modified cash basis financial position of the D.M. Cogdell Memorial Hospital Enterprise Fund as of December 31, 2007, and the changes in its modified cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 2.

In our opinion, except for the effects of not reporting the D.M. Cogdell Memorial Hospital Enterprise Fund as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and business-type activities of Scurry County, Texas, as of December 31, 2007, and the respective changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 2.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of each major fund and the aggregate remaining fund information of Scurry County, Texas as of December 31, 2007, and the respective changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting describe in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2008, on our consideration of Scurry County, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole and on the combining and individual fund financial statements. The accompanying schedule of expenditures of Federal/State awards required by the State of Texas Single Audit Circular; the combining financial statements, and the schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2006, from which such summarized information was derived.

Condley and Company, L.L.P.

Certified Public Accountants

SCURRY COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2007, within the limitations of the County's modified cash basis of accounting. Please read it in conjunction with the County's financial statements that begin on page 13.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34 as applicable to the County's modified cash basis of accounting.

Report Components

This annual report consists of five parts as follows:

Government-Wide Financial Statements: The statement of net assets and the statement of activities (on pages 13 through 15) provide information about the activities of the County government-wide (or "as a whole") and present a longer term view of the County's finances.

Fund Financial Statements: Fund financial statements, (starting on page 16) focus on the individual parts of the County government. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant ("major") funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. For proprietary activities, these statements offer short-term and long-term financial information about the activities the County operates like businesses.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: Management's discussion and analysis and the general fund budgetary comparison schedule (starting on page 37) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report (starting on page 40) includes optional financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the County's annual report.

Basis of Accounting

The County has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of

America. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets and long-term debt in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the County as a Whole

The County's Reporting Entity Presentation

This annual report includes all activities for which the County is fiscally responsible, except for D.M. Codgell Memorial Hospital which is presented in a separate report due to the differences in the basis of accountings. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the primary government.

The Government-Wide Statement of Net Assets and the Statement of Activities

Our financial analysis of the County as a whole begins on page 13. The government-wide financial statements are presented on pages 13 through 15. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all of the County's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the County's net assets and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's sales tax base and the condition of the County's capital assets, to assess the overall health of the County.

In the statement of net assets and the statement of activities, we divide the County into two kinds of activities:

Governmental activities. Most of the County's basic services are reported here, including the sheriff, general administration, streets, parks, and senior citizens. Sales taxes, fines, and state and federal grants finance most of these activities.

Business-type activities. The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Hermleigh Water Works, Scurry County Emergency Medical Services, and Scurry County Golf Course funds are reported here.

Reporting the County's Most Significant Funds

The Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds of the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds - Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliations on pages 17 and 19. The County considers the general fund and the road and bridge fund to be its significant or major governmental funds. All other governmental funds are aggregated in a single column entitled other nonmajor governmental funds.

Proprietary funds - When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the County's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The County has three enterprise funds - Hermleigh Water Works, Scurry County Emergency Medical Services and Scurry County Golf Course.

Fiduciary Funds - These funds are used to account for assets that are held in a trustee or fiduciary capacity of the County such as pension plan assets, assets held per trust agreements, and similar arrangements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

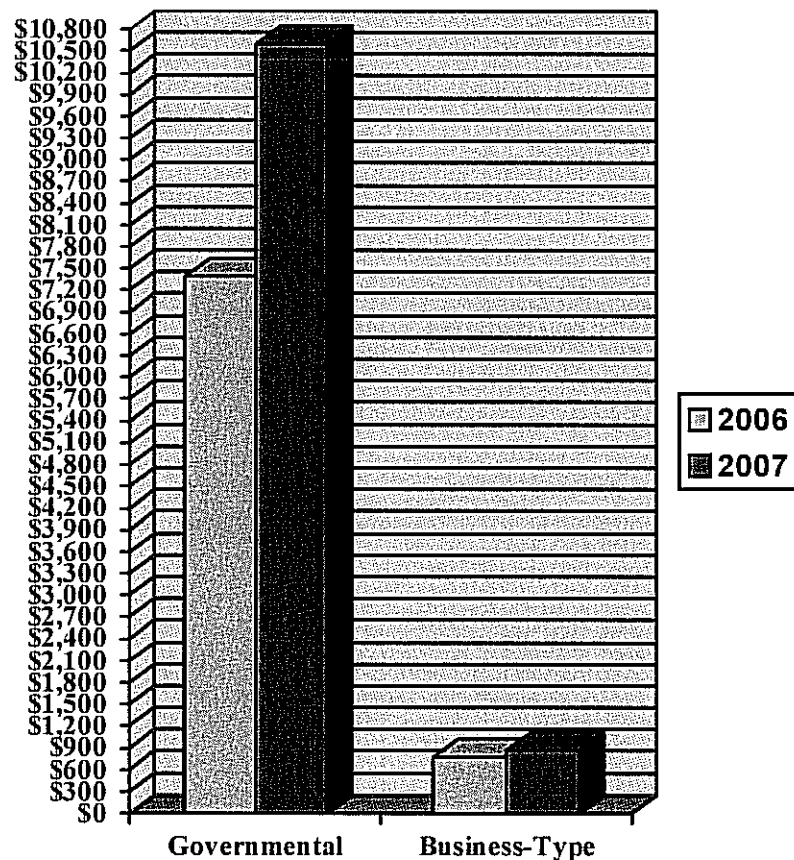
Total Assets

The County's combined total assets amounted to \$21,905,397 and \$18,404,722 for the years ended December 31, 2007 and 2006, respectively. Total liabilities amounted to \$10,439,687 and \$10,826,095 for the years ended December 31, 2007 and 2006, respectively.

Net Assets-Modified Cash Basis

The County's combined net assets, resulting from modified cash basis transactions, increased from \$8,158,245 to \$11,465,710 between fiscal years 2006 and 2007. Looking at the net assets and net expenses of governmental and business-type activities separately, governmental activities had a larger increase than business-type activities, which ended with a small increase.

