FirstSouthwest
Continuing Disclosure Services

**OFFICIAL STATEMENT**

**Dated October 4, 2010**

**Ratings:**
**Moody's: "Aaa"**
**S&P: "AAA"**
**(See "Other Information - Ratings" herein)**

**NEW ISSUE - Book-Entry-Only**

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "Tax Matters - Tax Exemption" herein for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

THE BONDS **ARE** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

COLLIN COUNTY

# $14,810,000
# COLLIN COUNTY, TEXAS
# UNLIMITED TAX REFUNDING BONDS, SERIES 2010

**Dated Date: October 1, 2010** **Due: February 15, as shown below**

**PAYMENT TERMS** . . . Interest on the $14,810,000 Collin County, Texas, Unlimited Tax Refunding Bonds, Series 2010 (the "Unlimited Tax Bonds") will accrue from October 1, 2010 (the "Dated Date"), and will be payable February 15 and August 15 of each year commencing February 15, 2011, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Unlimited Tax Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Unlimited Tax Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Unlimited Tax Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Unlimited Tax Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Unlimited Tax Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "The Bonds - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Unlimited Tax Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly, Chapter 1207, Texas Government Code, as amended, and are direct obligations of Collin County, Texas (the "County"), payable from a continuing annual ad valorem tax levied on all taxable property within the County, without legal limit as to rate or amount, as provided in the orders authorizing the Unlimited Tax Bonds (collectively the "Unlimited Tax Bond Order") (see "The Bonds - Authority for Issuance").

**PURPOSE** . . . Proceeds from the sale of the Unlimited Tax Bonds will be used to (i) refund a portion of the County's outstanding unlimited tax debt described in Schedule I (the "Unlimited Tax Refunded Bonds" and together with the Limited Tax Refunded Bonds, the "Refunded Bonds") for debt service savings; and (ii) pay costs of issuance associated with the sale of the Unlimited Tax Bonds.

**MATURITY SCHEDULE** **CUSIP Prefix: 194738 (1)**

| Amount | Maturity | Interest Rate | Initial Yield | CUSIP Suffix (1) | Amount | Maturity | Interest Rate | Initial Yield | CUSIP Suffix (1) |
|---|---|---|---|---|---|---|---|---|---|
| $ 200,000 | 2011 | 2.000% | 0.375% | 4T4 | $ - | 2016 | - | - | - |
| 1,900,000 | 2012 | 2.000% | 0.570% | 4U1 | 2,640,000 | 2017 | 4.000% | 1.880% | 4Z0 |
| 1,880,000 | 2013 | 3.000% | 0.780% | 4V9 | 1,910,000 | 2018 | 5.000% | 2.120% | 5A4 |
| 1,045,000 | 2014 | 3.000% | 0.980% | 4W7 | 2,015,000 | 2019 | 5.000% | 2.340% | 5B2 |
| 1,110,000 | 2015 | 3.000% | 1.290% | 4X5 | 2,110,000 | 2020 | 5.000% | 2.520% | 5C0 |

**(Accrued interest from October 1, 2010 to be added)**

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. Neither the County nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

**NO OPTIONAL REDEMPTION** . . . The Unlimited Tax Bonds are not subject to redemption prior to maturity.

**SEPARATE ISSUES** . . . The Unlimited Tax Bonds are being offered by the County concurrently with its Limited Tax Refunding Bonds, Series 2010 (the "Limited Tax Bonds"), under a common Official Statement, and the Unlimited Tax Bonds and Limited Tax Bonds are hereinafter sometimes referred to collectively as the "Bonds." The Limited Tax Bonds and the Unlimited Tax Bonds are separate and distinct securities offerings being issued and sold independently except for the Official Statement, and, while the Limited Tax Bonds and the Unlimited Tax Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the security for its payment, and the rights of the holders.

**LEGALITY** . . . The Unlimited Tax Bonds 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 Vinson & Elkins L.L.P., Bond Counsel, Dallas, Texas (see Appendix C - "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski L.L.P., Dallas, Texas, Counsel for the Underwriters.

**DELIVERY** . . . It is expected that the Unlimited Tax Bonds will be available for delivery through The Depository Trust Company on November 17, 2010.

**STIFEL NICOLAUS** **CITI**

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**OFFICIAL STATEMENT**

**Dated October 4, 2010**

**Ratings:**
**Moody's: "Aaa"**
**S&P: "AAA"**
**(See "Other Information - Ratings" herein)**

**NEW ISSUE - Book-Entry-Only**

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "Tax Matters - Tax Exemption" herein for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

THE BONDS **ARE** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

**$8,120,000**
**COLLIN COUNTY, TEXAS**
**LIMITED TAX REFUNDING BONDS, SERIES 2010**

**Dated Date: October 1, 2010** **Due: February 15, as shown below**

**PAYMENT TERMS** . . . Interest on the $8,120,000 Collin County, Texas, Limited Tax Refunding Bonds, Series 2010 (the "Limited Tax Bonds") will accrue from October 1, 2010 (the "Dated Date"), and will be payable February 15 and August 15 of each year commencing February 15, 2011, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Limited Tax Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Limited Tax Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Limited Tax Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Limited Tax Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Limited Tax Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "The Bonds - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Limited Tax Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly, Chapter 1207, Texas Government Code, as amended, and are direct obligations of Collin County, Texas (the "County"), payable from a continuing ad valorem tax levied on all taxable property within the County, within the limits prescribed by law, as provided in the orders authorizing the Limited Tax Bonds (collectively the "Limited Tax Bond Order") (see "The Bonds - Authority for Issuance").

**PURPOSE** . . . Proceeds from the sale of the Limited Tax Bonds will be used to (i) refund a portion of the County's outstanding limited tax debt described in Schedule I (the "Limited Tax Refunded Bonds" and together with the Unlimited Tax Refunded Bonds the "Refunded Bonds") for debt service savings; and (ii) pay the costs of issuance associated with the sale of the Limited Tax Bonds.

**MATURITY SCHEDULE** **CUSIP Prefix: 194738[1]**

| Amount | Maturity | Interest Rate | Initial Yield | CUSIP Suffix[1] | Amount | Maturity | Interest Rate | Initial Yield | CUSIP Suffix[1] |
|---|---|---|---|---|---|---|---|---|---|
| $ 110,000 | 2011 | 2.000% | 0.375% | 5D8 | $ 1,440,000 | 2015 | 3.000% | 1.290% | 5H9 |
| 285,000 | 2012 | 2.000% | 0.570% | 5E6 | 1,485,000 | 2016 | 3.000% | 1.600% | 5J5 |
| 1,600,000 | 2013 | 3.000% | 0.780% | 5F3 | 1,540,000 | 2017 | 4.000% | 1.880% | 5K2 |
| 1,660,000 | 2014 | 3.000% | 0.980% | 5G1 | | | | | |

**(Accrued interest from October 1, 2010 to be added)**

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**NO OPTIONAL REDEMPTION** . . . The Limited Tax Bonds are not subject to redemption prior to maturity.

**SEPARATE ISSUES** . . . The Limited Tax Bonds are being offered by the County concurrently with its Unlimited Tax Refunding Bonds, Series 2010 (the "Unlimited Tax Bonds"), under a common Official Statement, and the Limited Tax Bonds and Unlimited Tax Bonds are hereinafter sometimes referred to collectively as the "Bonds." The Limited Tax Bonds and the Unlimited Tax Bonds are separate and distinct securities offerings being issued and sold independently except for the Official Statement, and, while the Limited Tax Bonds and the Unlimited Tax Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the security for its payment, and the rights of the holders.

**LEGALITY** . . . The Limited Tax Bonds 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 Vinson & Elkins L.L.P., Bond Counsel, Dallas, Texas (see Appendix C - "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski L.L.P., Dallas, Texas, Counsel for the Underwriters.

**DELIVERY** . . . It is expected that the Limited Tax Bonds will be available for delivery through The Depository Trust Company on November 17, 2010.

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

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

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

*The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective 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.*

*The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or other matters described. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the County's undertaking to provide certain information on a continuing basis.*

*The agreements of the County and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.*

*NEITHER THE COUNTY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.*

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

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

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

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The cover page hereof, this page, the schedule, 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 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

| | |
|---|---|
| **THE COUNTY** .............................. | The County is a body politic and political subdivision of the State, located in northeast Texas and is a component of the Dallas-Fort Worth Metroplex. The County covers approximately 836 square miles. The City of McKinney is the County Seat. |
| **THE UNLIMITED TAX BONDS**....... | The Unlimited Tax Bonds are issued as $14,810,000 Unlimited Tax Refunding Bonds, Series 2010 (the "Unlimited Tax Bonds"). The Unlimited Tax Bonds mature serially on February 15 in each of the years 2011 through 2015 and 2017 through 2020 (see "The Bonds - Description of the Bonds"). |
| **THE LIMITED TAX BONDS** ........... | The Limited Tax Bonds are issued as $8,120,000 Limited Tax Refunding Bonds, Series 2010 (the "Limited Tax Bonds"). The Limited Tax Bonds mature serially on February 15 in each of the years 2011 through 2017 (see "The Bonds - Description of the Bonds"). |
| **PAYMENT OF INTEREST** .............. | Interest on the Unlimited Tax Bonds and Limited Tax Bonds (collectively, the "Bonds") will accrue from October 1, 2010, and is payable February 15, 2011, and each August 15 and February 15 thereafter until maturity (see "The Bonds - Description of the Bonds"). |
| **AUTHORITY FOR ISSUANCE**.......... | The Unlimited Tax Bonds are issued pursuant to the Constitution and general laws of the State, particularly, Chapter 1207, Texas Government Code, as amended, and the Unlimited Tax Bond Orders adopted by the Commissioners Court of the County (see "The Bonds - Authority for Issuance").<br><br>The Limited Tax Bonds are issued pursuant to the Constitution and general laws of the State, particularly, Chapter 1207, Texas Government Code, as amended, and the Limited Tax Bond Orders adopted by the Commissioners Court of the County (see "The Bonds - Authority for Issuance"). |
| **SECURITY FOR THE BONDS** .......... | The Unlimited Tax Bonds constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax levied, without legal limit as to rate or amount, on all taxable property located within the County (see "The Bonds - Security and Source of Payment").<br><br>The Limited Tax Bonds constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the County (see "The Bonds - Security and Source of Payment"). |
| **QUALIFIED TAX-EXEMPT OBLIGATIONS**............................... | The Bonds are designated as "Qualified Tax-Exempt Obligations" for financial institutions (see "Tax Matters - Purchase of the Bonds by Financial Institutions"). |
| **NO REDEMPTION** ......................... | The Bonds are not subject to redemption prior to maturity. |
| **TAX EXEMPTION**........................... | In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "Tax Matters - Tax Exemption" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations. |
| **USE OF PROCEEDS** ....................... | Proceeds from the sale of the Unlimited Tax Bonds will be used to (i) refund a portion of the County's outstanding unlimited tax debt described in Schedule I (the "Unlimited Tax Refunded Bonds" and together with the Limited Tax Refunded Bonds, the "Refunded Bonds") for debt service savings; and (ii) pay costs of issuance associated with the sale of the Unlimited Tax Bonds. |

Proceeds from the sale of the Limited Tax Bonds will be used to (i) refund a portion of the County's outstanding limited tax debt described in Schedule I (the "Limited Tax Refunded Bonds") for debt service savings; and (ii) pay the costs of issuance associated with the sale of the Limited Tax Bonds.

**RATINGS** ..................................... The Bonds and the presently outstanding tax supported debt of the County are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") without regard to third-party credit enhancement (see "Other Information - Ratings").

**BOOK-ENTRY-ONLY SYSTEM**...... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "The Bonds - Book-Entry-Only System").

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

**SELECTED FINANCIAL INFORMATION**

| Fiscal Year Ended 9/30 | Estimated County Population | Taxable Assessed Valuation (1) | Per Capita Taxable Assessed Valuation | Funded Tax Debt | Per Capita Funded Tax Debt | Ratio Funded Tax Debt to Taxable Assessed Valuation | % of Total Tax Collections |
|---|---|---|---|---|---|---|---|
| 2007 | 690,500 | $ 61,953,733,487 | $ 89,723 | $ 364,110,000 | $ 527 | 0.59% | 102.52% |
| 2008 | 740,000 | 68,635,438,320 | 92,751 | 389,985,000 | 527 | 0.57% | 102.17% |
| 2009 | 748,050 | 71,819,163,811 | 96,009 | 409,395,000 | 547 | 0.57% | 101.51% |
| 2010 | 786,250 | 72,388,951,258 | 92,069 | 383,805,000 | 488 | 0.53% | 102.62% (3) |
| 2011 | 801,865 | 71,277,687,478 | 88,890 | 355,080,000 (2) | 443 | 0.50% | N/A |

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(1) As reported by the Collin Central Appraisal District on the County's annual State Property Tax Reports; subject to change during the ensuing year.
(2) Projected; includes all limited tax and unlimited tax debt of the County and the Bonds. Excludes the Refunded Bonds.
(3) Collections for part year only, through September 1, 2010.

## COUNTY OFFICIALS, STAFF, AND CONSULTANTS

### ELECTED OFFICIALS

| Commissioners Court | Term Expires |
|---|---|
| Keith Self<br>County Judge | 12/31/2010 |
| Matt Shaheen<br>Commissioner, Precinct No. 1 | 12/31/2012 |
| Jerry Hoagland<br>Commissioner, Precinct No. 2 | 12/31/2010 |
| Joe Jaynes<br>Commissioner, Precinct No. 3 | 12/31/2012 |
| Kathy Ward<br>Commissioner, Precinct No. 4 | 12/31/2010 |

### OTHER ELECTED AND APPOINTED OFFICIALS

| Name | Position | Term Expires |
|---|---|---|
| Bill Bilyeu | County Administrator | Appointed by Commissioners Court |
| Jeff May | County Auditor | Appointed by District Judges |
| Monika Arris | Budget Director | Appointed by Commissioners Court |
| Stacey Kemp | County Clerk | 12/31/2010 |
| Kenneth L. Maun | Tax Assessor-Collector | 12/31/2012 |

### CONSULTANTS AND ADVISORS

Certified Public Accountants .................... Pattilla, Brown & Hill, L.L.P.
Waco, Texas

Bond Counsel .................... Vinson & Elkins L.L.P.
Dallas, Texas

Financial Advisor .................... First Southwest Company
Fort Worth, Texas

For additional information regarding the County, please contact:

| | | | | |
|---|---|---|---|---|
| Monika Arris<br>Budget Director<br>Collin County<br>2300 Bloomdale Rd., Suite 4100<br>McKinney, Texas 75071<br>(972) 548-4603 | or | Jeff May<br>County Auditor<br>Collin County<br>2300 Bloomdale Rd., Suite 3100<br>McKinney, Texas 75071<br>(972) 548-4640 | or | David K. Medanich<br>Nick Bulaich<br>First Southwest Company<br>777 Main Street, Suite 1200<br>Fort Worth, Texas 76102<br>(817) 332-9710 |

## OFFICIAL STATEMENT

## RELATING TO

| $14,810,000 | $8,120,000 |
|---|---|
| UNLIMITED TAX REFUNDING BONDS, SERIES 2010 | LIMITED TAX REFUNDING BONDS, SERIES 2010 |

## INTRODUCTION

This Official Statement, which includes the Appendices and Schedule I hereto, provides certain information regarding the issuance of $14,810,000 Unlimited Tax Refunding Bonds, Series 2010 (the "Unlimited Tax Bonds") and $8,120,000 Limited Tax Refunding Bonds, Series 2010 (the "Limited Tax Bonds" and, together with the Unlimited Tax Bonds, the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in (i) the unlimited tax bond order approving the Unlimited Tax Bonds, dated October 4, 2010, and the unlimited tax bond order levying a tax and ratifying and confirming the prior order, dated October 11, 2010 (collectively, the "Unlimited Tax Bond Order") each adopted by the Commissions Court of Collin County (the "County"); and (ii) the limited tax bond order approving the Limited Tax Bonds, dated October 4, 2010, and the limited tax bond order levying a tax and ratifying and confirming the prior order (collectively, the "Limited Tax Bond Order" and, together with the Unlimited Tax Bond Order, the "Orders") each adopted by the County.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see " FORWARD-LOOKING STATEMENTS").

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

**DESCRIPTION OF THE COUNTY** . . . The County was organized in 1846. The County operates as specified under the Constitution and statutes of the State of Texas and is governed by a Commissioners Court consisting of the County Judge and four Commissioners, one for each of four Commissioners' Precincts. The County Judge is elected for a term of four years and the Commissioners for four-year staggered terms. Other major County elected 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. For additional demographic information describing the County, see Appendix A hereto.

## PLAN OF FINANCING

**PURPOSE** . . . Proceeds from the sale of the Unlimited Tax Bonds will be used to (i) refund a portion of the County's outstanding unlimited tax debt described in Schedule I (the "Unlimited Tax Refunded Bonds" and together with the Limited Tax Refunded Bonds, the "Refunded Bonds") for debt service savings; and (ii) pay costs of issuance associated with the sale of the Unlimited Tax Bonds.

Proceeds from the sale of the Limited Tax Bonds will be used to (i) refund a portion of the County's outstanding limited debt described in Schedule I (the "Limited Tax Refunded Bonds") for debt service savings; and (ii) pay the costs of issuance associated with the sale of the Limited Tax Bonds.

**REFUNDED BONDS** . . . The principal of and interest due on the Limited Tax Refunded Bonds and Unlimited Tax Refunded Bonds are to be paid on the scheduled interest payment dates and redemption dates for the Limited Tax Refunded Bonds and Unlimited Tax Refunded Bonds as shown on Schedule I hereto, from funds to be deposited pursuant to separate Escrow Agreements between the County and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent (the "Escrow Agent"). The Limited Tax Bond Order and the Unlimited Tax Bond Order will provide that a portion of the proceeds from the sale of the Limited Tax Bonds and the Unlimited Tax Bonds, respectively, in amounts sufficient to accomplish the discharge and final payment of the Limited Tax Refunded Bonds and the Unlimited Tax Refunded Bonds, will be deposited with the Escrow Agent pursuant to the respective Escrow Agreements for deposit to special escrow funds (the "Limited Tax Escrow Fund" and the "Unlimited Tax Escrow Fund" and together, the "Escrow Funds") established under the respective Escrow Agreements for the payment of the Limited Tax Refunded Bonds and the Unlimited Tax Refunded Bonds. Amounts on deposit in the Escrow Funds will be used to purchase obligations of some or all of the following types: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Commissioners Court of the County adopts or approves the proceedings authorizing the issuance of the refunding bonds, 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, on the date the Commissioners Court of the County adopts or approves the proceedings authorizing the issuance of the refunding bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities").Under the Escrow Agreements, the Escrow Funds are irrevocably pledged to the payment of the principal and interest on the Refunded Bonds.

Grant Thornton LLP, a nationally recognized accounting firm, will verify at the time of delivery of the Limited Tax Bonds and the Unlimited Tax Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the respective Escrow Funds will be sufficient to pay, when due, the principal of and interest on the Limited Tax Refunded Bonds and the Unlimited Tax Refunded Bonds, respectively. **Maturing principal of and interest on the Escrowed Securities in the Escrow Funds will not be available to pay the debt service on the Bonds** (see "OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations").

By the deposit of the Escrowed Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the County will have effected the defeasance of all of the Refunded Bonds in accordance with applicable law and the respective orders authorizing the issuance of the Refunded Bonds. It is the opinion of Bond Counsel that as a result of such defeasance, and in reliance upon the report of Grant Thornton LLP, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and the Refunded Bonds will not be deemed as being outstanding obligations of the County payable from ad valorem taxes nor for the purpose of applying any limitation on the issuance of debt.

In the Escrow Agreement, the County covenants to make timely deposits to the Escrow Funds, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds if for any reason the cash balances on deposit or scheduled to be on deposit in the respective Escrow Funds are insufficient to make such payment.

**SOURCES AND USES OF PROCEEDS** . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

| | Unlimited Tax Bonds | Limited Tax Bonds |
|---|---|---|
| Sources of Funds | | |
| Par Amount of Bonds | $ 14,810,000.00 | $ 8,120,000.00 |
| Net Original Issue Premium | 1,796,950.55 | 588,136.20 |
| Accrued Interest | 72,884.44 | 32,589.72 |
| Total Sources of Funds | $ 16,679,834.99 | $ 8,740,725.92 |
| | | |
| Uses of Funds | | |
| Deposit to Escrow Fund | $ 16,412,157.33 | $ 8,588,520.61 |
| Deposit to Interest and Sinking Fund | 72,884.44 | 32,589.72 |
| Costs of Issuance (1) | 194,793.22 | 119,615.59 |
| Total Uses of Funds | $ 16,679,834.99 | $ 8,740,725.92 |

(1) Includes the Underwriters' Discount.

## THE BONDS

**DESCRIPTION OF THE BONDS** . . . The Bonds are dated October 1, 2010 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on the cover page and page 3 hereof. Interest will accrue from the Dated Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2011. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment by such participating members to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein.

Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at their stated maturity upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "The Bonds - Book-Entry-Only System" herein. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

**AUTHORITY FOR ISSUANCE** . . . The Unlimited Tax Bonds are being issued pursuant to (i) the Texas Constitution and general laws of the State of Texas, particularly, Chapter 1207, Texas Government Code, as amended, and (ii) the Unlimited Tax Bond Order.

The Limited Tax Bonds are being issued pursuant to (i) the Texas Constitution and general laws of the State of Texas, particularly, Chapter 1207, Texas Government Code, as amended, and (ii) the Limited Tax Bond Order.

**SECURITY AND SOURCES OF PAYMENT** . . .

*Limited Tax Bonds* . . . The Limited Tax Bonds constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property in the County as provided in the Limited Tax Bond Order. The Limited Tax Bonds are payable from the County's $0.80 constitutional tax rate limit see "Tax Rate Limitations – General Operations: Limited Tax Bonds, Tax Notes, Time Warrants, Certificates of Obligation and Contractual Obligations") below.

*Unlimited Tax Bonds* . . . The Unlimited Tax Bonds constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax levied, without legal limit as to rate or amount, on all taxable property in the County, as provided in the Unlimited Tax Bond Order.

**TAX RATE LIMITATIONS** . . . The Texas Constitution provides various taxing authority for counties, as described below. For information relating to the constitutionally authorized taxes that the County currently levies, see "Tax Information - Table 5 - Tax Rate Distribution Analysis."

*General Operations Limited Tax Bonds, Tax Notes, Time Warrants, Certificates of Obligation and Contractual Obligations*…The Texas Constitution (Article VIII, Section 9) imposes a limit of $0.80 per $100 of assessed valuation for general fund, permanent improvement fund, road and bridge fund, and jury fund purposes, including debt service of bonds, warrants, tax notes and certificates of obligation issued against such funds. Chapter 1301, Texas Government Code, as amended, limits the amount of limited tax bonds that may be issued for road and bridge purposes to 1 1/2 percent of the taxable assessed valuation of a county. By administrative policy, the Attorney General of Texas will permit allocation of $0.40 of the constitutional $0.80 tax rate for the payment of the debt service requirements on the County's limited tax general obligation indebtedness. The Limited Tax Bonds will be payable from the levy and collection of this tax.

*Road Bonds*…An unlimited tax rate is authorized to be voted to pay debt service on road bonds; Article III, Section 52 of the Texas Constitution provides that such debt may not exceed 25% of the County's assessed valuation of real property.

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

*Farm-to-Market Roads or Flood Control*…Under Section 256.054, Texas Transportation Code, a county may adopt an additional ad valorem tax not to exceed $0.30 on the $100 assessed valuation, after exemption of homesteads up to $3,000, provided by Article VIII, Section 9 of the Texas Constitution, for the construction and maintenance of farm-to-market and lateral roads or for flood control. This additional tax may be established by the Commissioners Court only upon approval by a majority of participating voters in an election held to approve such additional tax. No allocation is prescribed by statute between debt service and maintenance. Therefore, all or part may be used for either purpose. **The voters of the County have not approved the adoption of the additional county farm-to-market and/or flood control tax**.

See "Table 1 - Valuations, Exemptions and Tax-Supported General Obligation Bond Debt" herein for a description of the amount of the County's debt that is secured by the unlimited tax authorized by Article III, Section 52 of the Texas Constitution, and amount of debt secured by the limited tax authorized by Article VII, Section 9 of the Texas Constitution. Also, see "Table 11-Authorized But Unissued Bonds" herein for a description of the County's remaining voted and unissued bond authorization relating to each of such unlimited and limited constitutional taxing authorizations.

**NO OPTIONAL REDEMPTION** . . . The Bond are not subject to optional redemption prior to maturity.

**DEFEASANCE** . . . The Orders provide that the County may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of, premium, if any, and all interest to accrue on such Bonds to maturity or redemption or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investment earnings thereon, to provide for the payment and/or redemption of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable 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, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the County adopts or approves the proceedings authorizing the issuance of refunding obligations, 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, on the date the governing body of the County adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds, as the case may be.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of Bonds have been made as described above, all rights of the County take any action amending the terms of such Bonds are extinguished.

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

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

*The County and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or any notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or any 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 each Series of the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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 for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are gegistered clearing agencies. 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 companies 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

The County may decide to discontinue use of the system of book-entry transfers through DTC (or successor securities depository). Discontinuance of the system of book-entry transfers by the District may require the consent of Participants under DTC's Operational Arrangements. In that event, Bond 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 Bonds of either Series are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Orders will be given only to DTC.