Net Assets - Modified Cash Basis
(in 000's)



Changes in Net Assets-Modified Cash Basis

For the year ended December 31, 2007, net assets of the primary government (resulting from modified cash basis transactions) changed as follows:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,615,401	\$ 171,080	\$ 2,786,481
Operating grants and contributions	967,142		967,142
Capital grants and contributions	5,000		5,000
General revenues:			
Property taxes	6,105,688		6,105,688
Tax collector fees	233,886		233,886
Sales and use taxes	3,100,819		3,100,819
Mixed drink tax	8,578		8,578
Investment earnings	756,708	703	757,411
Miscellaneous	<u>55,659</u>	<u>20,711</u>	<u>76,370</u>
Total revenues	<u>13,848,881</u>	<u>192,494</u>	<u>14,041,375</u>
Expenses:			
General government	2,081,354		2,081,354
Health and welfare	400,326		400,326
Judicial and legal	2,362,866		2,362,866
Public safety	1,649,338		1,649,338
Public facilities	596,338		596,338
Culture and recreation	928,698		928,698
Road maintenance	2,016,758		2,016,758
Interest on long-term debt	249,253		249,253
Transfers (in) out	362,684	(362,684)	0
Water, golf course and EMS services	<u></u>	<u>448,979</u>	<u>448,979</u>
Total expenses	<u>10,647,615</u>	<u>86,295</u>	<u>10,733,910</u>
Increase in net assets	\$ <u>3,201,266</u>	\$ <u>106,199</u>	\$ <u>3,307,465</u>

For the year ended December 31, 2006, net assets of the primary government (resulting from modified cash basis transactions) changed as follows:

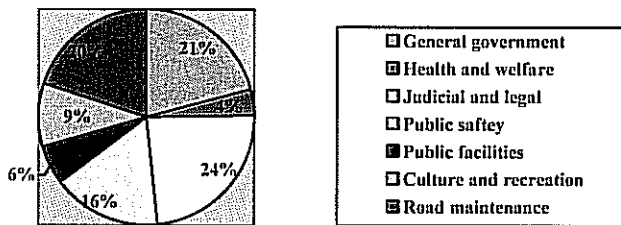
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,404,903	\$ 97,288	\$ 2,502,191
Operating grants and contributions	1,043,639		1,043,639
Capital grants and contributions	554,337		554,337
General revenues:			
Property taxes	5,308,739		5,308,739
Tax collector fees	254,781		254,781
Sales and use taxes	3,257,924		3,257,924
Mixed drink tax	6,648		6,648
Investment earnings	584,436	2,485	586,921
Contributions and donations received		308,674	308,674
Miscellaneous	<u>632,077</u>	<u>5,674</u>	<u>637,751</u>
Total revenues	<u>14,047,484</u>	<u>414,121</u>	<u>14,461,605</u>
Expenses:			
General government	1,812,385		1,812,385
Health and welfare	396,481		396,481
Judicial and legal	2,103,943		2,103,943
Public safety	1,639,093		1,639,093
Public facilities	567,153		567,153
Culture and recreation	1,561,667		1,561,667
Road maintenance	1,849,902		1,849,902
Interest on long-term debt	211,261		211,261
Transfers (in) out	82,825	(82,825)	0
Transfer to Cogdell	1,025,000		1,025,000
Water and golf course services	<u></u>	<u>232,087</u>	<u>232,087</u>
Total expenses	<u>11,249,710</u>	<u>149,262</u>	<u>11,398,972</u>
Increase in net assets	\$ <u>2,797,774</u>	\$ <u>264,859</u>	\$ <u>3,062,633</u>

Governmental Activities

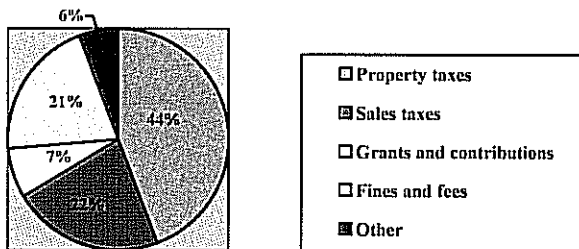
To aid in the understanding of the statement of activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical statement of revenues, expenses, and changes in fund balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a net (expense)/revenue. This type of format highlights the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

For the year ended December 31, 2007, the County's governmental activities were funded as follows:

Uses of Funds in Governmental Activities

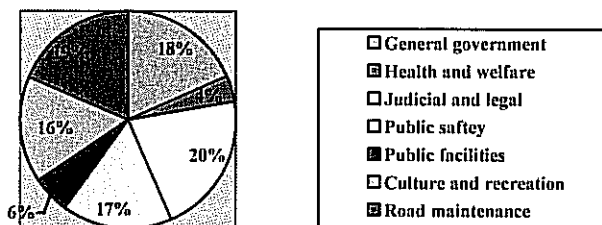


Sources of Funds for Governmental Activities

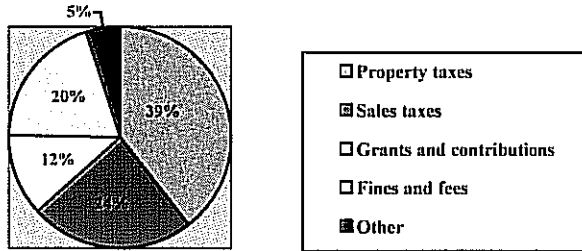


For the year ended December 31, 2006, the County's governmental activities were funded as follows:

Uses of Funds in Governmental Activities



**Sources of Funds for
Governmental Activities**



Total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$10,647,615 and \$11,249,710 for the years ended December 31, 2007 and 2006, respectively. Of these total expenses, taxpayers and other general revenues funded \$6,697,388 and \$6,139,006 for the years ended December 31, 2007 and 2006, respectively. While those directly benefiting from the program funded \$972,142 and \$1,597,976 from grants and other contributions; \$2,615,401 and \$2,404,903 was provided from charges for services for the years ended December 31, 2007 and 2006, respectively.

Business-Type Activities

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions, there are certain activities that need to be examined more closely.

The Hermleigh Water Works fund reported a change in net assets of (\$34,824) and (\$8,867) for the years ended December 31, 2007 and 2006, respectively. Hermleigh Water Works received non-operating income of \$18 in 2007, and reported a net operating loss of \$34,842 and \$68,031 for the years ended December 31, 2007 and 2006, respectively.

The Scurry County Golf Course reported a change in net assets of (\$55,642) and \$273,726 for the years ended December 31, 2007 and 2006, respectively. Scurry County Golf Course received non-operating income of \$17,311 in 2007 and \$10,283 in 2006, and reported a net operating loss of \$162,637 and \$65,648 for the years ended December 31, 2007 and 2006, respectively.

The Scurry County Emergency Medical Service, (E.M.S.), reported a change in net assets of \$196,665 for the year ended December 31, 2007. Scurry County E.M.S. reported a net operating loss of \$76,335 for the year ended December 31, 2007.

A FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Financial Highlights

- The County's total revenues exceeded total expenses, on the modified cash basis of accounting, by \$1,714,020 for the year. Most of the increase is attributed to tax revenue, which increased due to expanded economic activity related to the surge in the price of oil. The County experienced a decrease in state and federal grant revenue of 36% over 2006.
- The County's General Fund ended the year with a fund balance of \$10,061,420, which represents 106.10% of recurring revenue of the Fund.

General Fund Budgetary Highlights

Over the course of the year, the County revised the general fund budget at various times. The final adjusted budget, however, was consistent with the prior year budget. For the year ended December 31, 2007, general fund expenditures were \$1,048,681 below final appropriations, while actual resources available for appropriation were \$8,154,415 above the final budgeted amount with most of the increased resources coming from sales tax collections.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets-Modified Cash Basis

The County had \$5,165,675 and \$3,956,353 invested in capital assets, net of depreciation at December 31, 2007 and 2006, respectively (See table below).

Primary Government Capital Assets-Modified Cash Basis (Net of accumulated depreciation)				
	Governmental Activities 2007	Business-Type Activities 2007	Totals 2007	Summarized Totals 2006
Land and improvements	\$ 79,338	\$ 335,068	\$ 414,406	\$ 141,912
Buildings	1,369,024	91,728	1,460,752	948,973
Equipment	2,059,870	311,694	2,371,564	1,898,618
Infrastructure	285,529		285,529	469,908
Motor vehicles	328,167	109,503	437,670	253,852
Furniture and fixtures	59,521	3,969	63,490	73,527
Assets held under capital lease	68,985	63,279	132,264	169,563
Total	\$ 4,250,434	\$ 915,241	\$ 5,165,675	\$ 3,956,353

See pages 31 – 32 in the notes to the financial statements for additional information.

Long-Term Debt-Modified Cash Basis

Debt related to governmental activities totaled \$4,902,730 and \$5,297,177 as of December 31, 2007 and 2006, respectively. (See table below.)

	2007	2006
Certificates of obligations	\$ 4,010,000	\$ 4,210,000
Tax Note	845,000	1,025,000
Capital lease obligations	47,730	62,177
Total	\$ 4,902,730	\$ 5,297,177

Debt related to business-type activities was \$52,187 and \$69,959 as of December 31, 2007 and 2006, respectively, and consisted of a capital lease obligation.

See pages 33-34 in the notes to the financial statements for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending December 31, 2008, the County's budget is fairly consistent with this year. It is anticipated that the current oil field related activities by Kinder-Morgan will continue to stimulate the local economy at least for the short term. In 2003 the County was awarded a \$500,000 grant from the Texas Department of Parks and Wildlife that was matched with local private donations from individuals and businesses in the community. The purpose of the grant is to rebuild and construct new recreational facilities. The anticipated construction will be spaced out over 10 years.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's office at 325-573-7121.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

SCURRY COUNTY, TEXAS

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

December 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 16,708,783	\$ 13,670	\$ 16,722,453
Accounts receivable	15,497	1,772	17,269
Land and improvements	79,338	356,593	435,931
Buildings and improvements	7,586,566	108,636	7,695,202
Infrastructure	2,264,262		2,264,262
Equipment	4,285,769	583,591	4,869,360
Furniture and fixtures	668,084	4,020	672,104
Motor vehicles	608,623	343,615	952,238
Equipment held under capital lease	178,960	77,947	256,907
Software	12,635		12,635
Less accumulated depreciation	(11,433,803)	(559,161)	(11,992,964)
TOTAL ASSETS	20,974,714	930,683	21,905,397
LIABILITIES:			
Deposits	18,701	8,317	27,018
Due to other governments	42,148		42,148
Other liabilities	101,437	392	101,829
Deferred revenue	5,313,775		5,313,775
Certificates of obligation	4,010,000		4,010,000
Note payable	845,000		845,000
Capital lease obligations	47,730	52,187	99,917
TOTAL LIABILITIES	10,378,791	60,896	10,439,687
NET ASSETS:			
Invested in capital assets, net of related debt	4,202,704	863,054	5,065,758
Unrestricted	6,393,219	6,733	6,399,952
TOTAL NET ASSETS	\$ 10,595,923	\$ 869,787	\$ 11,465,710

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

SCURRY COUNTY, TEXAS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended December 31, 2007
(With Summarized Financial Information for the Year Ended December 31, 2006)