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

**Effect of Termination of Book-Entry Only System**. In the event the Book-Entry-Only System with respect to the Bonds of either Series is discontinued, printed securities certificates for the respective Series will be issued to the respective holders of the Bonds, and the respective Bonds will be subject to transfer, exchange and registration provisions as set forth in the respective Order, summarized under "The Bonds - Transfer, Exchange and Registration" below.

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

**TRANSFER, EXCHANGE, AND REGISTRATION** . . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the owners of the Bonds and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange, and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A New Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond or Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee at the registered owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like Series and aggregate principal amount as the Bonds surrendered for exchange or transfer. See "The Bonds - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

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

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

**BONDHOLDERS' REMEDIES** . . . The Orders establish as "events of default" (i) the failure to make payment of principal of redemption premium, if any, or interest on any of the Bonds of a Series when due and payable; or (ii) default in the performance or observance of any other covenant, agreement or obligation of the County, which default materially and adversely affects the rights of the owners, including, but not limited to, their prospect or ability to be repaid in accordance with the respective Order, and the continuation thereof for a period of sixty days after notice of such default is given to any Owner by the County. Under State law there is no right to the acceleration of maturity of the Bonds upon the failure of the County to observe any covenant under an Order. Although a registered owner of Bonds could presumably obtain a judgment against the County if a default occurred in the payment of principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the County. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the County to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds 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 Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the County's sovereign immunity from a suit for money damages in the absence of County action, Bondholders may not be able to bring such a suit against the County for breach of the Bonds or covenants in the Orders. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the County, permits the County to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the bonds, the County is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing its bonds.

Neither Order provides for the appointment of a trustee to represent the interests of the bondholders upon any failure of the County to perform in accordance with the terms of the respective Order, or upon any other condition. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Orders and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

## TAX INFORMATION

**AD VALOREM TAX LAW** . . . The appraisal of property within the County is the responsibility of the Collin Central 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 Texas 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 the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal, and the market data comparison method of appraisal. The chief appraiser selects the most appropriate method. Effective January 1, 2010, State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value in the preceding tax year, 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 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 Texas 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 other 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 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. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $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; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead.

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 year such residence qualified for such exemption. 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. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse.

If improvements (other than repairs or improvements required to comply with governmental requirements) 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 repealed or rescinded. The County has authorized the tax freeze on homesteads of taxpayers 65 years of age or older. For additional information, see "Ad Valorem Tax Information - County Application of Tax Code" and "Table 1 – Valuation, Exemptions and General Obligation Bond Debt."

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

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

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicles, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax "goods-in-transit" during the following tax year. A taxpayer may only receive either the freeport exemption or the "goods-in-transit" exemption for items of personal property.

A city may create one or more tax increment financing districts ("TIFD") within the County and freeze the taxable values of property in the TIFD at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIFD, including the County, may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIFD in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIFD. Taxes levied by the County against the values of real property a TIFD, in which the County participates, in excess of the "frozen" value are not available for general County use but are restricted to paying or financing "project costs" within the TIFD.

The County also may enter into tax abatement agreements to encourage economic development. Under tax abatement 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 tax abatement agreement could last for a period of up to ten years.

The County is authorized, pursuant to Chapter 381, Texas Local Government Code, as amended ("Chapter 381"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the County. In accordance with a program established pursuant to Chapter 381, the County may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the County. The County may contract with the federal government, the State of Texas, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

**EFFECTIVE TAX RATE AND ROLLBACK TAX RATE** . . . The Commissioners Court will be required to adopt the annual tax rate per $100 taxable value for the County before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the County. If the Commissioners Court does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the County for the preceding tax 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.

Furthermore, the Property Tax Code provides the Commissioners Court may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the County's website if the County owns, operates or controls an Internet website and public notice be given by television if the County has free access to a television channel) and the Commissioners Court has otherwise complied with the legal requirements for the adoption of such tax rate. 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 Texas 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 Texas 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 January 31 of each year and the final installment due on July 31.

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

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

After July, the penalty remains at 12%, and accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge (the County currently asses a 15% charge for legal costs incurred collecting delinquent taxes). 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 TEXAS TAX CODE** . . . The County grants a $30,000 exemption to the market value of the residence homestead of persons 65 years of age or older or the disabled.

The County has granted the local-option additional exemption of 5% of the market value of residence homesteads.

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 has adopted the tax freeze on residence homesteads of disabled persons and persons over 65 which was implemented in the 2004 tax year. As a result of the adoption of the freeze, total County taxes on the residence homestead of a disabled person or persons 65 years of age or older residing in the County are at the level of taxes billed for the County's 2004-05 fiscal year, or to the amount of taxes imposed in the year such residence qualified for such exemption. In order to qualify for the exemption, a taxpayer must make application to the Appraisal District. The County has not made a comprehensive study regarding the impact that the freeze has had or will have on the taxable assessed value of the County in future years, but as the population of the County ages, the freeze is expected to have a greater impact on the County's ad valorem tax revenues.

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

The County does not permit split payments of taxes or discounts for early payment of taxes, although State law permits such measures on a local-option basis.

The County has exempted freeport property from taxation.

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

The County does tax "goods-in-transit".

The Commissioners Court has adopted a tax abatement policy that reflects the options available under Chapter 312 of the Texas Property Code ("Chapter 312"). In general, the County requires municipalities that propose County participation in abatement agreements to initiate the application and review process and to make compliance reports to the County. Most County tax abatements extend for the full ten year term permitted by Chapter 312 and include abatements of ad valorem taxes on 50% of qualifying properties, although the County has negotiated for greater or lesser amounts of tax abatement, depending upon the extent of economic development offered by an abatement applicant.

The County also participates in six TIFDs, one each with the Cities of Allen, Frisco, Lavon and Melissa and two with the City of Plano.

**TABLE 1 - VALUATION, EXEMPTIONS, AND GENERAL OBLIGATION BOND DEBT**

| | | |
|---|---|---|
| 2010/11 Market Valuation Established by the Collin Central Appraisal District (excluding totally exempt property) | | $ 82,751,613,512 |
| Less Exemptions/Reductions at 100% Market Value: | | |
| Over 65 and Disabled | $ 848,945,091 | |
| Disabled Veterans Exemptions | 98,794,504 | |
| Charitable Organizations | 25,779,926 | |
| Tax Abatements | 1,200,108,413 | |
| Homestead Exemption | 2,035,985,594 | |
| Freeport Exemption | 694,971,683 | |
| Pollution Control Property | 32,385,002 | |
| Historical Exemption | 25,338,193 | |
| Prorated Exempt Property | 11,963,768 | |
| Homestead Cap Adjustment | 33,821,792 | |
| Limited Income Housing | 991,434 | |
| Agricultural Productivity, Open Space Land Use Reductions | 6,463,318,538 | |
| Other | 1,522,096 | 11,473,926,034 |
| 2010/11 Taxable Assessed Valuation | | $ 71,277,687,478 |
| County Funded Debt Payable from Ad Valorem Taxes (as of 8-31-10) | | |
| Limited Tax Debt | $ 151,940,000 (1) | |
| Unlimited Tax Debt | 206,895,000 (2) | |
| The Unlimited Tax Bonds | 14,810,000 | |
| The Limited Tax Bonds | 8,120,000 | |
| Funded Debt Payable from Ad Valorem Taxes | | $ 381,765,000 |
| Interest and Sinking Fund (as of 8-31-10) | | $ 4,144,036 |
| Ratio General Obligation Debt to Taxable Assessed Valuation . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | | 0.54% |

2011 Estimated Population - 801,865

Per Capita Taxable Assessed Valuation - $88,890

Per Capita Funded Debt Payable from Ad Valorem Taxes - $476

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(1) Excludes the Limited Tax Refunded Bonds.

(2) Excludes the Unlimited Tax Refunded Bonds.

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

| | Taxable Appraised Value for Fiscal Year Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | 2010 | | 2009 | |
| Category | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | $ 47,129,255,659 | 56.95% | $ 47,023,799,761 | 55.09% | $ 46,258,543,676 | 55.09% |
| Real, Residential, Multi-Family | 4,359,373,394 | 5.27% | 4,418,373,249 | 5.26% | 4,414,102,159 | 5.26% |
| Real, Vacant Lots/Tracts | 903,532,169 | 1.09% | 897,382,927 | 1.15% | 961,953,962 | 1.15% |
| Real, Acreage (Land Only) | 7,415,809,201 | 8.96% | 7,982,962,832 | 10.42% | 8,749,195,627 | 10.42% |
| Real, Farm and Ranch Improvements | 833,309,201 | 1.01% | 826,660,638 | 1.00% | 839,821,464 | 1.00% |
| Real, Commercial and Industrial | 14,844,885,029 | 17.94% | 15,448,987,640 | 17.73% | 14,890,198,384 | 17.73% |
| Real and Intangible Personal, Utilities | 1,174,373,653 | 1.42% | 1,099,988,202 | 1.36% | 1,138,977,111 | 1.36% |
| Tangible Personal, Business | 5,146,374,881 | 6.22% | 5,161,195,686 | 6.06% | 5,091,154,776 | 6.06% |
| Tangible Personal, Other | 42,760,159 | 0.05% | 45,207,373 | 0.05% | 44,839,724 | 0.05% |
| Inventory | 755,930,021 | 0.91% | 1,013,621,038 | 1.88% | 1,577,903,038 | 1.88% |
| Special Inventory Tax | 146,010,145 | 0.18% | 167,718,060 | 0.00% | - | 0.00% |
| Total Appraised Value Before Exemptions | $ 82,751,613,512 | 100.00% | $ 84,085,897,406 | 100.00% | $ 83,966,689,921 | 100.00% |
| Less: Total Exemption/Reductions | (11,473,926,034) | | (11,696,946,148) | | (12,147,526,110) | |
| Taxable Assessed Value | $ 71,277,687,478 | | $ 72,388,951,258 | | $ 71,819,163,811 | |

| | Taxable Appraised Value for Fiscal Year Ended September 30, | | | |
|---|---|---|---|---|
| | 2008 | | 2007 | |
| Category | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | $ 43,676,579,984 | 55.81% | $ 39,618,642,477 | 56.31% |
| Real, Residential, Multi-Family | 3,914,013,823 | 5.00% | 3,418,142,797 | 4.86% |
| Real, Vacant Lots/Tracts | 894,168,805 | 1.14% | 897,940,901 | 1.28% |
| Real, Acreage (Land Only) | 8,155,152,797 | 10.42% | 7,347,905,457 | 10.44% |
| Real, Farm and Ranch Improvements | 789,958,110 | 1.01% | 708,001,289 | 1.01% |
| Real, Commercial and Industrial | 13,331,661,532 | 17.03% | 11,635,104,001 | 16.54% |
| Real and Intangible Personal, Utilities | 1,131,689,801 | 1.45% | 1,044,060,226 | 1.48% |
| Tangible Personal, Business | 4,495,127,180 | 5.74% | 4,071,609,901 | 5.79% |
| Tangible Personal, Other | 48,908,878 | 0.06% | 68,171,248 | 0.10% |
| Inventory | 1,827,071,513 | 2.33% | 1,546,628,053 | 2.20% |
| Special Inventory Tax | - | | - | 0.00% |
| Total Appraised Value Before Exemptions | $ 78,264,332,423 | 100.00% | $ 70,356,206,350 | 100.00% |
| Less: Total Exemptions/Reductions | (9,628,894,103) | | (8,402,472,863) | |
| Taxable Assessed Value | $ 68,635,438,320 | | $ 61,953,733,487 | |

NOTE: Valuations shown are certified taxable assessed values reported by the Collin Central 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 BOND DEBT HISTORY**

| Fiscal Year Ended 9/30 | Estimated Population | Taxable Assessed Valuation [1] | Taxable Assessed Valuation Per Capita | Net Tax Debt Outstanding at End of Year | Ratio Tax Debt to Taxable Assessed Valuation | Funded Debt Per Capita |
|---|---|---|---|---|---|---|
| 2007 | 690,500 | $ 61,953,733,487 | $ 89,723 | $ 364,110,000 | 0.59% | $ 527 |
| 2008 | 740,000 | 68,635,438,320 | 92,751 | 389,985,000 | 0.57% | 527 |
| 2009 | 748,050 | 71,819,163,811 | 96,009 | 409,395,000 | 0.57% | 547 |
| 2010 | 786,250 | 72,388,951,258 | 92,069 | 383,805,000 | 0.53% | 488 |
| 2011 | 801,865 | 71,277,687,478 | 88,890 | 355,080,000 [2] | 0.50% | 443 |

(1) As reported by the Collin Central Appraisal District on the County's annual State Property Tax Reports; subject to change during the ensuing year.
(2) Projected; includes the Bonds. Excludes the Refunded Bonds.

**TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY**

| Fiscal Year Ended 9/30 | Tax Rate | General Fund | Interest and Sinking Fund | Tax Levy | % Current Collections | % Total Collections |
|---|---|---|---|---|---|---|
| 2007 | $ 0.24500 | $ 0.19469 | $ 0.05031 | $ 150,549,536 | 100.53% | 102.52% |
| 2008 | 0.24500 | 0.19164 | 0.05336 | 168,156,824 | 100.66% | 102.17% |
| 2009 | 0.24250 | 0.18426 | 0.05824 | 174,161,472 | 100.06% | 101.51% |
| 2010 | 0.24250 | 0.18708 | 0.05542 | 175,543,207 | 101.60% [1] | 102.62% [1] |
| 2011 | 0.24000 | 0.18458 | 0.05542 | 170,749,824 | N/A | N/A |

(1) Collections for part year only, through September 1, 2010.

**TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS**

| | Tax Year | | | | |
|---|---|---|---|---|---|
| Limited Constitutional Taxes [1] | 2010 | 2009 | 2008 | 2007 | 2006 |
| Operating Fund | $ 0.1846 | $ 0.1871 | $ 0.1843 | $ 0.1916 | $ 0.1947 |
| Limited Tax Debt Service Fund | 0.0197 | 0.0198 | 0.0216 | 0.0202 | 0.0248 |
| Total Constitutional Tax Rate | $ 0.2043 | $ 0.2069 | $ 0.2058 | $ 0.2118 | $ 0.2195 |
| | | | | | |
| Unlimited Constitutional Taxes [2] | | | | | |
| Road Maintenance | $ 0.0000 | $ 0.0000 | $ 0.0000 | $ 0.0000 | $ 0.0000 |
| Farm-to-Market and Lateral Road | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| Unlimited Tax Debt Service Fund | 0.0357 | 0.0356 | 0.0367 | 0.0332 | 0.0255 |
| Total Tax Rate | $ 0.2400 | $ 0.2425 | $ 0.2425 | $ 0.2450 | $ 0.2450 |

(1) Taxes levied pursuant to Article XIII, Section 9 of the Texas Constitution, limited to $0.80 per $100 of taxable assessed valuation for general operations and limited tax debt.
(2) To support debt issued pursuant to Article III, Section 52 of the Texas Constitution.

**TABLE 6 - TEN LARGEST TAXPAYERS**

| Name of Taxpayer | 2010/11 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|---|---|---|
| Oncor Electric Delivery Company | $ 439,174,980 | 0.62% |
| Stonebriar Mall Ltd. Partnership | 221,706,370 | 0.31% |
| J.C. Penney Company | 161,877,423 | 0.23% |
| AT&T Mobility LLC | 132,990,356 | 0.19% |
| IBM Credit LLC | 127,971,038 | 0.18% |
| BPR Shopping Center LP | 125,000,000 | 0.18% |
| Village at Allen LP | 113,881,870 | 0.16% |
| Coventry II DDR/Trademark Montgomery Farm | 111,700,000 | 0.16% |
| Willow Bend Shopping Center LP | 110,000,000 | 0.15% |
| Bank of America NA | 104,207,493 | 0.15% |
| | $ 1,648,509,530 | 2.31% |

**TABLE 7 - TAX ADEQUACY** [(1)]

| | |
|---|---|
| 2011 Principal and Interest Requirements | $ 43,203,067 |
| $0.0619 Tax Rate at 98% Collection Produces [(2)] | $ 43,238,471 |
| | |
| Average Annual Principal and Interest Requirements, 2011 - 2029 | $ 27,212,674 |
| $0.0390 Tax Rate at 98% Collection Produces | $ 27,242,332 |
| | |
| Maximum Principal and Interest Requirements, 2011 | $ 43,203,067 |
| $0.0619 Tax Rate at 98% Collection Produces | $ 43,238,471 |

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(1) For all tax supported indebtedness (limited and unlimited), including the Bonds. Excludes the Refunded Bonds.
(2) See "Table 10 – Interest and Sinking Fund Budget Projection" herein.

**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 property within their boundaries and 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 debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the County, the County has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional tax debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional tax debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the County.

| Governmental Subdivision | 2009/10 Taxable Assessed Value | 2009/10 Tax Rate | Total Funded Debt | Estimated % Applicable | District's Overlapping Funded Debt 9-1-10 |
|---|---|---|---|---|---|
| Collin County | $ 71,277,687,478 (1) | $ 0.242500 | $ 381,765,000 (2) | 100.00% | $ 381,765,000 (2) |
| **Special Districts** | | | | | |
| Collin County Community College District | $ 74,543,801,881 | $ 0.086300 | $ 45,980,000 | 100.00% | $ 45,980,000 |
| Seis Lagos Utility District | 108,470,137 | 0.449183 | 925,000 | 100.00% | 925,000 |
| Total Districts | | | | | $ 46,905,000 |
| **Cities** | | | | | |
| Allen | $ 7,317,367,749 | $ 0.556000 | $ 110,235,000 | 100.00% | $ 110,235,000 |
| Anna | 378,153,710 | 0.627330 | 8,759,000 | 100.00% | 8,759,000 |
| Blue Ridge | 26,398,481 | 0.580868 | 1,138,000 | 100.00% | 1,138,000 |
| Celina | 463,681,575 | 0.645000 | 15,995,000 | 100.00% | 15,995,000 |
| Fairview | 1,053,050,339 | 0.365000 | 21,845,000 | 100.00% | 21,845,000 |
| Farmersville | 154,764,314 | 0.586100 | 3,930,000 | 100.00% | 3,930,000 |
| Josephine | 33,035,267 | 0.485800 | 565,000 | 100.00% | 565,000 |
| Lucas | 534,082,337 | 0.374200 | 7,840,000 | 100.00% | 7,840,000 |
| McKinney | 10,696,226,911 | 0.585500 | 227,705,000 | 100.00% | 227,705,000 |
| Melissa | 344,398,135 | 0.610000 | 22,905,000 | 100.00% | 22,905,000 |
| Murphy | 1,468,391,578 | 0.538400 | 45,060,000 | 100.00% | 45,060,000 |
| Parker | 493,346,405 | 0.377100 | 8,495,000 | 100.00% | 8,495,000 |
| Princeton | 281,306,270 | 0.728400 | 16,735,000 | 100.00% | 16,735,000 |
| Prosper | 1,023,864,451 | 0.520000 | 36,180,000 | 100.00% | 36,180,000 |
| Wylie | 2,263,919,560 | 0.898900 | 120,016,666 | 100.00% | 120,016,666 |
| **County-Line Cities** | | | | | |
| Carrollton | $ 9,203,400,425 | $ 0.617900 | $ 169,915,000 | 0.54% | $ 917,541 |
| Dallas | 84,851,273,745 | 0.747900 | 1,938,124,913 | 4.18% | 81,013,621 |
| Frisco | 13,958,027,112 | 0.465000 | 620,345,000 | 65.25% | 404,775,113 |
| Plano | 24,267,093,219 | 0.488600 | 337,240,000 | 94.46% | 318,556,904 |
| Richardson | 9,837,843,846 | 0.575200 | 308,325,000 | 33.90% | 104,522,175 |
| Royse City | 482,484,088 | 0.657600 | 22,346,000 | 13.82% | 3,088,217 |
| Sachse | 1,224,336,885 | 0.705800 | 42,310,000 | 31.72% | 13,420,732 |
| Total Cities | | | | | $ 1,573,697,969 |

(1) Tax Year 2010 Taxable Assessed Valuation.
(2) Includes the Bonds. Excludes the Refunded Bonds.

| | 2009/10 Taxable Assessed Value | 2009/10 Tax Rate | Total Funded Debt | Estimated % Applicable | District's Overlapping Funded Debt 9-1-10 |
|---|---|---|---|---|---|
| **School Districts** | | | | | |
| Allen ISD | $ 6,894,595,133 | $ 1.540000 | $ 398,832,100 | 100.00% | $ 398,832,100 |
| Anna ISD | 526,032,339 | 1.540100 | 84,964,574 | 100.00% | 84,964,574 |
| Farmersville ISD | 310,486,545 | 1.310000 | 15,545,000 | 100.00% | 15,545,000 |
| Lovejoy ISD | 1,476,961,132 | 1.535000 | 114,415,233 | 100.00% | 114,415,233 |
| McKinney ISD | 8,909,912,469 | 1.540000 | 447,005,000 | 100.00% | 447,005,000 |
| Melissa ISD | 429,509,607 | 1.540000 | 39,538,467 | 100.00% | 39,538,467 |
| Plano ISD | 32,387,205,106 | 1.328400 | 1,042,987,382 | 100.00% | 1,042,987,382 |
| Princeton ISD | 476,655,111 | 1.490000 | 67,452,308 | 100.00% | 67,452,308 |
| Wylie ISD | 3,131,376,307 | 1.590000 | 248,281,727 | 100.00% | 248,281,727 |
| **County-Line School Districts** | | | | | |
| Bland ISD | $ 111,004,516 | $ 1.540000 | $ 14,484,981 | 9.58% | $ 1,387,661 |
| Blue Ridge ISD | 113,076,510 | 1.476500 | 8,789,999 | 98.52% | 8,659,907 |
| Celina ISD | 612,467,152 | 1.540000 | 59,441,532 | 93.35% | 55,488,670 |
| Community ISD | 462,176,583 | 1.495000 | 30,882,416 | 98.54% | 30,431,533 |
| Frisco ISD | 16,572,110,127 | 1.390000 | 1,178,137,972 | 73.29% | 863,457,320 |
| Gunter ISD | 208,406,314 | 1.470000 | 15,221,188 | 0.68% | 103,504 |
| Leonard ISD | 123,593,908 | 1.270200 | 1,910,000 | 8.55% | 163,305 |
| Prosper ISD | 1,630,037,650 | 1.640000 | 237,591,761 | 94.40% | 224,286,623 |
| Royse City ISD | 1,071,028,017 | 1.430000 | 115,761,386 | 7.06% | 8,172,754 |
| Trenton ISD | 139,379,732 | 1.284000 | 8,363,060 | 4.05% | 338,704 |
| Van Alstyne ISD | 370,943,299 | 1.520000 | 34,161,519 | 10.01% | 3,419,568 |
| Whitewright ISD | 155,026,982 | 1.380000 | 8,710,636 | 2.57% | 223,863 |
| Total School Districts | | | | | $ 3,655,155,202 |
| Total Direct and Overlapping Funded Debt | | | | | $ 5,657,523,171 |
| Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation | | | | | 7.59% |
| Per Capita Overlapping Funded Debt | | | | | $ 7,055 |

**TABLE 9 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

| Fiscal Year Ending | Unlimited Tax Outstanding Debt [1] | | Limited Tax Outstanding Debt [2] | | Unlimited Tax Bonds [3] | | Limited Tax Bonds [4] | | Total Debt | % of Principal |
|---|---|---|---|---|---|---|---|---|---|---|
| 9/30 | Principal | Interest [5] | Principal | Interest [5] | Principal | Interest | Principal | Interest | Service | Retired |
| 2011 | $ 13,295,000 | $ 9,260,161 | $ 13,080,000 | $ 6,541,030 | $ 200,000 | $ 495,516 | $ 110,000 | $ 221,360 | $ 43,203,067 | |
| 2012 | 11,885,000 | 8,730,636 | 11,340,000 | 5,625,585 | 1,900,000 | 547,400 | 285,000 | 250,000 | 40,563,621 | |
| 2013 | 12,380,000 | 8,185,911 | 10,465,000 | 5,126,319 | 1,880,000 | 500,200 | 1,600,000 | 223,150 | 40,360,580 | |
| 2014 | 13,710,000 | 7,569,211 | 7,550,000 | 4,657,266 | 1,045,000 | 456,325 | 1,660,000 | 174,250 | 36,822,053 | |
| 2015 | 14,315,000 | 6,910,311 | 8,170,000 | 4,216,296 | 1,110,000 | 424,000 | 1,440,000 | 127,750 | 36,713,358 | 33.38% |
| 2016 | 12,475,000 | 6,272,336 | 8,315,000 | 3,774,226 | - | 407,350 | 1,485,000 | 83,875 | 32,812,788 | |
| 2017 | 13,075,000 | 5,663,718 | 8,720,000 | 3,351,933 | 2,640,000 | 354,550 | 1,540,000 | 30,800 | 35,376,000 | |
| 2018 | 13,485,000 | 5,035,086 | 10,840,000 | 3,628,709 | 1,910,000 | 254,000 | - | - | 35,152,795 | |
| 2019 | 14,175,000 | 4,395,870 | 11,295,000 | 3,141,389 | 2,015,000 | 155,875 | - | - | 35,178,134 | |
| 2020 | 11,215,000 | 3,825,498 | 8,965,000 | 2,697,520 | 2,110,000 | 52,750 | - | - | 28,865,768 | 65.93% |
| 2021 | 11,695,000 | 3,313,688 | 9,290,000 | 2,312,757 | - | - | - | - | 26,611,445 | |
| 2022 | 11,075,000 | 2,803,583 | 9,280,000 | 1,926,679 | - | - | - | - | 25,085,261 | |
| 2023 | 11,585,000 | 2,292,101 | 7,555,000 | 1,555,354 | - | - | - | - | 22,987,455 | |
| 2024 | 12,120,000 | 1,758,798 | 7,920,000 | 1,192,931 | - | - | - | - | 22,991,729 | |
| 2025 | 9,300,000 | 1,273,679 | 7,440,000 | 831,565 | - | - | - | - | 18,845,244 | 91.40% |
| 2026 | 8,385,000 | 853,438 | 4,890,000 | 533,154 | - | - | - | - | 14,661,591 | |
| 2027 | 7,535,000 | 459,825 | 2,465,000 | 338,038 | - | - | - | - | 10,797,863 | |
| 2028 | 4,095,000 | 170,573 | 2,390,000 | 194,940 | - | - | - | - | 6,850,513 | |
| 2029 | 1,095,000 | 34,493 | 1,970,000 | 62,055 | - | - | - | - | 3,161,548 | 100.00% |
| Totals | $ 206,895,000 | $ 78,808,914 | $ 151,940,000 | $ 51,707,744 | $ 14,810,000 | $ 3,647,966 | $ 8,120,000 | $ 1,111,185 | $ 517,040,810 | |

(1) Excludes the Unlimited Tax Refunded Bonds.
(2) Excludes the Limited Tax Refunded Bonds.
(3) Average life of the issue – 5.609 years. Interest on the Unlimited Tax Bonds has been calculated at the rates illustrated on the cover page hereof.
(4) Average life of the issue –4.176 years. Interest on the Limited Tax Bonds has been calculated at the rates illustrated on page 3 hereof.
(5) Includes that portion of interest offset by the refundable tax credit to be received by the County from the Department of Treasury as a result of a portion of the related outstanding obligations being designated as "Build America Bonds."