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 2,081,354	\$ 700,930	\$ 108,112	\$.
Health and welfare	400,326	37,254	52,125	
Judicial and legal	2,362,866	921,350	661,130	
Public safety	1,649,338	33,505	104,215	
Public facilities	596,338	278,105	19,757	
Culture and recreation	928,698			5,000
Road maintenance	2,016,758	644,257	21,803	
Interest on long-term debt	249,253			
Total governmental activities	10,284,931	2,615,401	967,142	5,000
Business-type Activities:				
Water and golf course services		171,080		
Interest expense	4,085			
Depreciation expense	81,966			
Operating expense	362,928			
Total business-type activities	448,979	171,080	0	0
Total primary government	\$ 10,733,910	\$ 2,786,481	\$ 967,142	\$ 5,000

General Revenues:

Taxes:

Property taxes, levied for general purposes
Tax collector fees
Sales and use taxes
Mixed drink tax
Contributions and donations received
Transfers in (out)
Transfer to Cogdell
Investment earnings
Miscellaneous

Total General Revenues and Transfers

Change in Net Assets

Net assets - Beginning

Net assets - Ending

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

Net (Expense) Revenues and Changes in Net Assets			
Primary Government			2006
Governmental Activities	Business-type Activities	Total	Summarized Data
\$ (1,272,312)	\$	\$ (1,272,312)	\$ (1,073,759)
(310,947)		(310,947)	(292,261)
(780,386)		(780,386)	(638,165)
(1,511,618)		(1,511,618)	(1,526,686)
(298,476)		(298,476)	(210,909)
(923,698)		(923,698)	(1,007,330)
(1,350,698)		(1,350,698)	(1,178,635)
(249,253)		(249,253)	(211,261)
<u>(6,697,388)</u>	<u>0</u>	<u>(6,697,388)</u>	<u>(6,139,006)</u>
	171,080	171,080	97,288
	(4,085)	(4,085)	(1,120)
	(81,966)	(81,966)	(49,339)
	<u>(362,928)</u>	<u>(362,928)</u>	<u>(181,628)</u>
<u>0</u>	<u>(277,899)</u>	<u>(277,899)</u>	<u>(134,799)</u>
<u>(6,697,388)</u>	<u>(277,899)</u>	<u>(6,975,287)</u>	<u>(6,273,805)</u>
6,105,688		6,105,688	5,308,739
233,886		233,886	254,781
3,100,819		3,100,819	3,257,924
8,578		8,578	6,648
			308,674
(362,684)	362,684	0	0
			(1,025,000)
756,708	703	757,411	586,921
<u>55,659</u>	<u>20,711</u>	<u>76,370</u>	<u>637,751</u>
<u>9,898,654</u>	<u>384,098</u>	<u>10,282,752</u>	<u>9,336,438</u>
3,201,266	106,199	3,307,465	3,062,633
<u>7,394,657</u>	<u>763,588</u>	<u>8,158,245</u>	<u>5,095,612</u>
<u>\$ 10,595,923</u>	<u>\$ 869,787</u>	<u>\$ 11,465,710</u>	<u>\$ 8,158,245</u>

FUND FINANCIAL STATEMENTS

SCURRY COUNTY, TEXAS

BALANCE SHEET- MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

December 31, 2007
(With Summarized Financial Information for December 31, 2006)

	<u>General</u>	<u>Road and Bridge</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2006 Summarized Data</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 15,533,226	\$ 458,604	\$ 716,953	\$ 16,708,783	\$ 14,392,441
Accounts receivable	<u>4,902</u>		<u>10,595</u>	<u>15,497</u>	<u>11,694</u>
Total Assets	<u>\$ 15,538,128</u>	<u>\$ 458,604</u>	<u>\$ 727,548</u>	<u>\$ 16,724,280</u>	<u>\$ 14,404,135</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Deposits	\$ 18,701	\$	\$	\$ 18,701	\$ 18,139
Other liabilities	101,437			101,437	128,944
Due to other governments	42,795	(647)		42,148	30,780
Deferred revenues	<u>5,313,775</u>			<u>5,313,775</u>	<u>4,692,073</u>
Total Liabilities	<u>5,476,708</u>	<u>(647)</u>	<u>0</u>	<u>5,476,061</u>	<u>4,869,936</u>
Fund balances:					
Unreserved, reported in:					
General fund	10,061,420			10,061,420	8,558,015
Special revenue funds	<u>459,251</u>	<u>459,251</u>	<u>727,548</u>	<u>1,186,799</u>	<u>976,184</u>
Total Fund Balance	<u>10,061,420</u>	<u>459,251</u>	<u>727,548</u>	<u>11,248,219</u>	<u>9,534,199</u>
Total Liabilities and Fund Balance	<u>\$ 15,538,128</u>	<u>\$ 458,604</u>	<u>\$ 727,548</u>	<u>\$ 16,724,280</u>	<u>\$ 14,404,135</u>

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

SCURRY COUNTY, TEXAS

RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS
TO THE STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

December 31, 2007

Fund Balances - Total Governmental funds \$ 11,248,219

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds.

Governmental capital assets	\$ 15,684,237	
Less accumulated depreciation	<u>(11,433,803)</u>	4,250,434

Long-Term liabilities, including certificate of obligations are not due and
payable in the current period and therefore are not reported in the governmental
funds.

Governmental certificate of obligations	(4,010,000)	
Governmental notes payable	(845,000)	
Governmental leases payable	<u>(47,730)</u>	<u>(4,902,730)</u>

Net assets of governmental activities \$ 10,595,923

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

SCURRY COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2007
(With Summarized Financial Information for the year ended December 31, 2006)

	General Fund	Road and Bridge	Other Nonmajor Governmental Funds	Total Governmental Funds	2006 Summarized Data
REVENUES:					
Taxes	\$ 6,978,885	\$ 1,880,383	\$ 356,500	\$ 9,215,768	\$ 8,573,999
Motor vehicle registration		641,269		641,269	637,829
State and federal grants	191,542	21,803	753,797	967,142	1,515,941
Fines and fees	1,104,394		322,850	1,427,244	1,404,402
Donations			5,000	5,000	79,337
Interest	670,735	73,482	12,491	756,708	584,436
Other	537,088	285,509	13,153	835,750	1,281,166
Total Revenues	9,482,644	2,902,446	1,463,791	13,848,881	14,077,110
EXPENDITURES:					
General government	2,359,886		182,108	2,541,994	2,255,138
Health and welfare	400,737		9,688	410,425	396,481
Judicial and legal	1,550,608		809,145	2,359,753	2,116,648
Public safety	1,583,631		105,435	1,689,066	1,650,566
Public facilities	607,580		215,856	823,436	617,128
Culture and recreation	1,010,202		188,214	1,198,416	1,591,510
Road maintenance		2,749,087		2,749,087	2,124,309
Total Expenditures	7,512,644	2,749,087	1,510,446	11,772,177	10,751,780
Excess (Deficit) Revenues Over Expenditures	1,970,000	153,359	(46,655)	2,076,704	3,325,330
OTHER FINANCING SOURCES AND (USES):					
Transfers in (out)	(466,595)		103,911	(362,684)	(82,825)
Total Sources (Uses):	(466,595)	0	103,911	(362,684)	(82,825)
Excess Revenues and Other Financing Sources Over Expenditures and Financing Uses	1,503,405	153,359	57,256	1,714,020	3,242,505
Fund Balance, Unreserved, Beginning of Year	8,558,015	305,892	670,292	9,534,199	6,291,694
Fund Balance, Unreserved, End of Year	\$ 10,061,420	\$ 459,251	\$ 727,548	\$ 11,248,219	\$ 9,534,199

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

SCURRY COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended December 31, 2007

Net change in fund balances - total governmental funds \$ 1,714,020

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate these expenditures over their estimated useful lives:

Capital assets purchases capitalized	\$ 2,146,745	
Depreciation expense	<u>(824,496)</u>	1,322,249

Certificate of obligation proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the liability in the Statement of Net Assets.

Principal Payments	380,000
--------------------	---------

Capital leases provide current financial resources to governmental funds, but the debt increases long-term liabilities in the Statement of Net Assets. Repayment of the leases is an expenditure in the governmental funds, but the repayment reduces the liability in the Statement of Net Assets.

Principal Payments	14,447
--------------------	--------

Non-cash transfers that were reported as transfers out which resulted in a reduction in the Statement of Net Assets, but were not included on the governmental funds.

(229,450)

Change in net assets of governmental activities	\$ <u>3,201,266</u>
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The accompanying notes are an integral part of the financial statements.

SCURRY COUNTY, TEXAS

STATEMENTS OF NET ASSETS - MODIFIED
CASH BASIS -PROPRIETARY FUNDS

	Business-type Activities Enterprise Fund	
	December 31,	
	2007	2006
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 13,670	\$ 38,662
Accounts receivable	1,772	5,572
Total Current Assets	15,442	44,234
Noncurrent:		
Capital assets:		
Property, plant and equipment	1,474,402	1,008,313
Less accumulated depreciation	(559,161)	(209,595)
Total Noncurrent Assets	915,241	798,718
TOTAL ASSETS	930,683	842,952
LIABILITIES:		
Current liabilities:		
Accounts payable	392	1,553
Capital lease payable	17,602	16,579
Customer deposits	8,317	7,852
Total Current Liabilities	26,311	25,984
Noncurrent:		
Capital lease	34,585	53,380
Total Noncurrent Liabilities	34,585	53,380
TOTAL LIABILITIES	60,896	79,364
NET ASSETS:		
Invested in capital assets, net of related debt	863,054	798,718
Unrestricted	6,733	(35,130)
TOTAL NET ASSETS	\$ 869,787	\$ 763,588

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

SCURRY COUNTY, TEXAS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS - PROPRIETARY FUNDS

	Business-type Activities Enterprise Funds	
	For the Year Ended December 31,	
	2007	2006
OPERATING REVENUES:		
Fees	\$ 67,858	\$ 50,147
Cart shed rentals	22,603	8,386
Membership dues	77,869	34,505
Other operating revenue	2,750	4,250
Total Operating Revenues	171,080	97,288
OPERATING EXPENSES:		
Wages and salaries	99,737	26,841
Payroll taxes	7,735	2,088
Employee benefits	30,833	6,380
Depreciation expense	81,966	49,339
Contract labor	49,060	24,858
Utilities	43,996	23,579
Supplies	54,737	23,356
Repairs	31,537	21,783
Lease and rentals	26,680	6,988
Construction of new lines	0	41,459
Equipment purchased	9,545	2,732
Bad debts	6,390	0
Other	2,678	1,564
Total Operating Expenses	444,894	230,967
Operating Loss	(273,814)	(133,679)
NON-OPERATING REVENUES (EXPENSES):		
Miscellaneous income	20,711	5,674
Interest expense	(4,085)	(1,120)
Contributions and donations		308,674
Transfers in	362,684	82,825
Interest income	703	2,485
Change in Net Assets	106,199	264,859
Net Assets - Beginning	763,588	498,729
Net Assets - Ending	\$ 869,787	\$ 763,588

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

SCURRY COUNTY, TEXAS

STATEMENTS OF CASH FLOWS -MODIFIED
CASH BASIS - PROPRIETARY FUNDS

	Business-type Activities Enterprise Funds	
	For the Year Ended December 31,	
	2007	2006
CASH FLOWS FROM OPERATIONS:		
Cash received from customers	\$ 168,490	\$ 91,716
Cash paid to employees	(187,365)	(60,167)
Cash paid to suppliers	(170,334)	(119,908)
Net Cash Used by Operating Activities	(189,209)	(88,359)
CASH FLOWS NONCAPITAL FINANCING ACTIVITIES:		
Miscellaneous receipts	5,133	5,673
Contributions and donations received	0	110,912
Payments on capital lease	(21,856)	(9,108)
Purchase of capital assets	(129,520)	(258,179)
Transfers in	309,293	82,824
Increase in customer deposits	464	747
Net Cash Provided (Used) by Capital Financing Activities	163,514	(67,131)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	703	2,484
Net Cash Provided by Investing Activities	703	2,484
Net Increase (Decrease) in Cash and Cash Equivalents	(24,992)	(153,006)
Cash and Cash Equivalents at Beginning of Year	38,662	191,668
Cash and Cash Equivalents at End of Year	\$ 13,670	\$ 38,662
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (273,814)	\$ (133,679)
Adjustments Not Affecting Cash:		
Increase in accounts receivable	3,800	(5,572)
Increase in accounts payable	(1,161)	1,553
Depreciation and amortization	81,966	49,339
Net Cash Used by Operating Activities	\$ (189,209)	\$ (88,359)