**TABLE 10 - INTEREST AND SINKING FUND BUDGET PROJECTION**

| | | |
|---|---|---|
| Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/11 | | $ 43,203,067 |
| Estimated Interest and Sinking Fund, 9/30/10 | $ 4,144,036 | |
| Budgeted Interest and Sinking Fund Tax Levy | 39,969,289 | |
| Non-Tax Revenues | 553,041 | 44,666,366 |
| Estimated Balance, 9/30/11 | | $ 1,463,299 |

Table 11 - Authorized But Unissued Bonds

| Purpose | Date Authorized | Amount Authorized | Amount Previously Issued | Unissued Balance |
|---|---|---|---|---|
| Park [1] | 11/6/2007 | $ 17,000,000 | $ 2,400,000 | $ 14,600,000 |
| Road [2] | 11/6/2007 | 235,600,000 | 40,855,000 | 194,745,000 |
| Court Buildings [1] | 11/6/2007 | 76,300,000 | 30,500,000 | 45,800,000 |
| | | $ 328,900,000 | $ 73,755,000 | $ 255,145,000 |

______________

(1) Article VIII, Section 9 indebtedness (limited tax).
(2) Article III, Section 52 indebtedness (unlimited tax).

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT** . . . The Commissioners Court annually adopts a capital improvement plan (the "CIP") as part of the County's annual budget. The CIP is made for planning purposes and may identify projects that will be deferred or omitted entirely in future years. In addition, as conditions change, new projects may be added that are not currently identified. The improvements included in the CIP plan are generally funded from a blend of bond proceeds, tax notes, reserves or current year revenue sources. The current CIP covers fiscal years 2008 through 2017, and includes total capital expenditures of $255 million, of which $39.2 million are scheduled for fiscal year 2011. Most of the planned expenditures will be funded with proceeds of prior bond and tax note issues. As shown in Table 11, the County currently has $255,145,000 of authorized but unissued bonds. The County anticipates issuing approximately $39 million of such amount in fiscal year 2010-11 and the remaining bond authorization over the following six years in amounts that will allow the County to maintain a level debt service tax rate over such period.

**TABLE 12 - OTHER OBLIGATIONS**

The County has no unfunded debt outstanding as of August 31, 2010.

**PENSION FUND** . . . The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). 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 within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. The County has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both the employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using the actuarially determined rate of 13.5% in 2010 and has budgeted to contribute at the same rate in 2011. The contribution rate payable by the employee members is the rate of 7% as adopted by the Commissioners Court. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act. In addition, upon an employee’s retirement, the County contributes to such retired employee’s retirement account an amount equal to $2.00 for every $1.00 saved in such retired employee’s account. The County anticipates fully funding its TCDRS pension fund actuarial accrued liability over the next ten years. For additional information on the County's retirement plan. See Note V(e) in the notes to the financial statements attached hereto as Appendix B.

**Other Post Retirement Benefits** . . . The County has engaged an actuarial firm to prepare an assessment of the County's "other post retirement benefits" ("OPEBs"), as described in GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions ("GASB 45"), which is applicable to the County for future fiscal years. In July 2009, the Commissioners Court reviewed an actuarial study with a total future liability of $37,461,770. The Commissioners Court has approved the establishment of a trust fund (the "OPEB Trust Fund") for the purpose of funding the County's OPEB liabilities, and the OPEB Trust Fund will be managed by a third party administrator. The County currently has approximately $4.2 million on deposit in a separate account dedicated to the County's OPEB liability, which amount will be transferred to the OPEB Trust Fund upon its creation. The County has budgeted to deposit an additional $5 million into the OPEB Trust Fund in fiscal year 2010-11, and therefore the County anticipates that its unfunded actuarial accrued liability at the end of fiscal year 2010-11, based on the July 2009 actuarial study, will be approximately $28,261,770 resulting in a "funded ratio" of 24.6%. The County is in the process of engaging an outside accounting firm to perform a new actuarial study on the County's OPEB liabilities and therefore its actuarial accrued liability could change significantly.

As described in Note V(d) "Post-Retirement Health Benefits" in the audited financial statements of the County for the fiscal year ended September 30, 2009, which are attached hereto as Appendix B, the County offers post-retirement health benefits to retired County employees. In November 2006, the health benefit policy of the County for retirees was substantially modified by the Commissioners Court (the "2006 Benefit Plan"). Prior to the adoption of the 2006 Benefit Plan, health benefits offered to County retirees were limited to the opportunity of retired employees to purchase health insurance benefits though the County at County cost. The 2006 Benefit Plan provides that effective January 1, 2007, the County will pay a portion of the cost of health benefit premiums for retired employees beginning at the age of 65 years. The portion of health insurance premiums to be paid by the County ranges based upon the number of years of continuous service to the County, with persons having served 8-10 years, 11-15 years, 16-19 years and 20 years or greater being eligible for 25%, 50%, 75% and 100%, respectively, of the cost of health benefits incurred by the County. Spouses of eligible retirees are also covered by the 2006 Benefit Plan, provided that the spouse is at least 65 years of age and only if the spouse was on the County's plan prior to the employee's retirement from the County. Persons covered by other employer benefit plans are not eligible to participate in the County plan. State law requires that counties provide retirees with a health insurance plan, but does not require counties to pay the cost of such coverage, and the County could modify the 2006 Benefit Plan in future years, either by increasing or decreasing coverage amounts. For more detailed information on the County's OPEBs and its liabilities relating thereto, see Note V(d) in the financial statements attached hereto as Appendix B.

**FINANCIAL INFORMATION**

**TABLE 13 - CHANGES AND NET ASSETS [(1)]**

| | Fiscal Year Ended September 30, (000's) | | | | |
|---|---|---|---|---|---|
| Revenues: | 2009 | 2008 | 2007 | 2006 | 2005 |
| Program Revenues: | | | | | |
| Charges for Services | $ 42,048 | $ 46,646 | $ 40,337 | $ 36,166 | $ 33,400 |
| Operating Grants and Contributions | 16,374 | 14,239 | 23,593 | 18,430 | 11,390 |
| Capital Grants and Contributions | 1,064 | 465 | 1,218 | 1,190 | 1,291 |
| Total Program Revenues | $ 59,486 | $ 61,350 | $ 65,148 | $ 55,786 | $ 46,081 |
| General Revenues: | | | | | |
| Taxes | $ 176,960 | $ 172,965 | $ 154,165 | $ 144,453 | $ 133,522 |
| Unrestricted Investment Earnings | 3,690 | 7,486 | 8,948 | 6,601 | 8,275 |
| Gain (Loss) on Sale of Assets | - | - | - | - | 253 |
| Miscellaneous | 73 | 1,425 | 1,946 | 54 | 90 |
| Total General Revenues | $ 180,723 | $ 181,876 | $ 165,059 | $ 151,108 | $ 142,140 |
| Total Revenues | $ 240,209 | $ 243,226 | $ 230,207 | $ 206,894 | $ 188,221 |
| | | | | | |
| Expenses: | | | | | |
| General Administration | $ 34,518 | $ 28,473 | $ 24,506 | $ 23,366 | $ 26,432 |
| Judicial | 17,195 | 16,910 | 14,983 | 13,943 | 13,130 |
| Financial Administration | 10,891 | 10,183 | 9,041 | 8,072 | 7,905 |
| Legal | 11,254 | 10,793 | 9,580 | 8,828 | 8,619 |
| Public Facilities | 18,129 | 17,751 | 18,574 | 13,205 | 13,509 |
| Equipment Services | 2,320 | 2,558 | 2,223 | 2,501 | 2,418 |
| Public Safety | 61,904 | 61,213 | 53,331 | 48,524 | 44,463 |
| Public Transportation | 25,491 | 35,834 | 9,642 | 28,558 | 54,856 |
| Health and Welfare | 18,369 | 17,814 | 15,065 | 14,320 | 13,977 |
| Culture and Recreation | 1,720 | 1,617 | 1,547 | 1,619 | 1,079 |
| Conservation | 295 | 317 | 320 | 264 | 393 |
| Debt Service, Interest and Fiscal Charges | 19,267 | 17,618 | 15,510 | 15,436 | 14,600 |
| Total Expenses - Before Transfers | $ 221,353 | $ 221,081 | $ 174,322 | $ 178,636 | $ 201,381 |
| | | | | | |
| Change in Net Assets | $ 18,856 | $ 22,145 | $ 55,885 | $ 28,258 | $ (13,160) |
| Adjustments | - | (4,983) | - | - | - |
| Net Assets as of October 1 | 431,912 | 414,750 | 358,865 | 330,607 | 343,767 |
| Net Assets as of September 30 | $ 450,768 | $ 431,912 | $ 414,750 | $ 358,865 | $ 330,607 |

(1) In accordance with GASB 34, the County's financial statements for the fiscal year ended September 30, 2009, which are attached hereto as Appendix B, include a management discussion and analysis of the operating results of such fiscal year. Reference is made to Appendix B for such information.

**TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

| | Fiscal Year Ended September 30, (000's) | | | | |
|---|---|---|---|---|---|
| Revenues | 2009 | 2008 | 2007 | 2006 | 2005 |
| Taxes | $ 119,981 | $ 117,399 | $ 109,061 | $ 106,217 | $ 98,501 |
| Federal and State Funds | 3,993 | 3,979 | 3,746 | 3,113 | 4,555 |
| Charges for Services | 16,654 | 16,746 | 17,705 | 15,813 | 11,817 |
| Fines and Forfeitures | 2,270 | 2,689 | 2,647 | 2,479 | 2,480 |
| Interest | 3,484 | 6,719 | 7,813 | 5,734 | 2,880 |
| Miscellaneous | 817 | 517 | 535 | 455 | 943 |
| Total Revenues | $ 147,199 | $ 148,049 | $ 141,507 | $ 133,811 | $ 121,176 |
| | | | | | |
| Expenditures | | | | | |
| General Administration | $ 23,809 | $ 21,010 | $ 20,066 | $ 21,113 | $ 23,023 |
| Judicial | 13,846 | 13,687 | 13,618 | 12,550 | 11,697 |
| Financial Administration | 9,946 | 9,512 | 9,325 | 8,319 | 7,963 |
| Legal | 10,322 | 9,865 | 9,600 | 8,806 | 8,572 |
| Public Safety | 44,931 | 44,192 | 43,693 | 38,716 | 35,753 |
| Public Health and Welfare | 11,315 | 10,832 | 9,381 | 9,343 | 9,352 |
| Public Facilities | 10,172 | 10,401 | 9,472 | 8,441 | 8,453 |
| Culture and Recreation | 496 | 425 | 439 | 425 | 437 |
| Equipment Services | 1,919 | 2,271 | 2,061 | 2,534 | 2,369 |
| Capital Outlay | 2,315 | 1,810 | 1,556 | - | - |
| Conservation | 285 | 296 | 305 | 265 | 399 |
| Principal Retirement | 4,096 | - | - | - | - |
| Interest and Fiscal Charges | 414 | - | - | - | - |
| Total Expenditures | $ 133,866 | $ 124,301 | $ 119,516 | $ 110,512 | $ 108,018 |
| | | | | | |
| Excess (Deficiency) of Revenues Over Expenditures | $ 13,333 | $ 23,748 | $ 21,991 | $ 23,299 | $ 13,158 |
| | | | | | |
| Other Financing Sources (Uses) | | | | | |
| Sale of Capital and Non-Captial Assets | $ 80 | $ 222 | $ 285 | $ 61 | $ 207 |
| Operating Transfers In | 162 | 1,339 | - | - | - |
| Operating Transfers Out | (9,462) | (18,047) | (7,651) | (6,552) | (6,480) |
| Total Other Financing Sources (Uses) | $ (9,220) | $ (16,486) | $ (7,366) | $ (6,491) | $ (6,273) |
| | | | | | |
| Net Change in Fund Balances | $ 4,113 | $ 7,262 | $ 14,625 | $ 16,808 | $ 6,885 |
| | | | | | |
| Beginning Fund Balance | 129,513 | 122,251 | 107,626 | 90,818 | 83,933 |
| | | | | | |
| Ending Fund Balance | $ 133,626 | $ 129,513 | $ 122,251 | $ 107,626 | $ 90,818 |

**FINANCIAL ADMINISTRATION** . . . Under the Texas Constitution and other Texas law, financial administration is the responsibility of the Commissioners Court, both as to policy and execution. The County Auditor assists the Commissioners Court in budget preparation, financial recordkeeping, and auditing.

**FINANCIAL POLICIES**

Basis of Accounting . . . The accounting policies of the County conform to generally accepted accounting principles for governmental entities as promulgated by the Government Accounting Standards Board. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, and agency funds. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when the related fund liability is incurred. However, principal of and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Major revenue sources which have been treated as susceptible to accrual under the modified basis of accounting include property taxes, charges for services, intergovernmental revenues, and investment of idle funds.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

The County reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Budgetary Procedures . . . The budget is prepared by the County staff and approved by the Commissioners Court following departmental budget reviews and a public hearing. A copy of the budget must be filed with the County Clerk and the County Auditor and made available to the public. The Commissioners Court must provide for a public hearing on the budget on some date within seven calendar days after the filing of the budget and prior to October 31 of the current fiscal year.

**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, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (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 and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by Bonds described in clauses (1) through (6) or in any other manner and amount provided by law for County deposits, or (ii) where; (a) the funds are invested by the County through a depository institution that has a main office or branch office in this state and that is selected by the County; (b) the depository institution selected by the County arranges for the deposit of funds in one or more federally insured depository institutions, wherever located; (c) the certificates of deposit are insured by the United States or an instrumentality of the United States; (d) the depository institution acts as a custodian for the County with respect to the certificates of deposit; and (e) at the same time that the certificates of deposit are issued, the depository institution selected by the County receives deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the funds invested by the County through the depository institution selected under clause (ii)(a) above, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) 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 of Texas; 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-loan 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 rating by at least one nationally recognized rating service and meet other requirements listed in Section 2256.016 of the Texas Public Funds Investment Act (the "PFIA").

Notwithstanding the preceding, the County may not invest in obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest; or collateralized mortgage obligations that have a stated final maturity date of greater than ten years or the interest rate of which is determined by an index that adjusts opposite to the changes in a market index. The County may not invest in the aggregate more than 15% of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for debt service, in mutual funds described in clause (13) above, and may not invest any portion of bond proceeds, reserves, and funds held for debt service in mutual funds described in clause (13) above. Nor may the County invest its funds or funds under its control, including bond proceeds, reserves, and other funds held for debt service, in any one mutual fund described in clauses (12) or (13) above in an amount that exceeds 10% of the total assets of the mutual fund. The County must also restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement proceeds to no greater than the term of the reverse repurchase agreement.

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

Under State 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." No person may invest County funds without express written authority from the Commissioners Court. At least quarterly, the investment officers of the County must submit an investment report to the Commissioners Court which is prepared jointly and signed by all investment officers and which meets the reporting requirements of Section 2256.023 of the PFIA.

**ADDITIONAL PROVISIONS** . . . Under State law, the County is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business or family relationships with firms or individuals seeking to sell investments to the County to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Trustees, (3) require an authorized representative of each firm seeking to sell investments to the County to receive and review the County's investment policy and to acknowledge in writing that reasonable controls and procedures have been implemented to preclude imprudent investment activities, (4) to perform an annual audit of the management controls on investments and adherence to the County's investment policy, and (5) provide investment training for the County's investment officers.

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

The County's investment policy requires that its funds be invested in accordance with State law. The County generally invests in public fund investment pools or obligations of the United States or its agencies and instrumentalities.

**TABLE 14 - CURRENT INVESTMENTS**

As of August 31, 2010, the County's investable funds were invested in the following categories:

| Description | Percent | Book Value | Market Value |
|---|---|---|---|
| Local Government Investment Pools [1] | 56.36% | $ 203,561,364 | $ 203,672,296 |
| U.S. Agency Securities | 5.87% | 21,196,500 | 21,196,500 |
| Certificates of Deposit | 37.77% | 136,401,081 | 136,401,081 |
| | 100.00% | $ 361,158,945 | $ 361,269,877 |

As of such date, 56.36% of the County's investment portfolio is available upon demand. The market value of the investment portfolio was approximately 100.03% of its purchase price.

No funds of the County are invested in equity securities or derivative securities (i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity), and therefore the County has not sustained any losses in the market value of its portfolio during the recent economic downturn.

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(1) Local government investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940 that governs money market mutual funds. One of the local government investment pools used by the County is TexSTAR, which is co-administered by First Southwest Asset Management, Inc., the investment affiliate of First Southwest Company, the Financial Advisor for the County.

## TAX MATTERS

**TAX EXEMPTION** . . . In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not private activity bonds under the Internal Revenue Code of 1986, as amended (the "Code") and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Issuer has covenanted in the Orders that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Orders pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Issuer, the Issuer's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Issuer, the Issuer's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report of Grant Thornton LLP, certified public accountants, regarding the mathematical accuracy of certain computations. If the Issuer should fail to comply with the covenants in the Orders or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such includability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on certain tax-exempt obligations is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the 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 as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

### ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

**Collateral Tax Consequences**

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds 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 Bonds, received or accrued during the year.

**Tax Accounting Treatment of Original Issue Premium**

The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

**Purchase of Exempt Bonds by Financial Institutions**

Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of any deduction by a financial institution of its pro rata interest expense to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides, however, two exceptions to this disallowance for a financial institution: (i) new money tax-exempt obligations issued during calendar years 2009 and 2010 that have an adjusted cost basis that does not exceed two percent of the adjusted cost basis of the financial institution's total assets and (ii) tax-exempt obligations that are properly designated by an issuer as "qualified tax-exempt obligations."

The Bonds have been designated as "qualified tax-exempt obligations" based, in part, on the Borrower's representation that the amount of the Bonds, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) issued or reasonably anticipated to be issued on behalf of the Borrower during 2010, will not exceed $30,000,000. Further, the Borrower has not designated more than $30,000,000 in "qualified tax-exempt obligations" (including the Bonds) during 2010.

Notwithstanding the designation of the Bonds as "qualified tax-exempt obligations" under this exception, financial institutions acquiring the Bonds will be subject to a 20 percent disallowance of allocable interest expense.

## CONTINUING DISCLOSURE OF INFORMATION

In the Orders, the County has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. 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 the Municipal Securities Rulemaking Board (the "MSRB").

**ANNUAL REPORTS** . . . The County will provide certain updated financial information and operating data to the MSRB on an annual basis. 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 and after September 30, 2010. The County will provide the updated information to the MSRB in an electronic format, which will be available to the general public without charge via the MSRB's Electronic Municipal Market Access ("EMMA") System as www.emma.msrb.org.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time and 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 September 30. Accordingly, it must provide updated information by March 31 in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify the MSRB of the change.

**MATERIAL EVENT NOTICES** . . . The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (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 Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. (Neither the Bonds nor the Orders make any provision for debt service reserves, credit enhancement, liquidity enhancement or early redemption.) 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."

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

**LIMITATIONS AND AMENDMENTS** . . . The County has agreed to update information and to provide notices of material events only as described above. The County has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the County to comply with its agreement.

The 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 Bonds 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 Bonds 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 Bonds. 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 Rule 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 Bonds in the primary offering of the Bonds. 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** . . . Over the last five years the County has complied in all material respects with its prior undertakings pursuant to the Rule.

## OTHER INFORMATION

### RATINGS

The Bonds and the presently outstanding tax supported debt of the County are rated "Aaa" by Moody's and "AAA" by S&P without regard to third-party credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the County makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

### LITIGATION

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

At the time of the initial delivery of the Bonds, the County will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

**REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

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

**LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the County has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

**LEGAL MATTERS**

The County will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of each series of Bonds, including the approving legal opinions of the Attorney General of the State of Texas to the effect that the Initial Bond of each Series is a valid and binding obligation of the County, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel to the effect that the Bonds issued in compliance with the provisions of the Orders are valid and legally binding obligations of the County and the interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds, subject to the matters described under "Tax Matters" herein including alternative minimum tax consequences for corporations. Forms of such opinions are attached hereto as Appendix C. 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 therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "Plan of Financing" (except for the subcaption "Sources and Uses of Proceeds)", "The Bonds" (except for the subcaptions "Book-Entry-Only System" and "Bondholder's Remedies"), "Tax Matters" and "Continuing Disclosure of Information" (except for the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Bonds for Sale", "Legal Investments and Eligibility to Secure Public Fund in Texas", and "Legal Matters" under the caption "Other Information" and such firm is of the opinion that the information relating to the Bonds and the Orders contained therein fairly and accurately describe the provisions thereof. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski L.L.P., Dallas, Texas, Counsel to the Underwriters. The legal fees to be paid to Underwriters' Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

**AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from County records, audited financial statements and other sources which the County believes 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.

### FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the County in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

### UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Unlimited Tax Bonds from the County, at an underwriting discount of $80,261.15 from the initial offering prices to the public. The Underwriters will be obligated to purchase all of the Unlimited Tax Bonds if any Unlimited Tax Bonds are purchased. The Unlimited Tax Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Unlimited Tax Bonds into investment trusts) at prices lower than the public offering prices of such Unlimited Tax Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Limited Tax Bonds from the County, at an underwriting discount of $42,074.80 from the initial offering prices to the public. The Underwriters will be obligated to purchase all of the Limited Tax Bonds if any Limited Tax Bonds are purchased. The Limited Tax Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Limited Tax Bonds into investment trusts) at prices lower than the public offering prices of such Limited Tax Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective 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.

### 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.

### VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by First Southwest Company on behalf of the County relating to (a) computation of forecasted receipts of principal and interest on the Escrowed Securities and the forecasted payments of principal and interest to pay the Refunded Bonds and (b) computation of the yields of the Bonds and the restricted Escrowed Securities will be verified by Grant Thornton LLP, certified public accountants. Such computations will be based solely on assumptions and information supplied by First Southwest Company on behalf of the County. Grant Thornton LLP will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information on which the computations will be based and, accordingly, will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

### 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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolution. 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 Orders approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its use in the reoffering of the Bonds by the Underwriters.

KEITH SELF
County Judge
Collin County, Texas

ATTEST:

STACEY KEMP
County Clerk

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**Schedule I**

## SCHEDULE OF REFUNDED BONDS

### Unlimited Tax Road Bonds, Series 2001

| Original Dated Date | Stated Maturity | Interest Rate | Principal Amount Outstanding | Principal Amount Refunded |
|---|---|---|---|---|
| 8/1/2001 | 2/15/2012 | 4.400% | $ 765,000 | $ 765,000 |
| | 2/15/2013 | 4.500% | 805,000 | 805,000 |
| | | | $ 1,570,000 | $ 1,570,000 |

The 2012 – 2013 maturities will be redeemed prior to their original maturity on February 15, 2011 at par.

### Unlimited Tax Refunding Bonds, Series 2001

| Original Dated Date | Stated Maturity | Interest Rate | Principal Amount Outstanding | Principal Amount Refunded |
|---|---|---|---|---|
| 8/15/2001 | 2/15/2012 | 4.500% | $ 1,100,000 | $ 1,100,000 |
| | 2/15/2013 | 4.350% | 1,085,000 | 1,085,000 |
| | 2/15/2014 | 4.450% | 1,075,000 | 1,075,000 |
| | 2/15/2015 | 4.550% | 1,160,000 | 1,160,000 |
| | | | $ 4,420,000 | $ 4,420,000 |

The 2012 – 2015 maturities will be redeemed prior to their original maturity on February 15, 2011 at par.

### Unlimited Tax Road and Refunding Bonds, Series 2004

| Original Dated Date | Stated Maturity | Interest Rate | Principal Amount Outstanding | Principal Amount Refunded |
|---|---|---|---|---|
| 3/15/2004 | 2/15/2017 | 4.750% | $ 3,305,000 | $ 2,710,000 |
| | 2/15/2018 | 4.750% | 2,435,000 | 1,995,000 |
| | 2/15/2019 | 4.750% | 2,555,000 | 2,095,000 |
| | 2/15/2020 | 4.750% | 2,675,000 | 2,190,000 |
| | | | $ 14,180,000 | $ 8,990,000 |

The 2017 – 2020 maturities will be redeemed prior to their original maturity on February 15, 2014 at par.

**Limited Tax Permanent Improvement Bonds, Series 2001**

| Original Dated Date | Stated Maturity | Interest Rate | Principal Amount Outstanding | Principal Amount Refunded |
|---|---|---|---|---|
| 8/1/2001 | 2/15/2012 | 4.300% | $ 245,000 | $ 245,000 |
| | 2/15/2013 | 4.450% | 255,000 | 255,000 |
| | 2/15/2014 | 4.550% | 270,000 | 270,000 |
| | | | $ 770,000 | $ 770,000 |

The 2012 – 2014 maturities will be redeemed prior to their original maturity on February 15, 2011 at par.

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**Limited Tax Permanent Improvement Bonds, Series 2002**

| Original Dated Date | Stated Maturity | Interest Rate | Principal Amount Outstanding | Principal Amount Refunded |
|---|---|---|---|---|
| 5/1/2002 | 2/15/2013 | 4.600% | $ 1,315,000 | $ 1,315,000 |
| | 2/15/2014 | 4.700% | 1,385,000 | 1,385,000 |
| | 2/15/2015 | 4.800% | 1,460,000 | 1,460,000 |
| | 2/15/2016 | 4.850% | 1,535,000 | 1,535,000 |
| | 2/15/2017 | 5.000% | 1,615,000 | 1,615,000 |
| | | | $ 7,310,000 | $ 7,310,000 |

The 2013 – 2017 maturities will be redeemed prior to their original maturity on February 15, 2012 at par.

## **APPENDIX A**

GENERAL INFORMATION REGARDING THE COUNTY

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**LOCATION** . . . Collin County, Texas, is located in Northeast Texas immediately north and adjacent to Dallas County, and approximately 15 miles from downtown Dallas. The County is an important component of the Dallas-Fort Worth Consolidated Metropolitan Statistical Area. The 836 square miles comprising the County represent a dynamic growth area in the Metroplex, and includes the Cities of Plano, McKinney (County Seat), Allen, Frisco, and Wylie.

**POPULATION** . . . Significant increases in population and economic growth have occurred during the past two decades. County population at the 1960 census was 41,247 . . . at the 1970 census, 66,920 . . . at the 1980 census, 144,576 . . . at the 1990 census, 264,036 . . . at the 2000 census, 491,675, and the 2011 estimated population is 801,865.

**ECONOMY** . . . The economic base consists of various manufacturing, computer technology, electronics, oil and gas research, and agriculture. Major industries with headquarters or divisions located within the County include petroleum research, tele-communication, computer technology, electronics, retail, the food industry, and insurance institutions. Some of the major employers in Collin County are as follows:

| Company | Number of Employees |
|---|---|
| Bank of America Home Loans | 9,410 |
| J.C. Penney, Inc. | 5,100 |
| Electronic Data Systems | 5,000 |
| University of Texas at Dallas | 2,830 |
| WalMart Super Center | 2,561 |
| Raytheon/TI Systems | 2,500 |
| Collin County Community College | 2,377 |
| AT&T | 2,350 |
| CHC Acquisition Corp. | 2,000 |
| Alcatel | 1,830 |
| T-Mobile USA, Inc. | 1,500 |
| Texas Health Presbyterian Hospital | 1,488 |

**LABOR AND EMPLOYMENT ANALYSIS** . . . Economic growth and development during the past decade in the County, and the immediate surrounding area, has provided a high rate of employment for the available labor force. Statistical data (annual average) for the County is as follows:

| | July | Average Annual | | | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Civilian Labor Force | 422,524 | 409,675 | 404,668 | 395,426 | 384,208 | 368,326 |
| Employed | 389,500 | 379,610 | 386,020 | 380,118 | 367,837 | 351,264 |
| Unemployed | 33,024 | 30,065 | 18,648 | 15,308 | 16,371 | 17,062 |
| Percent Unemployed | 7.82% | 7.34% | 4.61% | 3.87% | 4.26% | 4.63% |

Source: Economic Research and Analysis Department estimates - Texas Workforce Commission.

**EDUCATION** . . . The following are the major colleges and universities located within a 60-mile radius of the County.

| | |
|---|---|
| Austin College | Sherman, Texas |
| Collin County Community College District | Plano, Texas |
| Dallas County Community College System | Dallas County, Texas |
| Texas A&M - Commerce | Commerce, Texas |
| Grayson County Junior College | Denison, Texas |
| Southern Methodist University | Dallas, Texas |
| Texas Christian University | Fort Worth, Texas |
| Texas Woman's University | Denton, Texas |
| University of Dallas | Dallas, Texas |
| University of North Texas | Denton, Texas |
| University of Texas at Arlington | Arlington, Texas |
| University of Texas at Dallas | Dallas, Texas |

**CLEAN AIR ACT NON-ATTAINMENT** . . . The Dallas/Fort Worth ("DFW") ozone nonattainment area (initially, Collin, Dallas, Denton, and Tarrant Counties, and as of April 15, 2004, Ellis, Johnson, Kaufman, Parker and Rockwall Counties were added to the nonattainment area) was originally designated "moderate" under the Federal Clean Air Act amendments of 1990, and thus was required to attain the 1-hour ozone standard by November 15, 1996. DFW did not attain the ozone standard in 1996.

The EPA is authorized to redesignate an area to the next higher classification ("bump up") if it fails to attain by the required date. Consequently, in March 1998, and in accordance with FCAA, EPA reclassified DFW from moderate to serious. The reclassification required the State to submit a revised State Implementation Plan demonstrating attainment of the ozone standard by November 15, 1999. Because DFW continued to exceed the ozone standard in 1999, EPA required submittal of a revised SIP by May 1, 2000, demonstrating attainment.

On April 19, 2000, the Texas Natural Resources Conservation Commission (now TCEQ) adopted a new SIP, which included a plan for the then four-county DFW nonattainment area that included Collin County. In February 2001, EPA accepted the SIP and the DFW plan. In accepting the plan, EPA did not reclassify the DFW area from serious to severe, and deferred the compliance date for the DFW area to November 15, 2007 from November 15, 1999.

The nine-county area is now classified as a "moderate" ozone nonattainment area under the 8-hour ozone standard. The requirements of the 1-hour standard remained in effect for the four core counties until EPA revoked that standard on June 15, 2005. At that time the entire nine-county area became subject to the 8-hour requirements.

In April 2004, along with its classification of new counties in the DFW under the 8-hour ozone standard, EPA also addressed other aspects of 8-hour attainment in Phase I of its Implementation Rule, promulgated April 30, 2004. The Implementation Rule outlines a number of options for areas with outstanding obligations for an approved 1-hour ozone attainment demonstration, which applies to the DFW nonattainment area. Two of these measures involve the loss of Federal highway funding and the implementation of a more stringent environmental permitting program for commercial and industrial entities, possibly retarding economic growth in such areas.)

On November 29, 2005, EPA finalized Phase II of its 8-hour Ozone Implementation Rule, which detailed reasonable further progress ("RFP") requirements for 8-hour ozone nonattainment areas, such as DFW. On November 21, 2006, TCEQ filed revisions to the DFW 8-hour non-attainment area SIP (the "Revised DFW SIP").

The Revised DFW SIP notes that the DFW 8-hour ozone nonattainment area consists of two sets of counties: the original four one-hour nonattainment counties (Collin, Dallas, Denton, and Tarrant) and the five new nonattainment counties (Ellis, Johnson, Kaufman, Parker, and Rockwall). Because of this circumstance, TCEQ has two options for fulfilling its 8-hour ozone RFP requirements for the DFW area: (1) to treat all nine counties as a single area with a single RFP reduction target of 15 percent reduction in volatile organic compound ("VOC") emissions from the entire nine-county area between 2002 and 2008 or (2) treat the two sets of counties as separate areas with separate RFP targets. TCEQ has elected option 2 which requires a 15 percent VOC reduction between 2002 and 2008 for the five new nonattainment counties, and a 15 percent reduction in emissions for the original four county area between 2002 and 2008, and either VOC, NOx or a combination of the two may be used to achieve the required reductions.

The TCEQ chose option 2 to fulfill the 8-hour ozone RFP requirements for the DFW area, using the mandate of VOC reductions for the five-county area and NOx reductions for the four-county area. Using NOx reductions for the four-county area is consistent with the DFW 8-hour ozone attainment demonstration SIP that shows reductions in NOx emissions are more effective than reductions in VOC emissions for reducing ozone levels in the DFW nine-county area.

# APPENDIX B

EXCERPTS FROM THE

COLLIN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2009

The information contained in this Appendix consists of excerpts from the Collin County, Texas Annual Financial Report for the Year Ended September 30, 2009, 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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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

# INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and
Commissioners' Court
Collin County, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Collin County, Texas as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Collin County, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Collin County, Texas, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2010, on our consideration of Collin County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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TEMPLE, TX (254) 791-3460 ■ WHITNEY, TX (254) 694-4600 ■ ALBUQUERQUE, NM (505) 266-5904

The management's discussion and analysis and budgetary comparison on pages 3 through 20 and pages 74 through 78 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise Collin County's basic financial statements. The introductory section, combining and individual fund financial statements, supplementary schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pattillo, Brown & Hill, L.L.P.

April 29, 2010

## Management's Discussion and Analysis

This section of the Collin County, Texas (the "County") Comprehensive Annual Financial Report (CAFR) presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2009. Readers should consider the information in this section when reading the overall report, including the transmittal letter, financial statements, and accompanying notes.

## FINANCIAL HIGHLIGHTS

### Highlights for Government-wide Financial Statements

The government-wide financial statements report information about the County as a whole using the economic resources measurement focus and accrual basis of accounting.

- County assets exceed liabilities by $450.8 million on a government-wide basis at September 30, 2009, an increase of $18.9 million from 2008.

- For the fiscal year, taxes and other revenues of the County's governmental activities amounted to $240.2 million. The primary revenue sources for governmental activities were property (ad valorem) taxes ($174.9 million), charges for services ($42.5 million) and operating grants and contributions ($16.0 million). These three revenue sources accounted for 72.8%, 17.7%, and 6.7%, respectively, or 97.2% of total governmental activities revenues.

- Total expenses were $221.4 million; the largest functional expenses were public safety ($61.9 million), general administration ($34.5 million), and public transportation ($25.5 million).

- Net capital assets were $489.4 million for governmental type activities. Net depreciation expense attributable to assets of governmental activities amounted to $21.4 million for the year.

- In 2009, there was a write-off of $18.3 million of accumulated depreciation due to a change in the capitalization policy related to capital assets.

### Highlights for Fund Financial Statements

The fund financial statements report detailed information about the County's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting.

- The County's governmental funds reported an increase in fund balance of $16.4 million for fiscal year 2009, as compared to $16.8 million for fiscal year 2008.

- The County General Fund reported a fund balance of $133.6 million, an increase of $4.1 million from September 30, 2008.

**General Financial Highlights**

- In September 2009, the County issued $67.5 million in bonds for road construction, open space and parks, new facilities, and refunding of prior debt. The total refunded was $23.6 million. More detail is provided later in the report.

- The County, as part of its transportation plan, provides financing to its cities to assist in road construction to meet continuing population growth. In fiscal year 2009, the County transferred to the cities more than $3.8 million in roads constructed with County funds, but not in the unincorporated areas of the County. Although the County no longer maintains or owns those roads, it continues to be responsible for paying the debt incurred for construction.

## OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is presented as an introduction to the County's basic financial statements. The basic financial statements include the government-wide financial statements, the fund financial statements, and the accompanying notes. Also included is supplementary information which is required in addition to the basic financial statements.

### Government-wide Financial Statements

Government-wide financial statements are designed to provide a broad overview of County finances in a manner similar to a private-sector business, using full-accrual accounting for all transactions and activities.

The statement of net assets provides information on all County assets and liabilities; the difference between the two is reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the net assets of the County changed during the fiscal year presented herein. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Under this presentation using full-accrual accounting, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation and sick leave, etc.).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes. If appropriate, the statements would also present revenues from governmental activities that are most like a private enterprise. That is, the intent of the activity is to recover all or a significant portion of its costs of operations through the charging of user fees and activity charges. Governmental activities of the County supported primarily by taxes include general government, judicial, public safety, public works, health, welfare, culture and recreation, and interest on long-term debt. Enterprise Fund activities might include operations of an airport or hospital. The County created its first Enterprise Fund in fiscal year 2009 to record the activity of the Collin County Toll Road Authority. The Toll Road Authority was established to build and maintain an Outer Loop tolled roadway in the northern and eastern portions of the County. The Toll Road will connect with Interstate 35 in Denton County on the north side of the DFW metroplex and Interstate 30 in Rockwall County on the east side of the DFW metroplex.

The County operates an animal shelter that works with local cities and unincorporated areas of the County to handle the disposition of unwanted animals.  This operation charges a pro rata share of the operating expenses and construction costs to each participating city, as well as to the County General Fund, of the costs of operations.  The animal shelter is not considered an Enterprise Fund since it provides services to other governments and not to the general public.

Government-wide financial statements include not only the activities of the County itself (known as the primary government), but also those of the legally separate component unit: Collin County Health Care Foundation, McKinney and Plano.  The County Commissioners act as the Board of Trustees for the component unit whose activities are blended with those of the primary government because they function as part of the County government.

## Fund Financial Statements

A fund is a grouping of related accounts used to control and account for resources segregated for specific activities or objectives.  The County, like other state and local governments, uses fund accounting to both ensure and demonstrate compliance with legal requirements.  All funds of the County can be divided into one of three categories: governmental funds, proprietary funds, and fiduciary funds.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.  However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The nature of such inflows and outflows may be useful in evaluating near-term financial requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, the reader may find it useful in comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.  By doing so, one may come to better understand the differences in the long-term financial activity of the County.  Such comparison may also be used to distinguish the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances include reconciliations useful in comparing the governmental funds and government-wide activities.

The County maintains individual governmental funds.  Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the:

- General Fund
- General Road and Bridge
- Health Care Foundation
- Unlimited Tax Road Bond 2007
- Permanent Improvement

Each of these funds is considered to be a major fund.  Financial results from the other governmental funds are combined into a single, aggregated presentation and included in the total.  Individual fund data for each of these non-major governmental funds are provided in the combining and individual fund statements and schedules.

The County adopts an annual appropriated budget for most of its governmental funds. A budgetary comparison statement is provided for County governmental funds, where a budget is adopted, to demonstrate compliance with the approved budget. (The exception is the Capital Projects Funds, which are budgeted according to the project budget, with an assigned project number for tracking and recording.) Budgetary comparison statements for major governmental funds are presented as required supplementary information in the basic financial statements. Budgetary comparison statements for all governmental funds are included in the fund financial statements accompanying information.

### Proprietary Funds

Currently, the County has two types of proprietary funds – an Enterprise Fund and an Internal Service Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an Enterprise Fund to account for the Collin County Toll Road Authority. Internal Service Funds are used to accumulate and allocate costs internally among various County functions. The services provided benefit the various government functions they support, which is why they have been included within governmental activities in the government-wide financial statements. The County uses Internal Service Funds to account for the following activities:

- Liability Insurance
- Workers' Compensation Insurance
- Insurance Claim
- Unemployment Assessment
- Flexible Benefits
- Employee Benefits Paid
- Animal Safety

Proprietary funds provide the same type of information as the government-wide financial statements, but with more detail. Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the Internal Service Funds are provided in the combining and individual fund statements and schedules.

### Fiduciary Funds

County fiduciary funds consist of several agency funds. Agency funds are the separate accounts and transactions related to money received that is collected for and remitted to another entity. For example, the County collects traffic fines; a portion of the fine belongs to the state. After collection, the monies owed to the other entities are remitted to those entities on a periodic basis.

### Notes to Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes disclose other pertinent information that, when taken in whole with the financial statements, provide a more detailed picture of the state of the finances of the County.

### Other Information

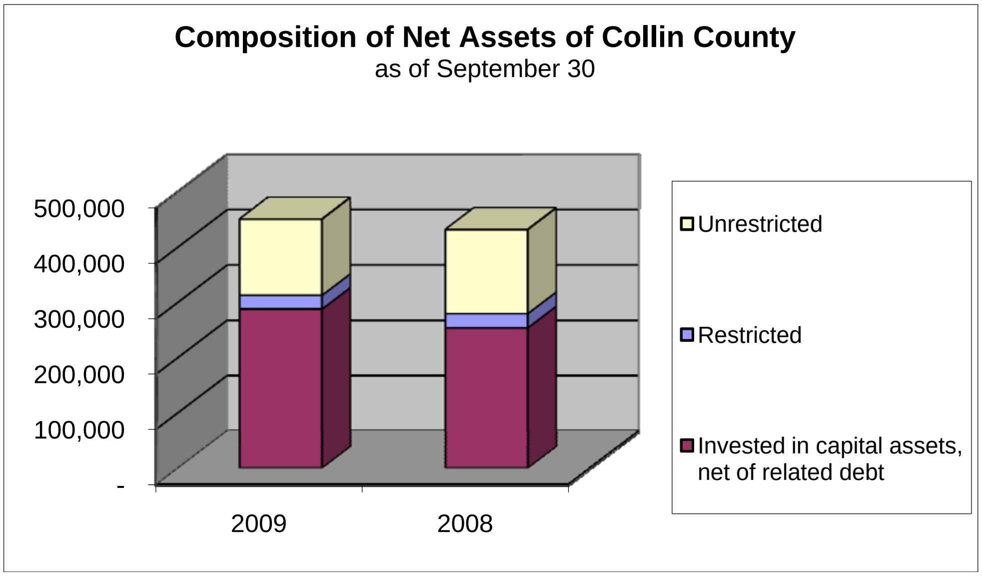
In addition to the basic financial statements and accompanying notes to those financial statements, also presented in this report are certain required supplementary information schedules with additional information regarding the results of the County's financial activities.

The combining statements and individual fund schedules are presented immediately following the required supplementary information.

Unaudited statistical information is provided for trend and historical analysis.

## Government-Wide Financial Analysis

Net assets of the County as of September 30, 2009 and September 30, 2008, are summarized and analyzed below:




- Net assets serve as a useful indicator of financial position. Assets exceeded liabilities by $450.8 million as of September 30, 2009, and by $431.9 million as of September 30, 2008, a net increase of $18.9 million.

**Statement of Net Assets**
**As of September 30**
**($ in thousands)**

| | 2009 | 2008 |
|---|---|---|
| **Assets:** | | |
| Current and Other Assets | $ 415,336 | $ 421,387 |
| Capital Assets | 496,307 | 461,799 |
| Total Assets | 911,643 | 883,186 |
| **Liabilities:** | | |
| Current Liabilities | 12,524 | 25,643 |
| Long-term Liabilities | 448,347 | 425,631 |
| Total Liabilities | 460,871 | 451,274 |
| **Net Assets:** | | |
| Invested in capital assets, net of related debt | 287,731 | 253,798 |
| Restricted | 25,019 | 25,727 |
| Unrestricted | 138,022 | 152,387 |
| **Total Net Assets** | $ 450,772 | $ 431,912 |

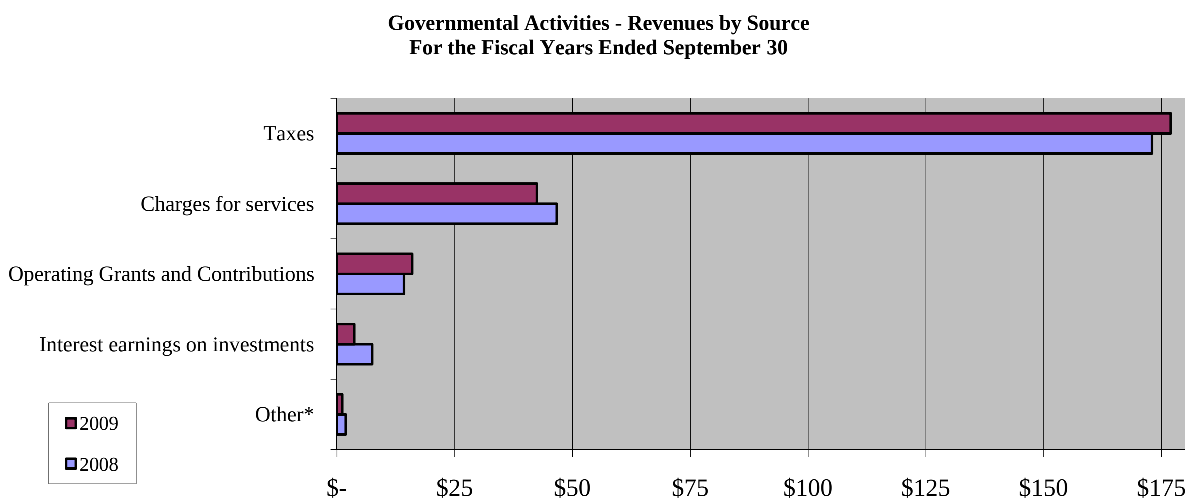
- Investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, etc., net of related debt used to acquire the assets) accounts for the largest category of net assets (63.8%). Capital assets are used to provide services to citizens. Although our investment in capital assets is reported net of related debt, the reader should note resources needed to repay this debt must be provided from other sources, since the assets cannot be used to liquidate the debt.

- Restricted net assets (5.6%) represent resources subject to external restrictions on their use. Of these restricted net assets, 30.1% of restricted net assets is to repay long-term debt, 55.6% (of restricted) is to provide health care services (as established upon sale of the County hospital), 13.8% (of restricted) is for grant programs, and the balance is for the County's Myers Park Foundation.

- The remaining portion of the County's net assets (30.6%) is unrestricted and may be used to meet ongoing obligations to citizens and creditors.

- At September 30, 2009, the County had positive balances in all three categories of net assets.

Reflected below is a comparison of County revenues by source. Revenue decreased in 2009 over 2008 by 1.2%, due primarily to lower collections for charges for services and lower investment earnings. A summary of the amounts and more detailed explanation is provided below the graph.




Summarized below are details of the governmental activities of the County for FY 2009 and 2008.

- Program revenues included charges for services, fines and forfeitures, certain licenses and permits, and special assessments, as well as both operating and capital grants and contributions. Program revenues from governmental activities decreased by $1.9 million or 3.0%. Reductions came from charges for services (down 9.9% over 2008); the reductions were offset by increases in operating grants and contributions of $2.1 million (up 15.0%) and gains in capital grants and contributions of $0.6 million (up 128.8%).

- General revenues consist of taxes and interest not allocable to specific programs, as well as miscellaneous transactions that are not attributable to a specific program. For governmental activities, the largest of these revenues, taxes, increased by $4.0 million or 2.3%.

- Public transportation decreased by $10.3 million or 28.9%, due to completion of roads that were in construction in progress at the end of FY2008.

- General administration increased, from $28.5 million to $34.5 million (21.2%). This reflects increases in capital assets, recording the OPEB liability and liability insurance increases.

- Interest on long-term debt increased by $1.6 million, as the County made payments on its long-term debt, which increased in FY2009.

**Summary of Changes in Net Assets**
**For the Fiscal Years Ended September 30**
**($ in thousands)**

| | 2009 | | 2008 | |
|---|---|---|---|---|
| **Revenues** | | | | |
| *Program Revenues:* | | | | |
| Charges for services | $ 42,048 | | $ 46,646 | |
| Operating grants and contributions | 16,374 | | 14,239 | |
| Capital grants and contributions | 1,064 | $ 59,486 | 465 | $ 61,350 |
| *General Revenues:* | | | | |
| Taxes | $ 176,960 | | $ 172,965 | |
| Unrestricted investment earnings | 3,694 | | 7,486 | |
| Miscellaneous | 73 | | 105 | |
| *Extraordinary item - proceeds from punitive damages* | - | 180,727 | 1,320 | 181,876 |
| Total revenues | | $ 240,213 | | $ 243,226 |
| **Expenses** | | | | |
| General administration | $ 34,518 | | $ 28,473 | |
| Judicial | 17,195 | | 16,910 | |
| Financial administration | 10,891 | | 10,183 | |
| Legal | 11,254 | | 10,793 | |
| Public facilities | 18,129 | | 17,751 | |
| Equipment services | 2,320 | | 2,558 | |
| Public safety | 61,904 | | 61,213 | |
| Public transportation | 25,491 | | 35,834 | |
| Health and welfare | 18,369 | | 17,814 | |
| Culture and recreation | 1,720 | | 1,617 | |
| Conservation | 295 | | 317 | |
| Interest on long-term debt | 19,267 | | 17,618 | |
| Total expenses – before transfers | | 221,353 | | 221,081 |
| Change in Net Assets | | $ 18,860 | | $ 22,145 |
| Net assets as of October 1, 2009 and 2008 | | 431,912 | | 409,767 |
| Net assets as of September 30 | | $ 450,772 | | $ 431,912 |

| Total Cost and Net Cost of Governmental Activities for Collin County<br>For the Six Largest Functions by Expense<br>For the Fiscal Years Ended September 30<br>($ in thousands) | | | | |
|---|---|---|---|---|
| | Total Cost of Services | | Net Cost of Services | |
| **Functions/Programs** | **2009** | **2008** | **2009** | **2008** |
| Public safety | $ 61,904 | $ 61,213 | $ 49,008 | $ 48,387 |
| Public transportation | 25,491 | 35,834 | 4,131 | 13,875 |
| Judicial | 17,195 | 16,910 | 11,593 | 11,388 |
| General administration | 34,518 | 28,473 | 26,693 | 19,634 |
| Health and welfare | 18,369 | 17,814 | 11,705 | 11,365 |
| Debt service, interest and fiscal charges | 19,267 | 17,618 | 19,092 | 16,987 |
| Other | 44,609 | 43,219 | 39,645 | 38,095 |
| Total | $ 221,353 | $ 221,081 | $ 161,867 | $ 159,731 |

## Financial Analysis of the County's Funds

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

The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This data may be particularly useful in assessing the County's requirements for additional financing. Unreserved fund balance serves as an indicator of the County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of $390.9 million, an increase of $16.4 million (4.4%) from the prior year.