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

SCURRY COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED
CASH BASIS - FIDUCIARY FUNDS

December 31, 2007

	Employee Retirement Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	\$	\$ 2,841,953
Certificates of deposit and savings		322,762
Accounts receivable		526,105
Investments at fair value	806,759	
Total Assets	806,759	3,690,820
LIABILITIES:		
Due to other governmental entities		3,165,778
Due to others		504,590
Bonds held in trust		20,452
Total Liabilities	0	3,690,820
NET ASSETS:		
Held in trust for pension benefits and other purposes	\$ 806,759	\$ 0

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

SCURRY COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
MODIFIED CASH BASIS - FIDUCIARY FUNDS

For the Year Ended December 31, 2007

	Employee Retirement Funds
REVENUES:	
Charges for services	\$
Contributions:	
Employee	<u>105,864</u>
Investment Earnings:	
Investment income	43,144
Less Investment Expenses:	
Asset fees	<u>5,725</u>
Net Investment Income	<u>37,419</u>
Total Revenues	<u>143,283</u>
EXPENDITURES:	
General government	
Benefits	<u>6,749</u>
Net Increase	136,534
Net Assets - Beginning of Year	<u>670,225</u>
Net Assets - End of Year	<u>\$ 806,759</u>

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

SCURRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1: REPORTING ENTITY

In evaluating how to define the Scurry County, Texas (the "County") for financial reporting purposes, management has considered all potential component units. The general purpose financial statements include all funds, account groups, agencies and boards that are controlled by, dependent on, and over which the County has oversight responsibility, except D.M. Cogdell Memorial Hospital. These include the governmental, proprietary and fiduciary funds. Separate financial statements are prepared for D.M. Cogdell Memorial Hospital. The criteria for oversight responsibility used in determining the entity for financial reporting purposes are those which include, but are not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for financial matters.

Included within the reporting entity:

Board of County Development - The Board of County Development is operated by a five-member Board appointed by the County Commissioners. The County budgets a portion of its ad valorem tax for the operation of the Board. The purpose of the Board is for the economic development and promotion of the County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County are prepared on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The following is a summary of the more significant policies and practices used by the County:

Basis of Presentation: Fund Accounting

Government-Wide Statements:

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The general fund is the primary operating fund of the County and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the County. The following special revenue fund is reported as a major fund:

Road and Bridge Fund – The road and bridge fund is established to account for the resources devoted to maintaining the County's roads and bridges.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurements similar to the private sector.

Hermleigh Water Works

Operating revenue and expense result from providing water service to the community and all other expenses incurred are classified as non-operating revenue or expense.

Scurry County Golf Course

Operating revenue results primarily from membership dues charged to the members. Expenses that are incurred to operate the golf course are classified as operating expense. The only non-operating expense for 2007 was interest expense paid on a capital lease.

Scurry County Emergency Medical Service (E.M.S.)

Operating expenses result as start up to provide emergency medical service to the county. No operating revenue received to date in 2007. Funds to cover start up expenses received as transfers from other County funds.

Fiduciary Funds

The County reports the following fiduciary fund types:

Agency Funds – Accounts for assets the County holds on behalf of others as their agent. They are custodial in nature (assets equal liabilities), and do not involve measurement or results of operations.

Employee Retirement Fund – Accounts for resources that are required to be held in trust for the members and beneficiaries of the defined benefit pension plan.

Measurement Focus/Basis of Accounting

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

In the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

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

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities whether current or non-current, financial or non-financial associated with their activities are reported. Proprietary fund equity is classified as net assets.

Budget

The County’s annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending December 31.

The annual budget is prepared in accordance with the modified cash basis method of accounting. The difference between the budgetary basis of reporting and the GAAP basis of reporting is not material to the financial statements; therefore a combined statement of revenues, expenditures and changes in fund balances – budget and actual is included in the accompanying financial statements. Budgets are adopted for the general fund, selected special revenue funds and the enterprise funds.

Budgeted amounts are as originally adopted, or as amended during the fiscal year by the Commissioners’ Court.

Basis of Accounting

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

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents reflected in the financial statements includes petty cash, cash in banks and investments in Tex-Pool. Petty cash amounts are maintained in various County offices for purposes of collections of payments made to the County. Investments in Tex-Pool are carried at market.

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Property Tax Calendar

The County is responsible for assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The appraisal district certifies the tax roll in July. The Commissioners' Court levies taxes on September 1 on the property values assessed in July. Tax billings are sent out on October 1 after the final tax roll is completed. The taxes are due on or before February 1 and become delinquent July 1. The County gives a 3%, 2%, and 1% discount for early payment in October, November, and December, respectively.

Capital Assets

The County's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental funds operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the statement of net assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the assets. Donated fixed assets are recorded at their estimated fair value at the date of donation. The County's infrastructure network is valued at historical cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of activities. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Building improvements	15
Vehicles	5
Equipment	5-10
Office equipment	5-7
Infrastructure	20-40

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Equity Classification

Government-Wide Statements

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

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

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

Unrestricted net assets – All other net assets that do not meet the definition of the “restricted” or “invested in capital assets, net of related debt”.