Approximately 34.1% of fund balances ($133.9 million) constitute unreserved, undesignated fund balance. A portion of the unreserved fund balance has been designated for budgetary purposes for specific future expenditures which may or may not be incurred in the near-term ($10.8 million).

The remainder of the combined fund balance is reserved to indicate that it is not available for new spending because it has already been committed to:

- capital projects totaling $147.5 million (comprised of road construction, permanent improvements, and open space projects) in progress at the end of the year,
- liquidate contracts and purchase orders of the prior period ($58.5 million),
- debt service ($7.5 million),
- health care costs ($13.9 million), and
- other reserved items ($7.2 million).

General Fund

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved, undesignated fund balance of the General Fund was $115.3 million, an increase of $4.6 million or 4.1% from the prior year. The total fund balance in the General Fund was $133.6 million, an increase of $4.1 million or 3.1% from the prior year.

To get a more detailed picture of the liquidity of the General Fund, the reader may find it useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers. Unreserved fund balance represents 86.2% and 89.1% of total General Fund expenditures and transfers out for the fiscal years ended September 30, 2009, and 2008, respectively. Total fund balance represents 99.8% and 104.2% of that same amount for the stated periods, respectively. Key factors in the change in fund balance in the General Fund are as follows:

- Property tax revenues increased by $2.6 million, due to the growth of the County, even with declining property values.

- The combined charges for services and fees and permits decreased by $0.2 million.
    - County Clerk fees lower than prior year by $0.3 million due to fewer properties being recorded;
    - Criminal fees in County courts increased by $0.2 million due to higher fees authorized by the legislature;
    - District Clerk passport fees decreased by $0.1 million due to lower travel demand;
    - Tax Assessor/Collector fees higher than prior year - $0.1 million due to a higher number of properties that were assessed taxes;
    - Sheriff’s office fees for school resource officer increased by $0.1 million due to higher fees authorized by the state legislature;
    - Federal inmate housing revenue greater than prior year by $0.1 million, owing to a more aggressive campaign to house federal inmates to offset jail costs;
    - Ambulance service fees increased by $0.1 million over last year, primarily due to higher fees and collection efforts for rural ambulance calls;
    - Other fees and charges lower than prior year - $0.3 million due to the slower economy; and
    - Other changes not identified above were a net increase of $0.3 million.

- Investment earnings decreased by $3.2 million due to lower interest rates and record lower Federal Reserve rates.

- General administrative expenses increased by $2.8 million.
    - Increased archive and restoration expenditures in the County Clerk’s office of $1.0 million pursuant to a plan to restore and maintain land and vital records dating back to 1850;
    - Increase in software maintenance of $0.6 million required as part of the new Justice system and higher database licensing costs;
    - Increased liability insurance reserves by $0.3 million as part of managements continuing effort to set aside monies to contingent liabilities;
    - Increased Tax Increment Financing District participation of $0.3 million from businesses seeking to lower overall tax expenses;

  - Increased phone system maintenance by $0.2 million due to opening of the new Administrative Building;
  - IT audit of network and infrastructure capabilities (done on a three year basis) of $0.1 million related to a once every three year audit of information technology hardware and security policies; and
  - Other increases in general administrative expenses not specifically identified above of $0.3 million.

- Capital projects in the General Fund increased by $0.5 million, due to required equipment for the new Administrative Building.

- Debt Service in the General Fund increased by $4.5 million as the County paid off a state loan used to modernize and convert its buildings to a more energy efficient use of utilities.

- Health and welfare expenditures increased over the prior year due to additional expenses for indigent defendant representation of $0.5 million.

<u>General Road and Bridge Fund</u>

The General Road and Bridge Fund is the primary fund responsible for maintaining County roads. At the end of the current fiscal year, the unreserved, undesignated fund balance of the General Road and Bridge Fund was $6.3 million, an increase over FY 2008 of $1.0 million, or 16.7% higher. Total fund balance of the General Road and Bridge Fund increased by $2.3 million from FY 2008 to FY 2009. The General Road and Bridge Fund revenues include fees and permits, property taxes, and fines and forfeitures.

In FY 2005, Collin County began a program to convert all rock roads to asphalt to reduce dust and increase the useful life of the road. The program is geared to convert the roads at a rate of 50 miles per year. The County completed 46 miles in FY 2009. At the end of FY09, the County was ahead of schedule in its conversion.

Key factors in the change in fund balance in the General Road and Bridge Fund are as follows:

- Property taxes increased by $3.3 million due to an increase in the tax rate allocated to the fund; prior year activity used a lower tax rate in order to expend dollars from fund balance.

- In FY 2009, federal and state funds increased by $2.8 million from FY 2008, primarily from the AirCheck Texas emissions effort sponsored by the state and managed by the North Central Texas Council of Governments.

- Fees and permits were lower by $0.2 million in FY 2009 over FY 2008 due to decreases in title, fuel tax, and road mileage fees collected.

- Fines and forfeitures increased by a net of $0.1 million due to increased civil fees related to child safety and seat belts as authorized by the state legislature and collected in FY 2009.

- The net increase in expenditures was $3.1 million. Components of the change included AirCheck Texas expenditures of $2.8 Million; storm damage to roads requiring unplanned repairs of $0.1 million; heavy equipment repair not planned of $0.1 million; and other expenditures of $0.1 million.

<u>Health Care Foundation Fund</u>

The Health Care Foundation Fund was created after the sale of the hospital district in the early 1980s. The proceeds of the sale were used to create investment earnings that, together with the charges for services and federal and state funding, are used to provide health care to indigent County residents. A portion of the funds from the sale have been used to purchase real property for rental to other County agencies, as well as to non-related third parties. The rental revenue is a fairly steady source of income that provided 48.9% of the funding for the Health Care Foundation Fund in FY 2009. Fund balance was lower by $1.8 million in FY 2009; key factors in the change in fund balance in the Health Care Foundation Fund were:

- Revenues were lower than expenditures by $1.8 million; revenues decreased by $0.3 million to $2.3 million in FY 2009 compared to FY 2008, due primarily to lower investment earnings of $0.2 million.

- Expenditures increased by $0.1 million to $4.1 million, as the indigent inpatient and outpatient medical costs increased by $0.1 million in FY 2009.

## Budgetary Highlights

The legal level of budgetary control for the General Fund is the level at which the budget is adopted; that is, the budget is adopted by department and in total according to four major categories:

- Salaries and benefits;
- Maintenance and operating;
- Travel and education; and
- Capital purchases.

The final amended budget for expenditure appropriation was $150.0 million, or $2.8 million higher than the original approved budget of $147.2 million. Actual expenditures were $133.9 million, or 10.8% less than the final budget.

General Fund revenues were lower than the final budget by $3.4 million. Fees and permits, even with some increases authorized by the state, reflected the economic downturn by coming in $1.8 million lower than budget. Investment earnings also showed a lower than budgeted revenue variance of $1.8 million, due to the continuing economy and the historically low interest rates.

Federal and state funds revenue in the General Fund was higher than budget expectations by $0.3 million. The increase over budget was due to higher than budgeted mixed beverage tax revenues of $0.2 million and the County Court at Law Judge state supplement was higher than budgeted by $0.2 million.

The General Fund is the primary source for expenditures related to the overall operation and administration of the County. In fiscal year 2009, there were several functions that contributed to the $16.1 million lower than budgeted expenditures. They include:

- General administration was lower by $9.5 million, due to:
  - $0.3 million in budgeted Election Department expenses for election supplies, consultants, and printed materials were not spent.
  - $0.4 million in IT computer equipment and software budgeted and not spent.
  - $0.3 million in budgeted expense for phone service and cellular phone service not spent.
  - $5.6 million in non-departmental and contingency expenses for operating and capital expenditures were budgeted but not spent, primarily for:
    - wages – $0.5 million,
    - copier rental – $0.1 million,
    - employee wellness – $0.2 million,
    - consultants – $0.5 million,
    - pamphlets – $0.1 million,
    - drug testing – $0.1 million,
    - computer maintenance – $0.8 million,
    - equipment maintenance – $0.1 million,
    - software maintenance – $0.3 million,
    - phone system maintenance – $1.3 million,
    - contingency – $0.7 million,
    - miscellaneous – $0.3 million,
    - computer supplies – $0.4 million, and
    - non-capital computer equipment – $0.4 million.
  - $3.1 million in archive and restoration expenditures for the County Clerk records archives lower than budget, as the project was delayed.

- Judicial actual expenses were lower than budget by $0.8 million, due to:
  - $0.1 million under budget in County Clerk Probate/Mental Clerks Department due to lower room and board expenses.
  - $0.1 million under budget for operation and expenses for the County Clerk support of the County courts judicial function.
  - $0.1 million actual expenses lower than budgeted for operation and expenses of the County Courts.
  - $0.1 million under budget for operation and expenses for the District Clerk support of the District Courts judicial function.
  - $0.4 million actual expenses less than budgeted for operation and expenses of the District Courts.

- Financial administration expenses were lower than budget by $1.0 million, due to:
  - $0.1 million in budgeted expenses for the Budget office payroll were not spent.
  - $0.1 million in budgeted expenses for the County Auditor office payroll were not spent.
  - $0.5 million under budget in the Tax Assessor/Collector's payroll, travel and operating expenses.
  - $0.3 million under budget in the Tax Assessor/Collector office for computer software.

- Legal expenses were $0.2 million lower than budget due to lower payroll expenses in the District Attorney's office.

- Public facilities expenses were lower than budget by $0.9 million, primarily due to:
    - $0.8 million under budget caused by lower facility maintenance costs, including repairs, utilities, maintenance contracts, and cleaning services in all buildings.
    - $0.1 million under budget for payroll and operating expenses in the Public Facilities Administration department.

- Public safety expenses were lower than budget by $1.0 million due to:
    - $0.1 million under budget for lower maintenance and operating costs of the Medical Examiner office,
    - $0.1 million under budget for lower maintenance and operating expenses in the Sheriff's office,
    - $0.1 million under budget for food supplies in Jail Operations,
    - $0.2 million under budget for maintenance and operating expenses other than food supplies in Jail Operations,
    - $0.1 million under budget for salary and benefits and maintenance and operating expenses in Minimum Security,
    - $0.1 million under budget in overtime for the inmate transfer department,
    - $0.1 million under salary for the Homeland Security office, and
    - $0.1 million under budget for contracted ambulance services for unincorporated areas of the County.

- Health and welfare expenses were $0.5 million lower than budget due to lower than budgeted expenditures for inmate healthcare services.

- Capital outlay expense, which is presented separately from the functional activities, was $1.7 million below budget, due to:
    - $0.5 million for Information Technology Department computer equipment cost lower than budget,
    - $0.6 million for Non-Departmental Capitalized Consultant expense was lower than budget,
    - $0.3 million for Tax Assessor-Collector budgeted expenditures not made for computer software and training, and
    - $0.1 million for Equipment Services Department for Automotive Equipment budgeted and not spent.

## Capital Assets and Debt Administration

### Capital Assets

The County's investment in capital assets, net of accumulated depreciation at September 30, 2009, was $496.3 million, an increase of $34.5 million or about 7.5% of the total investment. Detail by type of activity and asset is summarized in the table below.

Major changes for FY 2009 are:

- Added right of way for road construction planned to land – $3.7 million.
- Added Administration Building April 2009 – $19.4 million.
- Machinery and Equipment – wrote off assets due to change in capitalization threshold (expense items below $5,000) – $18.3 million. An equal amount was removed from depreciation due to all assets being fully depreciated.
- Infrastructure increased due to conversion of roads from rock to asphalt – $8.1 million. Bond projects added another $6.4 million for road construction.
- Construction in Progress increased a net of $14.5 million, as follows: an increase of $32.0 million for road construction in progress, plus the additions for phase 2 of the courthouse and the new JJAEP School of $1.9 million, less the completion of the Administration Building of $19.4 million.
- Accumulated Depreciation includes the write-off noted above, as well as other reductions due to sales and surplus items sold, totaling $24.8 million, and an increase from depreciation expense for 2009 of $21.4 million – a net reduction of $3.4 million.

**Capital Assets**
**As of September 30**
**($ in thousands)**

| | 2009 | 2008 |
|---|---|---|
| Land | $ 24,782 | $ 21,117 |
| Buildings and system | 224,081 | 203,455 |
| Improvements other than buildings | 6,375 | 6,375 |
| Machinery and equipment | 50,936 | 69,303 |
| Infrastructure | 253,475 | 238,976 |
| Construction in progress | 97,626 | 86,884 |
| Total capital assets | 657,275 | 626,110 |
| Less: accumulated depreciation | ( 160,968) | ( 164,311) |
| Total capital assets | $ 496,307 | $ 461,799 |

Long-term Debt

At September 30, 2009, the County had $409.4 million in outstanding debt, an increase of $19.4 million (5.0%).

In FY 2009, the County:

- Issued $40.1 million in bonds for permanent improvements, which included $11.8 million in refunding of prior issues and $10.0 million in Build America Bonds, which qualify for special tax advantages.
- Issued $27.4 million in bonds for road construction, which included $11.8 million prior issues and $5.6 million in Build America Bonds, which qualify for special tax advantages.
- Paid $24.5 million in debt service and $18.0 million in interest costs for debt.

**Outstanding Long-Term Debt**
**As of September 30**
($ in thousands)

| | 2009 | 2008 |
|---|---|---|
| General obligation bonds and tax notes issued for: | | |
| Roads | $ 186,019 | $ 192,202 |
| Re-funding prior debt | 81,912 | 74,979 |
| Permanent improvements | 52,989 | 15,306 |
| New courts facility/courthouse | 63,230 | 65,263 |
| Touch-screen voting/web project | 1,220 | 3,775 |
| Outdoor youth camp | 10,875 | 21,400 |
| Software | 13,150 | 17,060 |
| | $ 409,395 | $ 389,985 |

Additional information on capital asset activity and long-term debt activity can be found in the notes to the financial statements. A discussion of capital assets and long-term debt is included in "Section I. Summary of Significant Accounting Policies, sub-section (d) Assets, Liabilities, and Net Assets or Equity, Item 5 for Capital Assets and Item 7 for Long-term Debt." Detailed notes on capital assets can be found in "Section IV. "Detailed Notes on All Funds can be found in sub-section" (e) "Capital Assets" in the notes to the financial statements. Detailed notes on long-term debt can be found in "Section IV. Detailed Notes on All Funds, sub-section (f) Long-term Debt."

## Economic Factors

The following economic factors are reflected in the FY 2009 General Fund and other budgets:

The percentage decrease in real property assessed value for FY 2009 was 1.4% (FY 2008 increase was 7.6%).

The average unemployment rate in Collin County for 2009 was 7.8% (5.5% in 2008).

Property tax receipts for FY 2009 were $174.9 million, which is 2.2% higher than FY 2008 tax receipts of $171.0 million.

For the first time in the last ten years, the County has experienced a decrease in total taxable assessed value of local property. The new challenges created this year, with the slower economy and higher unemployment, have required a new vision and a new approach for the County.

Although lower than the state and national unemployment, the loss of jobs and resulting lower property value growth has finally affected the local economy. The economic slowdown is reflected in the decrease in the property assessed value.

Even with the recession, Collin County maintains its tradition of quality living outside of the mainstream of traffic and other issues associated with the Dallas-Fort Worth metroplex. The County remains a very attractive place for relocation. With a local unemployment rate at 75% of that of the state, the County is sought after by major corporations looking to relocate offices, as there remains a large and stable professional workforce. During the fiscal year ended September 30, 2009, an average of 1,371 people moved into the County each month; this is an average 18 persons per day decrease over the 2008 rate of growth per month of 1,929 people. Although growth slowed in FY 2009, with more than 45 persons per day moving into the County, there continues to be challenges in keeping up with roads and other infrastructure needs.

The County participates with the North Central Texas Council of Governments in planning the regional needs of the area as well as its own needs. A Master Transportation Plan has been in place for a number of years and is updated annually to take into account the needs for both rural and urban roads.

During the year, the County created a Toll Road Authority and began making right of way purchases to build an outer loop to connect Interstate 35 with Interstate 30 through construction of a toll road along the northern and eastern boundaries of the County. The Outer Loop is to be built in 6 sections; planning and engineering is in process in various phases, based on what will be built first. Money was budgeted for right of way acquisition in 2009; construction is expected to begin in 2010, with completion of the final section expected in 2030. Section 1 is between the Dallas North Tollway and State Highway 289 (Preston Road), with the next section continuing past State Highway 289 to U. S. Highway 75. The area experiencing the most rapid growth is section 3, between U. S. Highway 75 and State Highway 121. This section will be built first, with frontage roads to start and main lanes to be completed by 2014.

The Dallas North Tollway opened a six-lane divided toll road between State Highway 121 and U. S. Highway 380 in FY 2009. The Dallas North Tollway has completed two-lanes of its east frontage road north of U. S. Highway 380 and continues working on the northern expansion of the toll road to the outer loop and the Grayson County line.

During the year, the County participated with three other counties and the state of Texas in the sale of its rights for Texas Highway 121 as a six-lane toll road. Several sections of the 12.8 mile roadway between the Dallas North Tollway on the west terminus and U. S. Highway 75 on the east have been opened, with expected completion of this section in 2010. The rights fee paid to the State by the North Texas Toll Authority to build and operate the toll road created a construction fund for the County to use to build roads and bridges in the County totaling $949.1 million at September 30, 2009. This approach will significantly improve the ability and time to construct major highways and connector roads throughout the County.

The state and County, along with the major cities in the County that contain portions of the roadway, have identified the projects and are in the process of completing time schedules and establishing priorities for various road and bridge projects.

Budgeted revenues in FY 2010 are $266.8 million, an increase of 10.0% over FY 2009 actual revenues of $240.2 million. Property taxes account for the bulk of receipts, as 72.8% of the budgeted revenues are from property taxes.

Budgeted appropriations for FY 2010, which include expenditures and transfers out, total $290.9 million. The General Fund appropriations total $157.7 million, or 54.2% of the total. Debt service is $43.9 million (15.1% of the total) and other funds, primarily capital project funds, total $89.3 million, or 30.7% of the total.

There are several significant events expected to have an impact in FY 2010 and beyond:

Mentioned above were some of the details regarding the sale of rights to toll Highway 121. Construction of Highway 121 is a high priority of the County, the state and local cities. Construction of frontage roads and grade separations begun in 2005 were completed in 2006, with the new roadways opened in summer 2006. This has reduced significantly the congestion of a two-lane road that was the primary transportation route between McKinney (the County Seat) and DFW International Airport. When completed, the east-west Highway 121 expansion will provide six lanes of toll road, six lanes of frontage roads, and overpasses over heavily-traveled north-south roadways. The more than $900 million that has been allocated to Collin County for County and city projects will be used for transportation and other projects. Innovative funding techniques for other state and federal highways in the County include the consideration of tolled HOV lanes.

Work on the Outer Loop, mentioned above, has started, with planning and engineering, as well as right of way acquisition, on-going. This multi-decade project will connect Interstate Highway 35 north of the Dallas-Fort Worth metroplex and Interstate Highway 20 east of the metroplex. It will be tolled, with completion expected in 2030 for all sections.

Health care for indigent residents of Collin County is a major economic consideration for the County. Grants to community agencies that began in 2008 and continued in 2009 have helped the County to provide preventative and minor medical care in cities where the indigent population is located. Reduced federal and state funding for medical care has contributed to the increasing demands on County resources to provide the same level of services offered in prior years. As expected, the County did receive large amounts of funding from the federal stimulus package. The health care task force continues to work with local providers and the County to ensure appropriate recommendations and decisions concerning the future availability of service and care.

With the demands on County services for infrastructure and health care, the effect of the economic downturn and its effects on the County taxable assessed values may strain the County's ability to provide adequate revenues to support basic services. The County conservatively manages its resources, using cost containment practices ranging from performance programs to position savings to other ways to reduce or eliminate non-performing programs. As of September 30, 2009, the unreserved fund balance for the General Fund was $133.6 million; this is 84.7% of budgeted General Fund expenditures for FY 2010. The management of the County has placed it in sound financial position to mitigate the current economic uncertainty. That does not replace the need for continuing close observation and examination of every expenditure to ensure the money spent is spent wisely and properly.

In November 2007, the County presented a bond proposal to voters for new funding for facilities, roads and open space. The proposed funding was for a total of $328.9 million, with $235.6 million for roads, $76.3 million for facilities, and $17.0 million for open space. The bond proposal passed. The second sale of bonds was in September, 2009. Overall there were 15 road projects included in the bond proposal. Many of the road projects require a local participation of 50% from the sponsoring city and 50% from the County. When completed, the road will pass to the city for maintenance and operations, while the County will pay the debt.

The facilities bonds passed were primarily to fund two County facilities: 50% of the phase 2 expansion of the County courthouse (phase 1 was completed in July, 2007) and construction of a new juvenile alternative education facility. The expansion of the courthouse will provide additional court administration offices as well as creating courtrooms for the County courts, which will relocate to the site when the expansion is complete. This phase 2 expansion is estimated to cost $47 million; construction is estimated to be completed in 2012. The balance of the phase 2 expansion monies is expected to come from fund balance, with no additional debt required.

Bond proceeds from the open space approval will be used to acquire land for open space and recreational facilities and to construct and improve parks and recreational opportunities within the County. With the County providing 50% of funding and the cities or non-profit organizations matching that amount, we can leverage County dollars to improve quality of life for County residents. A portion of the funds will be used to continue the "Six Cities Trail Plan," created to link the hiking and biking paths in the cities of Allen, Frisco, Garland, McKinney, Plano and Richardson, and to expand it into a regional plan.

The County has successfully completed its litigation regarding the failed enterprise wide software upgrades in 2005; the refund was received in 2009. The County recognizes its need to upgrade its financial software, including all sub-systems, and is currently in the process of reviewing vendor responses to business requirements. To begin the project using phases, the core modules of finance, purchasing and budgeting will be implemented first, with sub-systems added as those departments find and validate the software that best meets their needs. Vendor responses to the core system requirements will be reviewed during FY2010; vendors who pass the initial review will be selected to present additional information and demonstrations of their software to County staff, in anticipation of selection and implementation of a new system by October, 2011. Integration problems between existing payroll software, justice software and financial software are expected to be resolved with the implementation of the new enterprise software.

The County has now completed phasing in to all departments its performance-based pay, performance measurement program for employees. Support for this project is fueled by the expectation of the long-term benefit of managing employees and managers in encouraging them to perform assigned duties and being compensated for their performance. As with prior years, FY2010 will see employees and managers managing the performance process using the human resource software.

The County is currently participating with 11 other large counties to customize and implement a new case management software system. The case management system is named the Comprehensive Integrated Justice System. Implemented in FY 2007 was the probate court module. Go live for the civil courts process was completed in March 2008; the justice of the peace modules were implemented in the summer of 2009. Configuration testing is being planned for the criminal courts module and the sheriff's office and jail administration modules are in planning and configuration.

The tax rate for FY 2010 remained the same as FY 2009 at $0.2425/$100 of valuation. Continuing pressure from rising health care costs, demand for constituent services and road construction to meet the growing population may eventually cause the County to have to adjust the rate, but for now the growth of the County, the existing property values and fund balance will be used to provide the majority of funding for expenditures. Collin County continues to experience strong fund balance reserves which will be used to make up any differences in revenue shortfalls.

## Requests for Information

This report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning the information provided in this report or requests for additional financial information should be addressed to Mr. Jeff May, County Auditor/Chief Financial Officer, at 2300 Bloomdale Road, Suite 3100, McKinney, TX 75071.

## COLLIN COUNTY, TEXAS

Statement of Net Assets

September 30, 2009

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Component Unit |
| Assets: | | | | |
| Cash and cash equivalents | $ 236,923 | $ 4,879 | $ 241,802 | $ 208 |
| Investments | 156,905 | - | 156,905 | - |
| Receivables (net of allowance for uncollectibles) | 10,532 | - | 10,532 | - |
| Internal balances | 11,517 | ( 11,517) | - | |
| Inventories | 3,423 | - | 3,423 | - |
| Deferred charges | 2,674 | - | 2,674 | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 21,447 | 3,335 | 24,782 | - |
| Buildings and system | 167,976 | - | 167,976 | - |
| Improvements other than buildings | 3,128 | - | 3,128 | - |
| Machinery and equipment | 25,485 | - | 25,485 | - |
| Infrastructure | 177,310 | - | 177,310 | - |
| Construction in progress | 94,074 | 3,552 | 97,626 | - |
| Total assets | 911,394 | 249 | 911,643 | 208 |
| Liabilities: | | | | |
| Accounts payable and other current liabilities | 11,914 | 245 | 12,159 | 157 |
| Due to other governments | 26 | - | 26 | - |
| Unearned revenue | 339 | - | 339 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 34,727 | - | 34,727 | - |
| Due in more than one year | 413,620 | - | 413,620 | - |
| Total liabilities | 460,626 | 245 | 460,871 | 157 |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 280,844 | 6,887 | 287,731 | - |
| Restricted for: | | | | |
| Debt service | 7,547 | - | 7,547 | - |
| Health Care Foundation | 13,897 | - | 13,897 | - |
| Meyers Park Foundation | 123 | - | 123 | - |
| Grant programs | 3,452 | - | 3,452 | - |
| Unrestricted | 144,905 | ( 6,883) | 138,022 | 51 |
| Total net assets | $ 450,768 | $ 4 | $ 450,772 | $ 51 |

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

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# COLLIN COUNTY, TEXAS

Statement of Activities

For the Fiscal Year Ended September 30, 2009

(Amounts expressed in thousands)

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | | | |
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** | **Business-type Activities** | **Total** | **Component Unit** |
| Primary Government: | | | | | | | | |
| Government activities: | | | | | | | | |
| General administration | $ 34,518 | $ 7,440 | $ 385 | $ - | $( 26,693) | $ - | $( 26,693) | |
| Judicial | 17,195 | 4,762 | 840 | - | ( 11,593) | - | ( 11,593) | |
| Financial administration | 10,891 | 3,075 | 97 | - | ( 7,719) | - | ( 7,719) | |
| Legal | 11,254 | 256 | 146 | - | ( 10,852) | - | ( 10,852) | |
| Public facilities | 18,129 | 576 | 152 | - | ( 17,401) | - | ( 17,401) | |
| Equipment services | 2,320 | 1 | - | 443 | ( 1,876) | - | ( 1,876) | |
| Public safety | 61,904 | 9,412 | 3,054 | 430 | ( 49,008) | - | ( 49,008) | |
| Public transportation | 25,491 | 15,206 | 6,138 | 16 | ( 4,131) | - | ( 4,131) | |
| Health and welfare | 18,369 | 1,112 | 5,377 | 175 | ( 11,705) | - | ( 11,705) | |
| Culture and recreation | 1,720 | 33 | 185 | - | ( 1,502) | - | ( 1,502) | |
| Conservation | 295 | - | - | - | ( 295) | - | ( 295) | |
| Interest and fiscal charges | 19,267 | 175 | - | - | ( 19,092) | - | ( 19,092) | |
| Total primary government | 221,353 | 42,048 | 16,374 | 1,064 | ( 161,867) | - | ( 161,867) | |
| Component unit: | | | | | | | | |
| Health and welfare | $ 12 | $ - | $ - | $ - | | | | $( 12) |
| Total component unit | 12 | - | - | - | | | | ( 12) |
| General revenues | | | | | | | | |
| Property taxes | | | | | 174,895 | - | 174,895 | - |
| Mixed beverage tax | | | | | 2,065 | - | 2,065 | - |
| Unrestricted investment earnings | | | | | 3,690 | 4 | 3,694 | - |
| Miscellaneous | | | | | 73 | - | 73 | - |
| Total general revenues | | | | | 180,723 | 4 | 180,727 | - |
| Change in net assets | | | | | 18,856 | 4 | 18,860 | ( 12) |
| Net assets - beginning of year | | | | | 431,912 | - | 431,912 | 63 |
| Net assets - end of year | | | | | $ 450,768 | $ 4 | $ 450,772 | $ 51 |

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

**COLLIN COUNTY, TEXAS**

Balance Sheet

Governmental Funds

September 30, 2009

| **Assets** | **General Fund** | **General Road and Bridge** | **Health Care Foundation** |
|---|---|---|---|
| Cash and cash equivalents | $ 55,671 | $ 4,842 | $ 2,107 |
| Investments | 81,448 | 8,604 | 12,262 |
| Receivables: | | | |
| Taxes (net of allowance for uncollectibles) | 2,280 | 76 | - |
| Fines and fees | 1,135 | 1,108 | - |
| Due from other governments | 942 | 421 | 1 |
| Due from other funds | 924 | - | 74 |
| Advance to other funds | 162 | - | - |
| Interest | 156 | - | 35 |
| Miscellaneous | 178 | 1 | 2 |
| Inventories | 380 | 3,043 | - |
| Total assets | $ 143,276 | $ 18,095 | $ 14,481 |
| **Liabilities** | | | |
| Accounts payable | $ 2,111 | $ 574 | $ 503 |
| Payroll related costs payable | 4,313 | 171 | 50 |
| Lease deposits payable | - | - | 26 |
| Due to other governments | - | - | - |
| Due to other funds | 18 | - | 1 |
| Deferred revenue | 1,135 | 1,108 | - |
| Deferred tax revenue | 2,073 | 69 | - |
| Total liabilities | 9,650 | 1,922 | 580 |
| **Fund balances** | | | |
| Reserved for: | | | |
| Debt service | - | - | - |
| Capital projects | - | - | - |
| Sale of Courthouse | - | - | - |
| Animal Shelter Facility | - | - | - |
| Collin County Toll Road Authority | 162 | - | - |
| Health Care Foundation | - | - | 13,897 |
| Meyers Park Foundation | - | - | - |
| Encumbrances | 8,422 | 5,366 | 4 |
| Inventories | 380 | 3,043 | - |
| Unreserved fund balance: | | | |
| Designated for capital assets | 8 | 1,499 | - |
| Designated for special projects | 1,519 | - | - |
| Designated for five-year plan | 6,977 | - | - |
| Designated for administration | 832 | - | - |
| Unreserved/undesignated, reported in: | | | |
| General fund | 115,326 | - | - |
| Special revenue funds | - | 6,265 | - |
| Total fund balances | 133,626 | 16,173 | 13,901 |
| Total liabilities and fund balances | $ 143,276 | $ 18,095 | $ 14,481 |

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

| Unlimited Tax Road Bond 2007 | Permanent Improvement | Other Governmental Funds | Total |
|---|---|---|---|
| $ 25,058 | $ 22,496 | $ 116,353 | $ 226,527 |
| - | 5,636 | 44,421 | 152,371 |
| | | | |
| - | - | 712 | 3,068 |
| - | - | - | 2,243 |
| - | 2,000 | 1,099 | 4,463 |
| - | - | 70 | 1,068 |
| 14 | 11,700 | 1,341 | 13,217 |
| - | - | - | 191 |
| 232 | 1 | 147 | 561 |
| - | - | - | 3,423 |
| $ 25,304 | $ 41,833 | $ 164,143 | $ 407,132 |
| | | | |
| $ - | $ 96 | $ 1,545 | $ 4,829 |
| - | - | 361 | 4,895 |
| - | - | - | 26 |
| - | - | 26 | 26 |
| - | - | 977 | 996 |
| - | - | 470 | 2,713 |
| - | - | 644 | 2,786 |
| - | 96 | 4,023 | 16,271 |
| | | | |
| - | - | 7,547 | 7,547 |
| 14,478 | 24,619 | 108,357 | 147,454 |
| - | 2,000 | - | 2,000 |
| - | 1,700 | - | 1,700 |
| 14 | 10,000 | 1,341 | 11,517 |
| - | - | - | 13,897 |
| - | - | 123 | 123 |
| 10,812 | 3,418 | 30,443 | 58,465 |
| - | - | - | 3,423 |
| | | | |
| - | - | - | 1,507 |
| - | - | - | 1,519 |
| - | - | - | 6,977 |
| - | - | - | 832 |
| | | | |
| - | - | - | 115,326 |
| - | - | 12,309 | 18,574 |
| 25,304 | 41,737 | 160,120 | 390,861 |
| $ 25,304 | $ 41,833 | $ 164,143 | $ 407,132 |

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## COLLIN COUNTY, TEXAS

Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Assets
September 30, 2009

| | | | | |
|---|---|---|---|---|
| Total fund balances – governmental funds | | | $ | 390,861 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | | |
| Bond issuance costs for the sale of bonds are expenditures in the funds but are amortized over the life of the bonds in government-wide statements. | | | | 2,674 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These capital assets (net of accumulated depreciation) consist of: | | | | |
| Land | $ | 21,447 | | |
| Buildings and systems | | 165,436 | | |
| Improvements other than buildings | | 3,128 | | |
| Machinery equipment | | 25,385 | | |
| Infrastructure | | 177,310 | | |
| Construction in progress | | 94,074 | | |
| Total capital assets | | | | 486,780 |
| Some amounts deferred in the funds were recorded in a different fiscal year than the current year: | | | | |
| Special assessment for road construction in the prior year that is deferred to a future period is included in the funds. | $ | 131 | | |
| Fines and fees earned in the current fiscal year but are not available to provide for current financial resources, and therefore are deferred in the funds. | | 2,243 | | |
| Property taxes earned in the current fiscal year but are not available to provide for current financial resources, and therefore are deferred in the funds. | | 2,786 | | |
| Total deferred revenues | | | | 5,160 |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | | | | 11,302 |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of: | | | | |
| Interest payable | ( | 2,110) | | |
| Bonds, notes and loans payable | ( | 409,395) | | |
| Compensated absences | ( | 6,930) | | |
| OPEB obligation | ( | 13,449) | | |
| Arbitrage payable | ( | 643) | | |
| Unamortized bond premiums | ( | 13,482) | | |
| Total liabilities | | | ( | 446,009) |
| Net assets of governmental activities | | | $ | 450,768 |

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

## COLLIN COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2009

| | General | General Road and Bridge | Health Care Foundation |
|---|---|---|---|
| Revenues: | | | |
| Taxes: | | | |
| Property | $ 119,981 | $ 4,096 | $ - |
| Fees and permits | 11,297 | 12,883 | 436 |
| Federal and state funds | 3,993 | 5,130 | 156 |
| Charges for services | 5,357 | - | - |
| Fines and forfeitures | 2,270 | 2,214 | - |
| Other local government funds | - | - | - |
| Rental revenues | - | - | 1,145 |
| Interest | 3,484 | 285 | 577 |
| Miscellaneous | 817 | 360 | 26 |
| Total revenues | 147,199 | 24,968 | 2,340 |
| Expenditures: | | | |
| Current: | | | |
| General administration | 23,809 | - | - |
| Judicial | 13,846 | - | - |
| Financial administration | 9,946 | - | - |
| Legal | 10,322 | - | - |
| Public facilities | 10,172 | - | 300 |
| Equipment services | 1,919 | - | - |
| Public safety | 44,931 | - | - |
| Public transportation | - | 21,469 | - |
| Health and welfare | 11,315 | - | 3,797 |
| Culture and recreation | 496 | - | - |
| Conservation | 285 | - | - |
| Capital projects – capital outlay | 2,315 | 854 | - |
| Debt service: | | | |
| Principal retirement | 4,096 | - | - |
| Interest and fiscal charges | 414 | - | - |
| Bond issuance costs | - | - | - |
| Advance refunding escrow | - | - | - |
| Total expenditures | 133,866 | 22,323 | 4,097 |
| Excess (deficiency) of revenues over (under) expenditures | 13,333 | 2,645 | ( 1,757) |
| Other financing sources (uses): | | | |
| Transfers in | 162 | - | - |
| Transfers out | ( 9,462) | ( 434) | - |
| Sale of assets | 80 | 61 | - |
| Debt issuance | - | - | - |
| Refunding escrow payments | - | - | - |
| Premium (discount) on sale of bonds | - | - | - |
| Total other financing sources (uses) | ( 9,220) | ( 373) | - |
| Net change in fund balances | 4,113 | 2,272 | ( 1,757) |
| Fund balances – beginning | 129,513 | 13,901 | 15,658 |
| Fund balances – ending | $ 133,626 | $ 16,173 | $ 13,901 |

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

| Unlimited Tax Road Bond 2007 | Permanent Improvement | Other Governmental Funds | Total |
|---|---|---|---|
| $ - | $ 8,135 | $ 42,658 | $ 174,870 |
| - | - | 278 | 24,894 |
| - | - | 6,725 | 16,004 |
| - | - | 3,522 | 8,879 |
| - | - | 86 | 4,570 |
| 232 | - | 175 | 407 |
| - | - | - | 1,145 |
| 221 | 389 | 2,312 | 7,268 |
| - | 687 | 199 | 2,089 |
| 453 | 9,211 | 55,955 | 240,126 |
| | | | |
| - | - | 1,246 | 25,055 |
| - | - | 2,076 | 15,922 |
| - | - | 31 | 9,977 |
| - | - | 207 | 10,529 |
| - | - | 48 | 10,520 |
| - | - | 10 | 1,929 |
| - | - | 11,894 | 56,825 |
| - | - | - | 21,469 |
| - | - | 2,766 | 17,878 |
| - | - | 602 | 1,098 |
| - | - | - | 285 |
| 3,023 | 7,943 | 37,004 | 51,139 |
| | | | |
| - | - | 24,490 | 28,586 |
| - | - | 17,976 | 18,390 |
| - | - | 373 | 373 |
| - | - | 1,428 | 1,428 |
| 3,023 | 7,943 | 100,151 | 271,403 |
| | | | |
| ( 2,570) | 1,268 | ( 44,196) | ( 31,277) |
| | | | |
| 14 | - | 36,814 | 36,990 |
| - | - | ( 25,577) | ( 35,473) |
| - | - | - | 141 |
| - | - | 67,465 | 67,465 |
| - | - | ( 23,565) | ( 23,565) |
| - | - | 2,142 | 2,142 |
| 14 | - | 57,279 | 47,700 |
| | | | |
| ( 2,556) | 1,268 | 13,083 | 16,423 |
| 27,860 | 40,469 | 147,037 | 374,438 |
| $ 25,304 | $ 41,737 | $ 160,120 | $ 390,861 |

**COLLIN COUNTY, TEXAS**

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental Funds to the
Statement of Activities

For the Year Ended September 30, 2009

| | | |
|---|---|---|
| Net change in fund balances – governmental funds | | $ 16,423 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital asset purchases are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated lives as depreciation expense. In the current period, these amounts are: | | |
| Capital assets additions | $ 50,902 | |
| Capital assets decreases | ( 1,843) | |
| Depreciation expense for all capital assets | ( 21,321) | |
| Total change in capital assets activity | | 27,738 |
| Bond proceeds provide current financial resources. However, in the statement of activities, some items do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of: | | |
| Debt issuance and refunding increases long-term debt in statement of net assets. | $( 67,465) | |
| Debt repayment is expenditure in governmental funds, but reduces long-term liabilities in the statement of net assets. | 52,151 | |
| Bond issuance fees and bond premiums require the use of current financial resources but are amortized over the life of the bond in the statement of activities. | ( 1,200) | |
| Total long-term debt | | ( 16,514) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues over expenditures of the internal service funds is reported with the governmental activities. | | ( 2,221) |
| Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds. The change in these revenues are as follows: | | |
| Property taxes | $ 9 | |
| Fines and forfeitures | ( 163) | |
| Total changes in revenues | | ( 154) |
| Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The change in these expenditures are as follows: | | |
| Interest owed but not yet paid | $( 750) | |
| Arbitrage payable | 732 | |
| OPEB obligation | ( 6,060) | |
| Compensated absences | ( 338) | |
| Total changes in long-term liabilities | | ( 6,416) |
| Change in net assets of governmental activities | | $ 18,856 |

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

**COLLIN COUNTY, TEXAS**

Statement of Net Assets

Proprietary Funds

September 30, 2009

| | Business-type Activities – Collin County Toll Road Authority | Governmental Activities – Internal Service Funds |
|---|---|---|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | $ 4,879 | $ 10,396 |
| Investments | - | 4,533 |
| Receivables: | | |
| Due from other funds | - | 123 |
| Miscellaneous receivables | - | 7 |
| Total current assets | 4,879 | 15,059 |
| Capital assets (net of accumulated depreciation): | | |
| Land | 3,335 | - |
| Buildings and systems | - | 2,539 |
| Machinery and equipment | - | 100 |
| Construction in progress | 3,552 | - |
| Total capital assets | 6,887 | 2,639 |
| Total assets | 11,766 | 17,698 |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | 245 | 2,544 |
| Payroll payable | - | 18 |
| Claims payable | - | 1,939 |
| Due to other funds | - | 195 |
| Total current liabilities | 245 | 4,696 |
| Noncurrent liabilities: | | |
| Advance from other funds | 11,517 | 1,700 |
| Total liabilities | 11,762 | 6,396 |
| Net assets: | | |
| Invested in capital assets | 6,887 | 2,639 |
| Unrestricted | ( 6,883) | 8,663 |
| Total net assets | $ 4 | $ 11,302 |

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

**COLLIN COUNTY, TEXAS**

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended September 30, 2009

| | Business-type Activities – Collin County Toll Road Authority | Governmental Activities – Internal Service Funds |
|---|---|---|
| Operating revenues: | | |
| Premiums | $ - | $ 21,014 |
| Charges for services | - | 1,212 |
| Other | - | 368 |
| Total operating revenues | - | 22,594 |
| Operating expenses: | | |
| Administration | - | 2,021 |
| Benefits | - | 22,898 |
| Depreciation | - | 117 |
| Total operating expenses | - | 25,036 |
| Operating income | - | ( 2,442) |
| Non-operating revenues (expenses): | | |
| Interest income | 4 | 221 |
| Total non-operating revenues (expenses) | 4 | 221 |
| Change in net assets | 4 | ( 2,221) |
| Total net assets – beginning | - | 13,523 |
| Total net assets – ending | $ 4 | $ 11,302 |

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

**COLLIN COUNTY, TEXAS**

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2009

| | Business-type Activities – Collin County Toll Road Authority | Governmental Activities – Internal Service Funds |
|---|---|---|
| Cash flows from operating activities: | | |
| Receipts from customers and users | $ - | $ 22,135 |
| Insurance recovery | - | 361 |
| Administration costs | - | ( 2,247) |
| Benefits paid | - | ( 22,574) |
| Net cash used by operating activities | - | ( 2,325) |
| Cash flows from capital financing activities: | | |
| Purchases of capital assets | ( 6,642) | - |
| Net cash used by capital financing activities | ( 6,642) | - |
| Cash flows from investing activities: | | |
| Sale (purchase) of investment | - | ( 147) |
| Advance from other funds | 11,517 | - |
| Interest income | 4 | 221 |
| Net cash provided by capital financing activities | 11,521 | 74 |
| Net increase (decrease) in cash and cash equivalents | 4,879 | ( 2,251) |
| Cash and cash equivalents – October 1, 2008 | - | 12,647 |
| Cash and cash equivalents – September 30, 2009 | $ 4,879 | $ 10,396 |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | $ - | $( 2,442) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | |
| Depreciation expense | - | 117 |
| (Increase) decrease in intergovernmental receivable | - | 24 |
| (Increase) decrease in due from other funds | - | ( 123) |
| Increase (decrease) in accounts payable | - | 323 |
| Increase (decrease) in payroll payable | - | 1 |
| Increase (decrease) in due to other funds | - | 58 |
| Increase (decrease) in advance from other funds | - | ( 283) |
| Total adjustments | - | 117 |
| Net cash used in operating activities | $ - | $( 2,325) |

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

## COLLIN COUNTY, TEXAS

Statement of Net Assets

Fiduciary Funds

September 30, 2009

| | | |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 25,513 |
| Investments | | 9,033 |
| Assets held as security deposits | | 3,114 |
| Receivables: | | |
| Miscellaneous receivables | | 387 |
| Total assets | $ | 38,047 |
| **Liabilities** | | |
| Due to other governments | $ | 5,630 |
| Due to others | | 29,476 |
| Cash bonds outstanding | | 2,865 |
| Cost deposits outstanding | | 76 |
| Total liabilities | $ | 38,047 |

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

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments to the degree possible given current restrictions on verification audit capabilities in several key areas. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*. The financial report has been prepared in accordance with GASB Statement No. 34, *"Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,"* issued in June 1999 and implemented by the County in FY 2002. The most significant accounting and reporting policies of the County are described in the notes to the financial statements.

### *(a) Reporting Entity*

**Primary Government**

Collin County (the County) is a public corporation and political subdivision of the State of Texas. The Commissioners' Court, comprised of the County Judge and four Commissioners, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: justice administration (courts, juries, constables, district attorney, clerks, investigators, sheriff, jail, fire marshal, and medical examiner), tax collection, roads and bridge maintenance, juvenile services and assistance to indigents.

The accompanying basic financial statements present the government as defined according to criteria in GASB Statements No. 14 and 39, *The Financial Reporting Entity*. Blended component units, while legally separate entities, are in substance a part of the government's operations.

**Blended Component Units**

For reporting purposes, the Collin County Housing Finance Corporation (HFC) and the Collin County Health Care Foundation (HCF) qualify as blended component units. The Commissioners' Court sits as the governing board of the HFC and HCF. The only activity of the HFC has been the issuance of single and multiple-family revenue bonds that are disclosed as conduit debt in Footnote IV (F). Otherwise, there are no other financial operations or balances for this entity. Required financial reporting to show compliance is provided by the administrator Bank of New York Mellon acting as trustee for the various issues and overseeing legal compliance reporting. The HCF was organized under the Texas Nonprofit Corporation Act to assist the County by providing indigent health care. Financial activity is reported as a major special revenue fund within the governmental fund financial statements.

**(continued)**

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *(a) Reporting Entity* (Continued)

Discretely presented component unit. For reporting purposes, Child Protective Services has been presented as a discreetly presented component unit. Child Protective Services is responsible for providing additional assistance to foster children in the care of the state. The Board is appointed by the Commissioners' Court and serves at their pleasure. The Board proposes a budget; however, the Commissioners' Court approves the funding of the CPS budget as part of the County's operating budget.

Complete financial statements for the Health Care Foundation and Child Protective Services Board are available upon request at the County Auditor's office. The Health Care Foundation is also included in these financial statements as a major fund.

### *(b) Government-wide and Fund Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report, except for County fiduciary activity, consolidated information on all of the activities of the County and its blended component units. The effect of interfund transfers has been removed from these statements but continues to be reflected on the fund statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities primary support is derived from taxes and intergovernmental revenues.

The statement of activities exhibits the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the fiduciary funds are excluded from the government-wide financial statements. The General Fund, General Road and Bridge Special Revenue Fund, Health Care Foundation Special Revenue Fund, Unlimited Tax Road Bond 2007 Capital Project Fund, and Permanent Improvement Fund meet the criteria or have been selected by management as *major governmental funds*. Each major fund is reported in separate columns in the fund financial statements. Nonmajor funds include other Special Revenue, Debt Service and Capital Projects funds. The combined amounts for these funds are reflected in a single column in the fund financial statements. Detailed statements for nonmajor funds are presented within Combining and Individual Fund Statements and Schedules.

### *(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are District Clerk and County Clerk fees, justice of the peace fees, investment earnings, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements are met.

**(continued)**

***(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation*** (Continued)

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes levied prior to September 30, 2008 that were due October 1, 2008 have been assessed to finance the budget of the fiscal year beginning October 1, 2008. In accordance with the modified accrual basis of accounting, the balances outstanding at November 30, 2009, outstanding 60 days after year-end, are reflected as deferred revenue and taxes receivable in the fund financial statements. Property taxes and interest earned as of September 30 and received within 60 days of year-end are accrued as income in the current period. Expenditures generally are recorded when a liability is incurred; however, debt service expenditures, claims and judgments, and compensated absences are recorded only when payment is made.

The County reports the following major governmental funds:

**The General Fund** is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, fees, charges for services, intergovernmental revenues and investment interest income. Primary expenditures are for general administration, public safety, judicial, public welfare, health services, and capital acquisition.

**General Road and Bridge Special Revenue Fund** is used to account for the activities affecting County-owned roads, including right-of-way acquisitions, construction, operations, and maintenance. Expenditures for shared cost road projects with the state are also included. This constitutional fund is financed by a designated part of the annual property tax levy.

**The Health Care Foundation Special Revenue Fund** is used to account for receipt of investment earnings and authorized health care expenditures as administered by the Collin County Health Care Foundation.

**Unlimited Tax Road Bond 2007 Capital Projects Fund** is used to account for the bond proceeds and cost to construct and maintain roads, bridges, and highways as approved by the voters of Collin County.

**Permanent Improvement Fund** is used to account for tax revenues and appropriations designated by Commissioners' Court for specific capital projects.

Additionally, the County reports the following nonmajor funds:

**Special Revenue Funds** are used to account for specific revenue sources (other than for capital projects) that are legally restricted to expenditures for specified purposes. These legal restrictions can come from outside the County or from Commissioners' Court.

**(continued)**

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation* (Continued)

**Debt Service Funds** are used to account for the accumulation of resources for and the payment of long-term debt principal and interest. The use of Debt Service Funds to service debt is not required unless legally mandated or if resources are accumulated for payments maturing in future years.

**Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital assets and infrastructure.

**Internal Service Funds** are used to account for health care, workers' compensation coverage, liability insurance coverage, and optional payroll deductions for the County and employees of the County on a cost-reimbursement basis with allowances for catastrophic losses.

**Enterprise Funds** are used to account for business-type activities. Commissioners' Court authorized the creation of a new enterprise fund in fiscal year 2009, the Collin County Toll Road Authority Fund. This fund is used to track future activity for the Outer Loop road project. Currently the only activity in this fund is funding right-of-way and infrastructure. It is the intention of Commissioners' Court to eventually generate toll revenues to support the fund.

**Agency Funds** are used to account for situations where the County's role is strictly custodial in nature. Most of these funds are held for legal reasons. Those reasons vary from funds held in trust for minors, to funds placed in escrow awaiting a decision and order by the presiding court. Additional funds were on hand at year-end for tax collections for other governmental entities or the state or other governmental entities for fees collected on their behalf. As a result, all assets reported in an Agency Fund are offset by a liability to the party or entity on whose behalf the assets are held.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The County applies all FASB pronouncements within the above limitations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is Collin County's policy to use restricted resources first, then unrestricted resources as they are needed.

### *(d) Assets, Liabilities, and Net Assets or Equity*

#### (1) Deposits and Investments

The County's cash and cash equivalents are considered to be (i) cash on hand; (ii) demand deposits, and short-term investments (with an original maturity of 90 days or less from the date of acquisition) that become available as cash within 30 days of year-end; and monies invested in 2a-7 pools.

**(continued)**

***(d) Assets, Liabilities, and Net Assets or Equity*** *(Continued)*

**(1) Deposits and Investments** (Continued)

State statutes and the County's official Investment Policy authorize the County to invest in obligations of the U. S. Treasury and Governmental Agencies, certificates of deposit, commercial paper, repurchase agreements, bankers' acceptances, money market mutual funds and direct obligations of the State of Texas.

The County and its component units report investments at fair value in accordance with provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's statement of activity and/or statement of revenues, expenditures and changes in fund balance.

**(2) Receivables and Payables**

***Accounts Receivable***

Property taxes are recognized as revenues in the period for which the taxes are levied, regardless of the lien date. Property taxes for the County are levied based on taxable value on the lien date of January 1 prior to September 30 of the same year. They become due October 1 of that same year and delinquent after January 31 of the following year. Accordingly, receivables and revenues for prior-year levies delinquent at year-end and outstanding 60 days after year-end are reflected on the government-wide statement based on the full accrual method of accounting and under the modified accrual method in the fund statements.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements have been met and reimbursable costs are incurred.

Reimbursements for services performed are recorded as receivables and revenues when they become eligible for accrual in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements.

Receivables are shown net of an allowance for uncollectibles.

Lending or borrowing between funds is reflected as "due to" or "due from" (current portion) or "advances to/from other funds" (non-current). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund activity reflected in "due to" or "due from" is eliminated on the government-wide statements with the exception of internal balances between the governmental activities and business-type activities.

**(continued)**

***(d) Assets, Liabilities, and Net Assets or Equity*** (Continued)

**(3) Inventories and Prepaid Items**

Inventory is valued at average cost. Inventory in the General and Special Revenue Funds consists of expendable supplies held for consumption, and the cost is recorded as an expenditure at the time the inventory items are used. Reported inventories are offset by a reserve of fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**(4) Restricted Net Assets**

Upon receipt, contributions, grants, and other revenues restricted by donors for specific purposes are added to restricted assets of the County. Each fund with restricted net assets has an administrator who is responsible for monitoring the revenues and expenses and for ensuring that the fund’s resources are being used for the purpose stated. The Health Care Foundation, a nonprofit corporation, is reported as restricted because of legal restrictions. Resources set aside for specific purposes such as required within the terms of bond agreements, or self-insurance arrangements, are reported as restricted.

**(5) Capital Assets – Primary Government**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of $5,000 or more. Infrastructure assets include County-owned roads, bridges, signs, and improvements to land. Infrastructure assets acquired prior to fiscal year ended September 30, 1980, were not included based on the fact that Collin County was rural with mostly unimproved infrastructure prior to that time. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend the asset’s life are expensed rather than capitalized.

**(continued)**

***(d) Assets, Liabilities, and Net Assets or Equity*** (Continued)

**(5) Capital Assets – Primary Government**

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

| Assets | Years |
|---|---|
| Buildings | 30 |
| Building improvements | 5 to 30 |
| Facilities and land improvements | 10 to 30 |
| Bridges | 10 to 50 |
| Infrastructure and improvements | 20 |
| Furniture and equipment | 1 to 15 |
| Computer equipment | 1 to 8 |
| Machinery and equipment | 1 to 10 |
| Medical and lab equipment | 1 to 15 |
| Voice communication equipment | 3 |
| Vehicles | 5 to 10 |

**(6) Compensated Absences**

A liability for unused paid time off accruals and compensatory time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences: a) leave or compensation is attributable to services already rendered, and b) leave or compensation is not contingent on a specific event (such as illness).

GASB Interpretation 6 indicates that liabilities for compensated absences should only be recognized in the fund statements to the extent the liabilities have matured and are payable out of current available resources. Compensated absences are accrued in the government-wide statements.

The County's permanent, full-time employees accrue 7.39 hours of paid time off per pay period (biweekly) from date of employment to four years of service; 8.31 hours per pay period from 5 years to 9 years of service; 9.23 hours per pay period from 10 to 19 years of service; and 10.15 hours per pay period for 20 plus years of continuous employment. The maximum accrual is 200, 240, 320, and 400 hours of paid time off for the respective accrual categories specified. Upon termination from the County, an employee is entitled to payment for the total accrued hours as long as they have completed at least one year of continuous service.

The County's permanent, full-time employees are given 24 hours of catastrophic time off (CTO) at the beginning of each calendar year. An employee can accrue a maximum of 160 hours which can be taken in increments for specific circumstances defined in the personnel policy. Employees are not paid for unused CTO at termination or retirement from the County.

**(continued)**

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *(d) Assets, Liabilities, and Net Assets or Equity* (Continued)

#### (7) Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities. On new bond issues, bond premiums and discounts, as well as issuance costs and deferred gain or loss on refunding of debt, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### (8) Unemployment and Workers' Compensation Benefits

The County is a reimbursing employer for unemployment compensation benefits. Reimbursements are made on the basis of regular billings received from the Texas Employment Commission. The County also processes workers' compensation payments through a third-party administrator as the claims become due. These obligations are budgeted and paid from current resources (Note V. (a)).

#### (9) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund reservations include debt service, capital projects, sale of courthouse, animal shelter facility, health care, Myers Park Foundation, encumbrances, and inventories.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### *(a) Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets*

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net assets as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Some liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $446,009 difference are as follows:

**(continued)**

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

### *(a) Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets* (Continued)

| | | |
|---|---|---|
| Bonds payable | $ | 409,395 |
| Accrued interest payable | | 2,110 |
| OPEB obligation | | 13,449 |
| Arbitrage payable | | 643 |
| Unamortized bond premiums | | 13,482 |
| Compensated absences | | 6,930 |
| Net adjustment to reduce *fund balance - total government funds to arrive at net assets - governmental activities* | $ | 446,009 |

Another element of that reconciliation explains, "Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds." These assets consist of:

| | | |
|---|---|---|
| Land | $ | 21,447 |
| Buildings and systems | | 165,436 |
| Improvements other than buildings | | 3,128 |
| Machinery and equipment | | 25,385 |
| Infrastructure | | 177,310 |
| Construction in progress | | 94,074 |
| Net adjustment to increase *fund balance - total governmental funds* to arrive at *net assets - governmental activities* | $ | 486,780 |

Other miscellaneous elements of the reconciliation explain individual specific amounts reported differently in net assets – governmental activities in contrast to fund statements. These various elements are as follows:

| | | |
|---|---|---|
| Bond issuance costs and premiums on sale of bonds are expenditures and revenues in the funds but are amortized over the life of the bonds in government-wide. | $ | 2,674 |
| Fines and fees earned in the current fiscal year collected in the future | | 2,243 |
| Road construction special assessment in prior year deferred to future period. | | 131 |
| Property taxes earned in the current fiscal year but not available to provide current financial resources, and therefore are deferred in the funds. | | 2,786 |
| Internal Service Funds used by management to charge cost of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the statement of net assets. | | 11,302 |
| Net adjustment to increase *fund balance - total governmental funds* to arrive at *net assets - governmental activities* | $ | 19,136 |

**(continued)**

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

### *(b) Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities*

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation indicates, "Capital asset purchases are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $27,738 difference are as follows:

| | |
|---|---|
| Capital projects - capital asset additions | $ 50,902 |
| Capital assets disposal | ( 1,843) |
| Depreciation expense | ( 21,321) |
| Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities* | $ 27,738 |

Another element of that reconciliation states, "Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of the difference of ($6,416) are as follows:

| | |
|---|---|
| Interest owed but not yet paid | $( 750) |
| Arbitrage payable | 732 |
| OPEB obligation | ( 6,060) |
| Compensated absences | ( 338) |
| Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities* | $( 6,416) |

Various other elements of that reconciliation associated with the issuance of long-term debt (i.e. bonds, tax notes) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this ($16,514) difference are as follows:

**(continued)**

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

***(b) Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities*** (Continued)

| | | |
|---|---|---|
| Debt issued or incurred: | | |
| Issuance and refunding of general obligation bonds | $( | 67,465) |
| Principal payments: | | |
| General obligation debt | | 52,151 |
| Amortization of bond issuance cost and bond premiums | ( | 1,200) |
| Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities* | $( | 16,514) |

Other miscellaneous elements of that reconciliation explain individual specific amounts reported differently in government-wide statement of activities than in the governmental fund statements. The details of this ($2,375) difference are as follows:

| | | |
|---|---|---|
| Net revenues over expenditures of the Internal Service Funds are reported with the governmental activities | $( | 2,221) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: | | |
| Property taxes | | 9 |
| Fines and forfeitures receivable | ( | 163) |
| Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities* | $( | 2,375) |

## III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

***(a) Budgetary Information***

Annual budgets are adopted for all governmental funds except Farm Museum Memorial, District Attorney Service Fee, Myers Park Foundation, Tax Assessor/Collector Motor Vehicle Tax, Justice Court Technology, Dangerous Wild Animal, Economic Development, L.E.O.S.E. Education, Juvenile Delinquency Prevention, Child Abuse Prevention, Court Initiated Guardianship, District Attorney Deferred Prosecution Program, Drug Court Program, SCAAP, County Court-at-Law Fee Program, Excess Distribution and Grants Special Revenue Funds, and all bond funds. No appropriations were approved out of the individual funds listed. The budget for each bond issue is adopted at the time the bonds are issued and rolled from year to year until the funding is exhausted. Juvenile Probation/Alternative Education Funds budget is not adopted as part of the County's budget, but is ministerially adopted after the Juvenile Probation Board formally approves it. All grants funds budgets are adopted at the state and federal level and ministerially adopted by Commissioners' Court. All governmental fund annual appropriations lapse at fiscal year-end.

**(continued)**

### *(a) Budgetary Information* (Continued)

On or before the last day of May of each year all departments of the County submit requests for appropriations to the Budget Officer. The initial budget request and the Budget Officer's recommendations are provided to the Commissioners' Court beginning in early July. Commissioners' Court holds budget hearings to allow departments to justify requests not included in the Budget Officer's proposed budget. They hold public hearings and publish notices starting in August on the timetable required by state statute. By September 1 or as soon as possible thereafter the budget and the tax rate are adopted with tax notices mailed on or after October 1.

The appropriated budget is adopted annually by fund, department, and activity at the legal level of budgetary control. The categories of salary and benefits, maintenance and operating, and capital assets are the legal levels used. Effective September 1, 2005, the Commissioners' Court amended this policy to allow the Budget Officer to amend the budget as needed for appropriation line items with a "For Your Information Notification" to the Court for all amendments over $5,000.

Encumbrance accounting is utilized by governmental entities. Encumbrances (i.e. purchase orders, contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year.

## IV. DETAILED NOTES ON ALL FUNDS

### *(a) Deposits and Investments*

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes Collin County to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal and liquidity. It also addresses investment diversification, yield, and maturity along with quality and capability of investment personnel. The investment policy defines what constitutes the legal list of investments allowed under the policy, which excluded certain investment instruments allowed under Chapter 2256 of the Local Government Code.

The County's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by Commissioners' Court. The Investment Policy includes a list of authorized investment instruments, and a maximum allowable stated maturity of any individual investment by source of funds. In addition, it includes an "Investment Strategy Statement" that specifically addresses each fund's investment options and describes the priorities of preservation and safety of principal, liquidity, marketability, diversification, and yield.

The County Auditor submits an investment report monthly to Commissioners' Court as part of the monthly interim statement. The County Investment Officers jointly submit an investment report as specified by Chapter 2256 of the Texas Government Code each quarter to Commissioners' Court. The report details the investment position of the County and the compliance of the investment portfolio as it relates to both the adopted investment policy and Texas State Statute.

**(continued)**

***(a) Deposits and Investments*** (Continued)

The County's demand deposits, including certificates of deposit, are fully covered by collateral held by the County's agents, Federal Reserve Bank of New York, or the Federal Home Loan Bank of Dallas, in the County's name. The investments are comprised of various governmental agencies issues with a rating of A or better; and Federal Deposit Insurance Corporation (FDIC) insurance. The County's collateral agreements require the market value of securities held by its agents to exceed the total amount of cash and investments held by American National Bank (depository bank), and View Point Bank at all times. All other deposits are held in trust and are limited to individual accounts fully insured by Federal Deposit insurance.

The County's investment policy and depository contract are in accordance with the laws of the State of Texas. The policy and depository contract identify authorized investments and investment terms, collateral requirements, and safekeeping requirements for collateral. All the County's investments are insured, registered, or the County's agent holds the securities in the County's name.

The Investment Officers are authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations including letters of credit of the United States or its agencies and instrumentalities;
2. Direct obligations of this state or its agencies and instrumentalities;
3. Other obligations, the principle and interest on which an unconditional guarantee or are insured by or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities;
4. Certificates of deposit issued by the state or national bank and savings and loan or state or federal credit unions domiciled in this state and are:
    a) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor;
    b) governed by the depository agreement, as described in 5.d of this section, that complies with federal and state regulations for properly securing a pledged security interest; and
    c) solicited by bid orally, in writing, electronically, or any combination of these methods.
5. Fully collateralized repurchase agreements, as defined in the Public Funds Investment Act, Chapter 2256.011 (a) (1-4), (b), (c), and (d), Government Code, if they:
    a) have a defined termination date;
    b) are secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act;
    c) require the securities being purchased by the County to be pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County;
    d) are placed through a primary governments securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state;
    e) may not exceed 90 days after the date the reverse security repurchase agreement is delivered; and
    f) must mature not later than the expiration date stated in the reverse security repurchase agreement.

**(continued)**

***(a) Deposits and Investments*** (Continued)

6. Money market mutual funds regulated by the Securities and Exchange Commission with a dollar weighted average portfolio maturity of 90 days or less; that fully invest dollar for dollar all County funds without sales commissions or loads and whose investment objectives include seeking to maintain a stable net asset value of $1 per share. The County may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual funds, excluding bond proceeds and reserves and other funds held for debt service in money market mutual funds.
7. Eligible investment pools, as discussed in Chapter 2256016-.019, if the Commissioners' Court, by order, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Investment Act. A County, by contract, may delegate to an investment pool the authority to hold legal title as custodian of the investments purchased with its local funds.

The County participates in two Local Government Investment Pools: TexPool and TexSTAR. The State Comptroller oversees TexPool, with a third party managing the daily operations of the pool under contract. Although there is no regulatory oversight over TexSTAR, a Board, consisting of three directors representing participants, one from a management service providing investment services and one from a company providing Participant service and marketing to the Board, maintains oversight responsibility.

The County invests in TexPool and TexSTAR to provide its primary liquidity needs. Both are local government investment pools established in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code and the Public Investment Act, Chapter 2256 of the Code. TexPool and TexSTAR are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are adjusted daily and the fund seeks to maintain a constant net asset value of $1.00, although this cannot be guaranteed. TexPool and TexSTAR are rated AAAm and must maintain a weighted average maturity not to exceed 60 days. At September 30, 2009, TexPool and TexSTAR had a weighted average maturity of 43 and 46 days, respectively. The County considers the holdings in these funds to have a one-day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, short of a significant change in value.

**(continued)**

## IV. DETAILED NOTES ON ALL FUNDS (Continued)

### *(a) Deposits and Investments* (Continued)

The following table includes the portfolio balances of all non-pooled and pooled investment types of the County at September 30, 2009 (in thousands).

| | Governmental Funds | Proprietary Funds | Fiduciary Funds | Total |
|---|---|---|---|---|
| Non-pooled investments | | | | |
| Local Governmental Investment Pools | $ 193,614 | $ - | $ 8,461 | $ 202,075 |
| U. S. Agency Bonds | 21,429 | - | - | 21,429 |
| Trust investments | - | - | 9,033 | 9,033 |
| Certificates of Deposit | 130,942 | 4,534 | - | 135,476 |
| Total investments | $ 345,985 | $ 4,534 | $ 17,494 | $ 368,013 |

The risk exposures for governmental individual major funds, nonmajor funds in the aggregate, internal funds, and fiduciary fund types of the County are not significantly greater than the deposit and investment risk of the primary government. The Investment Policy segregates the portfolios into strategic categories including:

1. General Operating Funds;
2. Debt Service Funds;
3. Capital Project Bond Funds;
4. Special Revenue Funds; and
5. Internal Service Funds.

The County's Investment Policy seeks to control credit risk. Such risk shall be controlled by investing in compliance with the County's Investment Policy, qualifying the brokers and financial institutions with whom the County transacts, sufficient collateralization, portfolio diversification, and limiting maturities.

**General Operating Fund**

As of September 30, 2009, the County's General Operating Fund had the following investments:

| | Fair Value (in thousands) Governmental Activities | Weighted Average Maturity (days) |
|---|---|---|
| **Investment Type** | | |
| Local Government Investment Pools | $ 38,490 | 44 |
| U. S. Agency Bonds | 16,844 | 1,148 |
| Certificates of Deposit | 64,604 | 213 |
| Totals | $ 119,938 | 386 |

**(continued)**

**IV. DETAILED NOTES ON ALL FUNDS** (Continued)

***(b) Investment Categories***

**Credit Risk**

While state law allows investments in commercial paper and Corporate bonds, Collin County has chosen to restrict investments to those listed above. As of September 30, 2009, the Local Government Pools, TexPool and TexStar (approximately 31% of the portfolio) were rated AAAm by Standard & Poor's. The U. S. Agency Bonds (approximately 24% of the portfolio) and each rated AAA by Standards & Poor's. The Certificates of Deposit (approximately 45% of the portfolio) were fully collateralized by View Point Bank in Collin County's name at the Federal Home Loan Bank of Dallas.

Collin County's investment policy does not restrict the concentration of investments with specific issuer.

**Interest Rate Risk**

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities not exceed two years for all investment types except General Fund and Health Care Trust. They are limited to five years. The dollar weighted average maturity for all securities was 386 days.

**<u>Debt Service Funds</u>**

As of September 30, 2009, Collin County Debt Service Funds had the following investments:

| | Fair Value (in thousands) Governmental Activities | Weighted Average Maturity (days) |
|---|---|---|
| General Obligation Debt Service | | |
| Investment Type | | |
| Local Government Investment Pools | $ 6,264 | 43 |

**Credit Risk**

As of September 30, 2009, TexPool and TexSTAR were rated AAAm by Standards & Poor's. All individual investments are required to have an AAA rating.

Collin County's investment policy does not restrict the concentration of investments with specific issuer.

**Interest Rate Risk**

Investment strategies for Debt Service Funds have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligations.

**(continued)**

***(b) Investment Categories*** (Continued)

**Capital Projects Bond Funds**

As of September 30, 2009, Collin County's Capital Projects Bond Funds had the following investments:

| | Fair Value (in thousands) Governmental Activities | Weighted Average Maturity (days) |
|---|---|---|
| **Investment Type** | | |
| Local Government Investment Pools | $ 134,567 | 43 |
| Certificates of Deposit | 48,379 | 204 |
| Totals | $ 182,946 | 86 |

**Credit Risk**

As of September 30, 2009, the local government pools, TexPool and TexSTAR (approximately 74% of the portfolio), were rated AAAm by Standard & Poor's. The Certificates of Deposit (approximately 26% of the portfolio) were fully collateralized by View Point Bank in Collin County's name at the Federal Home Loan Bank of Dallas.

Collin County's investment policy does not restrict the concentration of investments with specific issuer.

**Interest Rate Risk**

Investment strategies for Capital Projects Funds have as the primary objective the assurance of investment liquidity adequate to cover the capital construction obligations on the required date.

**Special Revenue Funds**

As of September 30, 2009, Collin County's Special Revenue Funds had the following investments:

| | Fair Value (in thousands) Governmental Activities | Weighted Average Maturity (days) |
|---|---|---|
| **Investment Type** | | |
| Local Government Investment Pools | $ 14,292 | 44 |
| U. S. Agency Bonds | 4,585 | 113 |
| Certificates of Deposit | 17,959 | 255 |
| Totals | $ 36,836 | 155 |

**(continued)**

IV. **DETAILED NOTES ON ALL FUNDS** (Continued)

***(b) Investment Categories*** (Continued)

**Credit Risk**

As of September 30, 2009, the local government pools (approximately 39% of the portfolio) were each rated AAAm. The U. S. Agency Bonds (approximately 12% of the portfolio), Certificates of Deposit (approximately 49% of the portfolio) were fully collateralized by View Point Bank in the name of Collin County at the Federal Home Loan Bank of Dallas.

Collin County's investment policy does not restrict the concentration of investments with specific issuer.

**Interest Rate Risk**

As a means to minimize risk of loss due to interest rate fluctuations, the investment policy requires that investment maturities in this category not exceed two years and meet cash flow requirements of these funds. The overall dollar weighted average maturity of 155 days down from 296 in 2008 reflects a more conservative approach to try to protect against a future rising interest rate market environment.

**Internal Service Funds**

As of September 30, 2009, Collin County Internal Service Funds had the following investments:

| | Fair Value (in thousands) Governmental Activities | Weighted Average Maturity (days) |
|---|---|---|
| **Investment Type** | | |
| Local Government Investment Pools | $ 7,954 | 45 |
| Certificates of Deposit | 4,533 | 664 |
| | $ 12,487 | 270 |

**Credit Risk**

As of September 30, 2009, the local government pools (approximately 70% of the portfolio) were rated AAAm by Standard & Poor's. The Certificates of Deposit (approximately 30% of the portfolio) were fully collateralized by View Point Bank in the name of Collin County at the Federal Home Loan Bank of Dallas.

Collin County's investment policy does not restrict the concentration of investments with specific issuer.

**Interest Rate Risk**

As a means to minimize risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities in this category not exceed two years and meet cash flow requirements.

**(continued)**

## IV. DETAILED NOTES ON ALL FUNDS (Continued)

### *(b) Investment Categories* (Continued)

Investments and deposits as of September 30, 2009, were as follows (in thousands).

| | Governmental Funds | Proprietary Funds | Fiduciary Funds | Total |
|---|---|---|---|---|
| Non-pooled investments and deposits | $ 346,091 | $ 12,846 | $ 33,826 | $ 392,763 |
| Pooled investments and deposits | 32,807 | 6,962 | 720 | 40,489 |
| Total investments and deposits | $ 378,898 | $ 19,808 | $ 34,546 | $ 433,252 |
| Restricted deposits | $ - | $ 6,962 | $ 16,332 | $ 23,294 |
| Restricted investments | - | 12,846 | 17,494 | 30,340 |
| Pooled deposits | 32,807 | - | 720 | 33,527 |
| Investments | 346,091 | - | - | 346,091 |
| Total investments | $ 378,898 | $ 19,808 | $ 34,546 | $ 433,252 |

### *(c) Deposits*

The September 30, 2009, carrying amount of deposits was as follows (in thousands):

| | Governmental Activities | Business-type Activities | Fiduciary Funds | Total |
|---|---|---|---|---|
| Cash held by sub-trustee: | | | | |
| Restricted | $ - | $ - | $ 12,687 | $ 12,687 |
| Cash in Bank accounts | 35,303 | 4,879 | 1,196 | 41,378 |
| Total deposits | $ 35,303 | $ 4,879 | $ 13,883 | $ 54,065 |

All bank accounts were either insured or collateralized with securities held by the Federal Home Loan Bank or the Federal Reserve Bank of New York in the name of Collin County at September 30, 2009.

### *(d) Property Taxes and Other Receivables*

Property taxes are assessed as an enforceable lien on property as of January 1. Taxes are levied prior to September 30, become due on October 1 and are delinquent after January 31. The County bills and collects its own property taxes as well as those for the:

1. Cities of Allen, Anna, Blue Ridge, Celina, Fairview, Farmersville, Frisco, Josephine, Lavon, Lowry Crossing, Lucas, McKinney, Melissa, Murphy, Nevada, New Hope, Parker, Plano, Princeton, Prosper, Sachse, St. Paul, Weston, and Wylie;

2. Independent School Districts of Allen, Anna, Blue Ridge, Celina, Community, Farmersville, Lovejoy, McKinney, Melissa, Plano, Princeton, Prosper, and Wylie;

**(continued)**

## IV. DETAILED NOTES ON ALL FUNDS (Continued)

### *(d) Property Taxes and Other Receivables* (Continued)

3. Seis Lago's U. D.; and

4. Collin County Community College.

The County is the only taxing entity controlled by the Commissioners' Court, and the County Tax Assessor/Collector acts only as an intermediary in the collection and distribution of property taxes to the other entities.

Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor/Collector's Agency Fund. Tax collections are recorded net of the entities' related collection commission paid the County in this Agency Fund according to the levy year for which the taxes are collected. Tax collections deposited for the County are distributed on a monthly basis to the General Fund, Permanent Improvement Capital Projects Fund, General Road and Bridge Fund, Jury Special Revenue Fund, and Debt Service Funds of the County. This distribution is based upon the tax rate established for each fund by order of the Commissioners' Court for the tax year for which the collections are made.

The County participates in several Tax Increment Finance (TIF) Districts. When a TIF District is created with the approval of all participating governmental entities, the property included in the District has its assessed valuation frozen at that time for the duration of the District. As projects are developed, increasing the assessed valuation of the property, the agreed percentage of incremental increases is returned to the entity which initially financed the improvements.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned such as grant revenue received but not yet expended.

At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | Unavailable |
|---|---|
| Delinquent property taxes receivable: | |
| General fund | $ 2,073 |
| General road and bridge special revenue fund | 69 |
| Nonmajor governmental funds | 644 |
| | 2,786 |
| Fines and fees receivable: | |
| General fund | 1,135 |
| General road and bridge | 1,108 |
| | 2,243 |
| Miscellaneous receivables: | |
| Nonmajor governmental funds | 470 |
| | 470 |
| Total deferred | $ 5,499 |

**(continued)**

***(d) Property Taxes and Other Receivables*** (Continued)

The County is authorized by the tax laws of the State of Texas to levy taxes up to $0.80 per $100 of assessed valuation for general governmental services and the payment of principal and interest on certain permanent improvement long-term debt. Taxes may be levied in unlimited amounts for the payment of principal and interest on road bond long-term debt issued under Article 3, Section 52 of the Texas Constitution.

**Receivables**

Receivables as of year-end for the County's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, as required by GASB 34 are as follows:

| | General | General Road and Bridge Special Revenue | Health Care Foundation Special Revenue | Unlimited Tax Road Bond 2007 Capital Project Fund | Unlimited Tax Road Bond 2007 Capital Project Fund | Nonmajor and Other Funds |
|---|---|---|---|---|---|---|
| Receivables: | | | | | | |
| Taxes | $ 2,365 | $ 79 | $ - | $ - | $ - | $ 735 |
| Fines and fees | 2,845 | 2,776 | - | - | - | - |
| Due from other governments | 942 | 421 | 1 | - | 2,000 | 1,099 |
| Due from other funds | 924 | - | 74 | - | - | 70 |
| Advance to other funds | 162 | - | - | 14 | 11,700 | 1,341 |
| Interest | 156 | - | 35 | - | - | - |
| Miscellaneous | 178 | 1 | 2 | 232 | 1 | 147 |
| Gross receivables | 7,572 | 3,277 | 112 | 246 | 13,701 | 3,392 |
| Less allowance for uncollectible | 1,795 | 1,671 | - | - | - | 23 |
| Net receivables | $ 5,777 | $ 1,606 | $ 112 | $ 246 | $ 13,701 | $ 3,369 |

***(e) Capital Assets***

Capital assets are recorded at cost or, if donated, at fair value at the date of receipt. In accordance with GASB 34, depreciation policies were adopted to include useful lives and classification by function. In fiscal year 2009, the capitalization policy changed the capitalization threshold for equipment from $200 to $5,000. This had little impact on the net value of assets because previously all equipment under $5,000 was placed on the books fully depreciated. Infrastructure assets are valued in two ways: either actual historical cost where the amount can be determined from existing records or using current cost deflated to the year of construction. Once the historical cost is determined, regardless of how it is determined, the asset is then depreciated over its useful life.

(continued)

## IV. DETAILED NOTES ON ALL FUNDS (Continued)

### *(e) Capital Assets* (Continued)

The capital assets are shown in the following table. The assets increased by $27,616 from the completion of the new Jack Hatchell Administration Building that opened in April of 2009 and because of construction in progress for road projects. A summary of changes in capital assets follows:

**Primary Government**

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 21,117 | $ 330 | $ - | $ - | $ 21,447 |
| Construction in progress[1] | 86,884 | 42,918 | ( 34,211) | ( 1,517) | 94,074 |
| Historical treasures | 82 | - | - | - | 82 |
| Total assets not being depreciated | 108,083 | 43,248 | ( 34,211) | ( 1,517) | 115,603 |
| Capital assets, being depreciated: | | | | | |
| Buildings | 203,455 | 29,696 | ( 9,070) | - | 224,081 |
| Improvements other than buildings | 6,375 | - | - | - | 6,375 |
| Machinery and equipment | 69,221 | 8,607 | ( 26,974) | - | 50,854 |
| Infrastructure | 238,976 | 46,478 | ( 31,979) | - | 253,475 |
| Total capital assets being depreciated | 518,027 | 84,781 | ( 68,023) | - | 534,785 |
| Less accumulated depreciation: | | | | | |
| Buildings | ( 49,740) | ( 6,365) | - | - | ( 56,105) |
| Improvements other than buildings | ( 2,587) | ( 660) | - | - | ( 3,247) |
| Machinery and equipment | ( 42,568) | ( 7,666) | 24,783 | - | ( 25,451) |
| Infrastructure | ( 69,416) | ( 6,749) | - | - | ( 76,165) |
| Total accumulated depreciation | ( 164,311) | ( 21,440) | 24,783 | - | ( 160,968) |
| Total capital assets being depreciated, net | 353,716 | 63,341 | ( 43,240) | - | 373,817 |
| Governmental activities capital assets, net | $ 461,799 | $ 106,589 | $( 77,451) | $( 1,517) | $ 489,420 |

[1] The $1,517 balance in the transfers column is due to assets that were transferred between the governmental and business-type funds.

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Business-type activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ - | $ 3,460 | $( 125) | $ - | $ 3,335 |
| Construction in progress | - | 2,043 | ( 8) | 1,517 | 3,552 |
| Total assets not being depreciated | - | 5,503 | ( 133) | 1,517 | 6,887 |
| Business-type activities capital assets, net | $ - | $ 5,503 | $( 133) | $ 1,517 | $ 6,887 |

The decrease in machinery and equipment of $26,974 and accumulated depreciation of $24,783 is the result of the capitalization policy that changed the capitalization threshold for equipment from $200 to $5,000. The transfer of $1,517 from governmental activities to business-type activities is due to capital assets being transferred from governmental funds to the Collin County Toll Road Authority Fund.

**(continued)**

## IV. DETAILED NOTES ON ALL FUNDS (Continued)

### *(e) Capital Assets* (Continued)

Depreciation expense for FY 2009 was charged to functions/programs of the primary government as follows:

| | | |
|---|---|---|
| Governmental activities: | | |
| General administration | $ | 4,070 |
| Judicial | | 45 |
| Financial administration | | 62 |
| Legal | | 1 |
| Public facilities | | 7,375 |
| Equipment services | | 281 |
| Public safety | | 1,087 |
| Public transportation | | 7,729 |
| Health and welfare | | 205 |
| Culture and recreation | | 585 |
| Total depreciation expense - governmental activities | $ | 21,440 |

**Construction Commitments**

Collin County has active construction projects as of September 30, 2009. The projects include road and bridge construction and new facility construction. At year-end, the County's outstanding commitments with contractors are as follows:

| Project Type | | Remaining Commitment |
|---|---|---|
| Public transportation | $ | 21,955 |
| Public facilities | | 1,085 |
| Public parks | | 4,298 |
| Total | $ | 27,338 |

### *(f) Long-term Debt*

Collin County issues general obligation bonds and tax notes to finance major capital projects. The original amount of general obligations and tax notes issued in prior years (with outstanding balances) was $521,680. During the year there were $40,070 in Limited Tax Permanent Improvement and Refunding Bonds, and $27,395 in Unlimited Tax Road and Refunding Bonds issued. The following are general obligation bonds and tax notes outstanding at September 30, 2009, and are for governmental activities only:

**(continued)**

## IV. DETAILED NOTES ON ALL FUNDS (Continued)

### *(f) Long-term Debt* (Continued)

| Description | Interest Rates (%) | Date of Issue | Date of Maturity | Bonds Outstanding |
|---|---|---|---|---|
| Unlimited Tax Refunding Bonds, 2001 | 4.0 to 5.0% | 2001 | 2015 | $ 6,635 |
| 1999 Unlimited Tax Road Bonds, 2000 | 5.25 to 5.5% | 2000 | 2020 | 1,270 |
| 1999 Limited Tax Perm. Imp. Bonds, 2000 | 4.95 to 5.5% | 2000 | 2020 | 90 |
| 1999 Unlimited Tax Road Bonds, 2001 | 4.0 to 5.0% | 2001 | 2021 | 2,990 |
| Limited Tax Perm. Imp. Bonds, 2001 | 4.0 to 5.0% | 2001 | 2021 | 1,220 |
| Limited Tax Perm. Imp. Notes, 2002 | 4.15 to 5.625% | 2002 | 2022 | 10,875 |
| Unlimited Tax Road & Refunding Series 2004 | 2.00 to 5.00% | 2004 | 2024 | 43,675 |
| Limited Tax Perm. Improvement & Refunding Bonds, Series 2004 | 2.25 to 4.50% | 2004 | 2024 | 10,775 |
| Tax Notes, Series 2004 | 2.25 to 3.25% | 2004 | 2011 | 3,735 |
| Limited Tax Perm. Improvement & Refunding Series 2005 | 3.0 to 5.0% | 2005 | 2025 | 49,635 |
| Unlimited Tax Road & Refunding Series 2005 | 3.0 to 5.0% | 2005 | 2025 | 38,740 |
| Limited Tax Refunding & Perm. Improvement Bonds Series 2006 | 4.0 to 5.0% | 2006 | 2026 | 30,810 |
| Unlimited Tax Road & Refunding Bonds Series 2006 | 4.0 to 5.0% | 2006 | 2026 | 14,515 |
| Tax Notes, Series 2006 | 4.0 to 5.0% | 2006 | 2013 | 9,415 |
| Limited Tax Perm. Imp. Bonds, 2007 | 4.25 to 5.0% | 2007 | 2027 | 2,095 |
| Unlimited Tax Road & Refunding Bonds Series 2007 | 4.0 to 5.0% | 2007 | 2027 | 61,405 |
| Limited Tax Perm. Imp. Bonds, 2008 | 3.625 to 5.0% | 2009 | 2028 | 14,005 |
| Unlimited Tax Road & Refunding Bonds Series 2008 | 4.0 to 5.5% | 2009 | 2028 | 40,045 |
| Limited Tax Refunding & Perm. Improvement Bonds Series 2009A | 2.0 to 5.0% | 2009 | 2025 | 30,080 |
| Limited Tax Perm. Imp. Build America Bonds, Series 2009B | 4.6 to 6.3% | 2009 | 2029 | 9,990 |
| Unlimited Tax Road & Refunding Bonds, Series 2009A | 2.0 to 4.0% | 2009 | 2025 | 21,805 |
| Unlimited Tax Road Build America Bonds, Series 2009B | 4.6 to 6.3% | 2009 | 2029 | 5,590 |
| Total general obligation debt | | | | $ 409,395 |

**(continued)**

## IV. DETAILED NOTES ON ALL FUNDS (Continued)

### *(f) Long-term Debt* (Continued)

$11,100 Unlimited Tax Refunding Bonds, Series 2001, were issued to provide for the advance refunding for a portion of its outstanding bonds. Installments range from $90 to $1,160 with interest rates from 4.0% to 5.0%. Final maturity occurs on February 15, 2015. This bond issue is not subject to arbitrage rebate because it is a refunding issue with no transferred proceeds. This bond issue is placed here just after the issue that was the beneficiary of the refunding.

$28,435 in 1999 Unlimited Tax Road General Obligation Bonds, Series 2000 were issued to construct and maintain roads, bridges, and highways. Principal installments vary from $815 to $2,200 through February 15, 2020, and interest ranges from 5.25% to 5.5%. This bond issue is subject to rebatable arbitrage, which is calculated every year and recalculated every fifth year and 90% of any existing liability is paid on the five-year anniversary dates.

$2,000 in 1999 Limited Tax Permanent Improvement Bonds – 2000 were issued to acquire, construct, improve, and renovate criminal justice and related facilities, including courts and detention facilities, and acquiring relating land. Installments range from $50 to $160 through February 15, 2020 with interest rates varying from 4.95% to 5.5%. This bond issue is subject to rebatable arbitrage, which is calculated every year and recalculated every fifth year and 90% of any existing liability is paid on the five-year anniversary dates.

$15,590 1999 Unlimited Tax Road Bonds, 2001 were issued to construct and maintain roads, bridges, and highways. Installments vary from $460 to $1,215 through February 15, 2021. Interest rates range from 4.0% to 5.0%. This bond issue is subject to rebatable arbitrage, which is calculated every year and recalculated every fifth year and 90% of any existing liability is paid on the five-year anniversary dates.

$4,975 in Limited Tax Permanent Improvement Bonds, 2001 were issued for the cost of criminal justice facilities, renovating the old courthouse, land for parks and open space. Installments range from $145 to $390 through February 15, 2021, with interest rates from 4.0% to 5.0%. This bond issue is subject to rebatable arbitrage, which is calculated every year and recalculated every fifth year and 90% of any existing liability is paid on the five-year anniversary dates.

$26,000 in Limited Tax Permanent Improvement Bonds, Series 2002, were issued for the purpose of acquiring, constructing, developing, and equipping youth camping and related outdoor recreation and education facilities, acquiring land and interest in land, and paying for the cost of issuance associated with the sale of the bonds. Principal maturities will occur annually commencing on February 15, 2003, with installments ranging from $830 to $2,090. Interest payments on February 15 and August 15 and range from a low of 4.15% to a high of 5.625%. The final principal and interest payment is due on February 15, 2022. This bond issue will be subject to rebatable arbitrage. The liability will be calculated every year starting on 2003 and recalculated every fifth year and 90% of any existing liability will be paid on the five-year anniversary dates.

$54,910 Unlimited Tax Road & Refunding, Series 2004 were issued for the purpose of road and highway construction; to refund a portion of the County' outstanding debt; and to pay costs of issuance associated with the sale of the Unlimited Tax Bonds. Principal maturities will occur annually beginning February 15, 2005, with installments ranging from $1,440 to $4,050. Interest payments fall on February $15^{th}$ and August $15^{th}$ of each year and rates range from 2.00% to 5.00%. The final principal and interest payment is due on February 15, 2024. This bond issue is subject to rebatable arbitrage and is reviewed annually with 90% of any rebateable liability being paid on the five-year anniversary dates.

**(continued)**

***(f) Long-term Debt*** (Continued)

$14,165 Limited Tax Permanent Improvement and Refunding Bonds, Series 2004 were issued for the purpose of parks and County facilities; to refund a portion of the County's outstanding debt, and to pay the cost of issuance associated with the sale of the Limited Tax Bonds. Principal maturities will occur annually beginning February 15, 2005, with installments ranging from $555 to $825. Interest payments occur annually on February 15th and August 15th and range from 2.25% to 4.50%. The final principal and interest payment is due on February 15, 2024. This bond issue is subject to rebatable arbitrage and is reviewed annually. 90% of any rebatable liability will be paid on the five-year anniversary dates.

$12,000 Tax Notes, Series 2004 were issued for the purpose of (i) acquiring software, hardware, and computer related equipment, (ii) pay professional services related to the project, and (iii) pay costs of issuance associated with the sale of the notes. Principal maturities will occur annually beginning February 15, 2005, with installments ranging from $1,525 to $1,900. Interest payments occur annually on February 15th and August 15th ranging from 2.25% to 3.25%. The final principal and interest payment is due on February 15, 2011. This bond issue is subject to rebatable arbitrage and is reviewed annually. 90% of any rebatable liability will be paid on the five-year anniversary dates.

$53,865 Limited Tax Permanent Improvement and Refunding Bonds, Series 2005 were issued for park purposes and County facilities to (i) acquire and improve land for park and open space purposes, (ii) acquire, construct, improve, renovate, and equip juvenile and adult detention facilities, including courts facilities, (iii) refund a portion of the County's outstanding debt for debt savings, and (iv) pay cost of issuance associated with the sale of the Limited Tax Bonds. Principal maturities will occur annually beginning on February 15, 2006, with installments ranging from $435 to $4,000. Interest payments occur annually on February 15th and August 15th ranging from 3.0% to 5.0%. The final principal and interest payment is due on February 15, 2025. This Bond issue is subject to rebate arbitrage and is reviewed annually. 90% of any rebate liability will be paid on the five-year anniversary dates.

$43,175 Unlimited Tax Road and Refunding Bonds, Series 2005 were issued for the purpose of (i) constructing roads and highways throughout the County, (ii) refund a portion of the County's outstanding debt for debt savings, and (iii) to pay costs of issuance associated with the sale of Unlimited Tax Road Bonds. Principal maturities will occur annually beginning February 15, 2006, with installments ranging from $200 to $3,850. Interest payments occur annually on February 15th and August 15th ranging from 3.0% to 5.0%. The final principal and interest payment is due on February 15, 2025. This bond issue is subject to rebate arbitrage and is reviewed annually. 90% of any rebate liability will be paid on the five-year anniversary dates.

$33,800 Limited Tax Permanent Improvement Bonds, Series 2006 were issued for park purposes and County facilities to (i) acquire and improve land for park and open space purposes, (ii) acquire, construct, improve, renovate, and equip juvenile and adult detention facilities, including courts facilities, and (iii) pay cost of issuance associated with the sale of the Limited Tax Bonds. Principal maturities will occur annually beginning on February 15, 2006, with installments ranging from $680 to $2,535. Interest payments occur annually on February 15th and August 15th ranging from 4.0% to 5.0%. The final principal and interest payment is due on February 15, 2026. This Bond issue is subject to rebate arbitrage and is reviewed annually. 90% of any rebate liability will be paid on the five-year anniversary dates.

**(continued)**

***(f) Long-term Debt*** (Continued)

$15,920 Unlimited Tax Road Bonds, Series 2006, were issued for the purpose of (i) constructing roads and highways throughout the County and (ii) to pay costs of issuance associated with the sale of Unlimited Tax Road Bonds. Principal maturities will occur annually beginning February 15, 2007, with installments ranging from $320 to $1,195. Interest payments occur annually on February 15th and August 15th ranging from 4.0% to 5.0%. The final principal and interest payment is due on February 15, 2026. This bond issue is subject to rebate arbitrage and is reviewed annually. 90% of any rebate liability will be paid on the five-year anniversary dates.

$15,000 Tax Notes, Series 2006, were issued for the purpose of (i) acquiring software, hardware, and computer related equipment, (ii) the acquisition, construction, improvement, and equipping buildings for various county departments, (iii) pay professional services related to the Project, and (iv) pay costs of issuance associated with the sale of the Notes. Principal maturities will occur annually beginning February 15, 2007, with installments ranging from $1,945 to $2,449. Interest payments occur annually on February 15th and August 15th ranging at 4.0%. The final principal and interest payment is due on February 15, 2013. This bond issue is subject to rebatable arbitrage and is reviewed annually. 90% of any rebatable liability will be paid on the five-year anniversary dates.

$2,190 Limited Tax Permanent Improvement Bonds, Series 2007, were issued to (i) acquire and improve land for park and open space purposes, including joint city-county projects, and (ii) pay cost of issuance associated with the sale of the Limited Tax Bonds. Principal maturities will occur annually beginning on February 15, 2008, with installments ranging from $20 to $130. Interest payments occur annually on February 15th and August 15th ranging from 4.0% to 4.35%. The final principal and interest payment is due on February 15, 2027. This Bond issue is subject to rebate arbitrage and is reviewed annually. 90% of any rebate liability will be paid on the five-year anniversary dates.

$63,375 Unlimited Tax Road and Refunding Bonds, Series 2007, will be used to (i) construct, maintain and operate macadamized, graveled or paved roads and turnpikes, or in the aid thereof, throughout the County, including participation in the cost of joint State highway and joint city-county projects, (ii) refund a portion of the County's outstanding debt for debt savings, and (iii) to pay costs of issuance associated with the sale of Unlimited Tax Road Bonds. Principal maturities will occur annually beginning February 15, 2008, with installments ranging from $380 to $6,070. Interest payments occur annually on February 15th and August 15th ranging from 4.0% to 5.0%. The final principal and interest payment is due on February 15, 2027. This bond issue is subject to rebate arbitrage and is reviewed annually. 90% of any rebate liability will be paid on the five-year anniversary dates.

$16,715 Limited Tax Permanent Improvement and Refunding Bonds, Series 2008, were issued for park purposes and County facilities to (i) acquire and improve land for park and open space purposes, including joint county-city projects, (ii) acquire, construct, improve, renovate, and equip juvenile and adult detention facilities, including courts facilities, juvenile probation facilities and juvenile justice alternative education facilities and the acquisition of land therefore, (iii) refund a portion of the County's outstanding debt for debt savings, and (iv) pay cost of issuance associated with the sale of the Limited Tax Bonds. Principal maturities will occur annually beginning on February 15, 2009, with installments ranging from $270 to $2,710. Interest payments occur annually on February 15th and August 15th ranging from 3.5% to 5.0%. The final principal and interest payment is due on February 15, 2028. This Bond issue is subject to rebate arbitrage and is reviewed annually. 90% of any rebate liability will be paid on the five-year anniversary dates.

**(continued)**

***(f) Long-term Debt*** (Continued)

$41,000 Unlimited Tax Road and Refunding Bonds, Series 2008, will be used to (i) construct, maintain and operate macadamized, graveled or paved roads and turnpikes, or in the aid thereof, throughout the County, including participation in the cost of joint State highway and joint city-county projects, and (ii) pay costs of issuance associated with the sale of Unlimited Tax Road Bonds. Principal maturities will occur annually beginning February 15, 2009, with installments ranging from $955 to $3,045. Interest payments occur annually on February 15th and August 15th ranging from 4.0% to 5.5%. The final principal and interest payment is due on February 15, 2028. This bond issue is subject to rebate arbitrage and is reviewed annually. 90% of any rebate liability will be paid on the five-year anniversary dates.

$30,080 Limited Tax Refunding and Permanent Improvement Bonds, Series 2009A, were issued to (i) acquire and improve land for park and open space purposes, including joint county-city projects, (ii) acquire, construct, improve, renovate, and equip juvenile and adult detention facilities, including courts facilities, juvenile probation facilities and juvenile justice alternative education program facilities and the acquisition of land therefore, (iii) refund a portion of the County's outstanding debt for debt savings, and (iv) pay the cost of issuance associated with the sale of the these bonds. Principal maturities will occur annually beginning on February 15, 2009, with installments ranging from $1,055 to $3,780. Interest payments occur annually on February 15th and August 15th ranging from 2.0% to 5.0%. The final principal and interest payment is due on February 15, 2025. This Bond issue is subject to rebate arbitrage and is reviewed annually. 90% of any rebate liability will be paid on the five-year anniversary dates.

$9,990 Limited Tax Permanent Improvement Bonds, Taxable Series 2009B, were issued to (i) acquire and improve land for park and open space purposes, including joint county-city projects, (ii) acquire, construct, improve, renovate, and equip juvenile and adult detention facilities, including courts facilities, juvenile probation facilities and juvenile justice alternative education program facilities and the acquisition of land therefore, and (iii) pay the cost of issuance associated with the sale of the these bonds. A principal amount of $2,560 matures on February 15, 2019, and the remaining principal amount of $7,430 matures on February 15, 2029. Interest payments occur annually on February 15th and August 15th ranging from 4.6% to 6.3%. The final principal and interest payment is due on February 15, 2029. This Bond issue is not subject to rebate arbitrage. The United States Government will refund a portion of the interest to the County semi-annually.

$21,805 Unlimited Tax Road and Refunding Bonds, Series 2009A, will be used to (i) construct, maintain and operate macadamized, graveled or paved roads and turnpikes, or in the aid thereof, throughout the County, including participation in the cost of joint State highway and joint city-county projects, (ii) refund a portion of the County's outstanding debt for debt savings, and (iii) to pay costs of issuance associated with the sale of these bonds. Principal maturities will occur annually beginning February 15, 2010, with installments ranging from $770 to $2,485. Interest payments occur annually on February 15th and August 15th ranging from 2.0% to 5.0%. The final principal and interest payment is due on February 15, 2025. This bond issue is subject to rebate arbitrage and is reviewed annually. 90% of any rebate liability will be paid on the five-year anniversary dates.

**(continued)**

***(f) Long-term Debt*** (Continued)

$5,590 Unlimited Tax Road Bonds, Taxable Series 2009B, will be used to (i) construct, maintain and operate macadamized, graveled or paved roads and turnpikes, or in the aid thereof, throughout the County, including participation in the cost of joint State highway and joint city-county projects, and (ii) to pay costs of issuance associated with the sale of these bonds. A principal amount of $1,470 matures on February 15, 2019, and the remaining principal amount of $4,120 matures on February 15, 2029. Interest payments occur annually on February 15th and August 15th ranging from 4.6% to 6.3%. The final principal and interest payment is due on February 15, 2029. This Bond issue is not subject to rebate arbitrage. The United States Government will refund a portion of the interest to the County semi-annually.

***General Obligation Bonds Advanced Refunding***

On September 29, 2009, the County issued $30,080 in Limited Tax Refunding & Permanent Improvement Bonds. Net proceeds of the sale of $12,862 were placed in an irrevocable escrow account. This portion has been invested in a trust in a manner that will provide amounts sufficient for the future payment of principal and interest on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability amount of the refunded bonds totaling $11,800 has been removed from the governmental activities column of the statements of net assets. The County's advanced refunding resulted in a gross reduction of its total debt service of $407 in Limited Tax debt service liability. The net present value benefit or economic gain was $464 or 3.932%.

Also on September 29, 2009, the County issued $21,805 in Unlimited Tax Road & Refunding Bonds. Net proceeds of the sale of $12,131 were placed in an irrevocable escrow account. This portion has been invested in a trust in a manner that will provide amounts sufficient for the future payment of principal and interest on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability amount of the refunded bonds totaling $11,765 has been removed from the governmental activities column of the statements of net assets. The County's advanced refunding resulted in a gross reduction of its total debt service of $565 in Limited Tax debt service liability. The net present value benefit or economic gain was $609 or 5.176%.

***Prior Year Defeasance of Debt***

In prior years the County defeased certain general obligation bonds by placing the proceeds of new bonds into irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. As of September 30, 2009, $87,123 of bonds is considered defeased.

***Arbitrage Rebate Liabilities***

The Tax Recovery Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local governmental bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due on an annual basis and remit the amount due at