It is the County’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 3: LEGAL COMPLIANCE - BUDGETS

The County's budgetary process requires that expending agencies of the County submit appropriation requests by mid June of each year. After review by the budget officer and department heads, the requests are combined and submitted to the Commissioners' Court. In August, the proposed budget is filed with the County Clerk for public inspection at least fifteen days prior to hearings, which are open to the public. A final budget must be adopted prior to January 1. At the fund level, actual expenditures cannot exceed budgeted appropriations.

NOTE 4: CASH AND INVESTMENTS

In addition to the \$100,000 insurance on accounts provided by Federal Deposit Insurance Corporation ("FDIC") regulations, securities in the amount of \$16,052,368 were pledged by the depository bank to secure all bank deposits, including funds for D.M. Cogdell Memorial Hospital. The largest cash balance, excluding hospital funds amounted to \$20,228,430 and occurred on February 1, 2007. The pledged securities plus FDIC coverage were sufficient to cover the largest cash balance for the County and D. M. Cogdell Memorial Hospital.

Cash deposits are classified into three categories of credit risk based upon the following:

- Category 1 – Insured by FDIC or collateralized with securities held by the County (or public trust) or by its agent in its name.
- Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.
- Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the County's name; or properly collateralized with no written and approved collateral agreement.

Based on these three levels of risk, the County's deposits are classified in Category 1.

Statutes authorize the County to invest in the State's investment pool. The County's investments held at December 31, 2007, are not subject to classifications where securities related to the government cannot be identified.

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the general purpose financial statements, disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

Investment Policy

The County has adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Pools" ("Statement"). Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost, and that the changes in the fair value of investments be recognized as investment revenue. The Statement further provides that the County has the option of continuing to report certain investments at cost or amortized cost, but must disclose its policy in that regard.

In accordance with the Statement, the County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report non-participating interest-earning investment contracts using the cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments that have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts.

Public Funds Investments Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its share.

The County's investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one, which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

NOTE 5: CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the year ended December 31, 2007, follows:

	Beginning Balances	Increases	Transfers and Decreases	Ending Balances
Governmental Activities:				
Non-Depreciable Assets:				
Land and improvements	\$ 74,198	\$ 5,140	\$	\$ 79,338
Depreciable Assets:				
Buildings and improvements	6,949,199	637,367		7,586,566
Equipment	3,736,455	1,242,419	(693,105)	4,285,769
Infrastructure	2,264,262			2,264,262
Motor vehicles	541,935	261,820	(195,132)	608,623
Furniture and fixtures	668,084			668,084
Assets held under capital leases	178,960			178,960
Software	12,635			12,635
Total at historical cost	14,425,728	2,146,746	(888,237)	15,684,237

	Beginning Balances	Increases	Transfers and Decreases	Ending Balances
Less accumulated depreciation for:				
Buildings and improvements	6,068,201	149,340		6,217,541
Equipment	2,417,328	346,550	(537,979)	2,225,899
Infrastructure	1,794,354	184,380		1,978,734
Motor vehicles	296,608	104,654	(120,807)	280,456
Furniture and fixtures	594,557	14,006		608,563
Assets held under capital leases	84,410	25,566		109,975
Software	12,635			12,635
Total accumulated depreciation	11,268,093	824,496	(658,786)	11,433,803
Governmental activity capital assets, net	\$ 3,157,635	\$ 1,322,250	\$ (229,451)	\$ 4,250,434

Business-type Activities:

Depreciable Assets:

Land and improvements	\$ 335,173	\$ 21,420	\$	\$ 356,593
Equipment	552,388		31,203	583,591
Buildings	30,056	78,580		108,636
Motor vehicles	21,300	25,500	296,815	343,615
Furniture and fixtures		4,020		4,020
Assets held under capital leases	77,947			77,947
Total at historical cost	1,016,864	129,520	328,018	1,474,402
Less accumulated depreciation for:				
Land and improvements	7,175	14,350		21,525
Equipment	186,923	27,980	56,995	271,898
Buildings	4,973	11,934		16,907
Motor vehicles	918	15,917	217,277	234,112
Furniture and fixtures		51		51
Assets held under capital leases	2,934	11,734		14,668
Total accumulated depreciation	202,923	81,966	274,272	559,161
Business-type activities capital assets, net	\$ 813,941	\$ 47,554	\$ 53,746	\$ 915,241

Depreciation expense was charged to functions as follows:

General government	\$ 105,175
Judicial and legal	3,113
Health and welfare	85
Public safety	78,066
Public facilities	36,416
Culture and recreation	140,265
Road maintenance	461,376
Hermleigh Water Works	43,989
Scurry County Emergency Medical Service	12,393
Scurry County Golf Course	25,584
	<u>\$ 906,462</u>

NOTE 6: LONG-TERM OBLIGATIONS

As of December 31, 2007, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Certificates of obligation:

Certificates of obligations of \$4,970,000 were issued for new construction at D.M. Cogdell Memorial Hospital, payable in annual installments with interest rates ranging from 4.00% to 4.85%, final payment due September 15, 2021

\$ 4,010,000

Capital leases:

A \$77,947 capital lease obtained for the purchase of equipment, payable in monthly installments of \$1,821 including interest at 6.00%, final payment due August 15, 2010

\$ 52,187

Capital leases:

A \$75,950 capital lease obtained for the purchase of equipment, payable in annual installments of \$17,494 including interest at 4.73%, final payment due January 1, 2010

\$ 47,730

Tax note:

Note payable of \$1,025,000 was obtained for the purchase and renovation of a clinic for D.M. Cogdell Memorial Hospital, payable in annual installments ranging from \$180,000 to \$230,000, with interest rates ranging from 5.75% to 6.00%, final payment due January 1, 2011

\$ 845,000

Changes in long-term obligations for the year ended December 31, 2007, are as follows:

	January 1, 2007	Increases	Decreases	December 31, 2007	Amount Due Within One Year
Certificates of obligation	\$ 4,210,000	\$ 0	\$ (200,000)	\$ 4,010,000	\$ 215,000
Note payable	1,025,000	0	(180,000)	845,000	195,000
Capital leases	132,136	0	(32,219)	99,917	32,757
	<u>\$ 5,367,136</u>	<u>\$ 0</u>	<u>\$ (412,219)</u>	<u>\$ 4,954,917</u>	<u>\$ 442,757</u>

The following is a schedule of maturities of certificates and notes by year and in aggregate:

Year Ending December 31,	
2008	\$ 405,000
2009	420,000
2010	440,000
2011	470,000
2012 and thereafter	<u>3,120,000</u>
	<u>\$ 4,855,000</u>

The County is obligated under leases accounted for as capital leases. The assets under capital leases net of accumulated depreciation totaled \$132,264 at December 31, 2007. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of December 31, 2007.

Year Ending December 31,	
2008	37,530
2009	39,352
2010	<u>32,066</u>
Minimum lease payments for capital lease	108,948
Less: Amount representing interest	<u>(9,031)</u>
Present value of minimum lease payments	\$ <u>99,917</u>

On November 19, 2001, the County authorized the issuance of \$4,970,000 "Scurry County, Texas Certificates of Obligation, Series 2001". The County determined that certificates of obligation should be issued in accordance with the provisions of the Certificate of Obligation Act of 1971, as amended, V.T.C.A., Local Government Code, for the purpose of paying contractual obligations to be incurred for: 1) the construction of improvements and expansion of the County's D.M. Cogdell Memorial Hospital (the "Hospital"), including improvements to the emergency room and operating rooms, 2) professional services related thereto, and 3) costs of issuance.

Payment and security for the debt service requirement of the certificates will be from the general ad valorem tax levy on the taxable property in the County at a rate sufficient within the limits prescribed by law. Principal and interest payments for 2006 were made by the Hospital and reported in the Hospital's financial statements.

The proceeds received from issuance of the certificates and the related investments are recorded in the financial statements of the enterprise fund (D.M. Cogdell Memorial Hospital). The subsequent expenditures related to the new construction are recorded by the enterprise fund as well.

NOTE 7: FEDERAL/STATE SOURCE REVENUES

The majority of the federal grant funds received are for strengthening homeland security, the improvement of parks and recreation, bio terrorism, and voting facilities. State grant funds received and recorded in the general fund are primarily for health sanitation salaries, tobacco grants, salary supplements, and additional law enforcement personnel. These grant funds have been awarded and accounted for by the County.

NOTE 8: EMPLOYEE RETIREMENT PLAN

Plan Description

The County provides pension, disability and death benefits for all of its full-time employees (including employees of D.M. Cogdell Memorial Hospital) 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 502 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, or online at www.tcdrs.org.

The plan provisions are adopted by the governing body of the County, 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 or with 30 years regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) 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 5.89% for calendar year 2007. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ending December 31, 2007, the annual pension cost for the TCDRS plan for its employees was \$210,771 and the actual contributions were \$678,273.

The annual required contributions were actuarially determined as a percentage of the covered payroll of the participating employees and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 1997, the basis of determining the contribution rate for calendar year 2007. The December 31, 2006, actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	<u>12/31/04</u>	<u>12/31/05</u>	<u>12/31/06</u>
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	30
Asset valuation method	long-term appreciation with adjustment	long-term appreciation with adjustment	SAF: 10-yr smoothed value ESF: fund value
Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.5%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0%	0%	0%

Trend Information for the Retirement Plan
for the Employees of Scurry County, Texas

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	193,059	100%	0
12/31/06	201,022	100%	0
12/31/07	210,771	100%	0

Schedule of Funding Progress for the Retirement Plan
for the Employees of Scurry County, Texas

<u>Actuarial valuation date</u>	<u>12/31/04</u>	<u>12/31/05</u>	<u>12/31/06</u>
Actuarial value of assets	19,876,015	\$21,309,404	\$22,961,014
Actuarial accrued liability (AAL)	\$20,656,588	\$21,750,673	\$22,286,159
Unfunded or (overfunded)AAL [UAAL or (OAAL)]	\$780,573	\$441,269	\$(674,855)
Funded ratio	96.22%	97.97%	103.03%
Annual covered payroll (actuarial)	\$8,768,164	\$8,665,710	\$9,207,515
UAAL or (OAAL) as a percentage of covered payroll	8.90%	5.09%	(7.33%)

NOTE 9: DEFERRED REVENUE

Deferred revenue at December 31, 2007, in the amount of \$5,313,775 relates to property taxes collected for 2008.

NOTE 10: RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omission; injuries to employees; employees' health and life; and natural disasters.

The County manages these various risk of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors and omissions	Purchased commercial insurance	None
Workers compensation, health and life	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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**\$16,399,999.60
SCURRY COUNTY, TEXAS
CERTIFICATES OF OBLIGATION
SERIES 2009**

WE HAVE ACTED AS BOND COUNSEL in connection with the issuance by Scurry County, Texas (the "County") of its \$16,399,999.60 aggregate original principal amount of Certificates of Obligation, Series 2009, dated February 15, 2009 (the "Certificates").

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

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas; a transcript of certified proceedings of the County and other pertinent instruments authorizing and relating to the issuance of the Certificates, including the registered Initial Certificates numbered T-1 and TCR-1 in the transcript of certified proceedings.

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

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

2. The Certificates are secured by and payable from the levy of a direct annual ad valorem tax upon all taxable property within the County, within limits prescribed by law, sufficient for said purposes.
3. Interest on the Certificates will not be includable for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax.

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

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

Respectfully,

APPENDIX D

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation 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 a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee

or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. **"Term"** means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the **"Fiscal Agent"**) for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

(SEAL)

ASSURED GUARANTY CORP.

By: _____
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

Counsel



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES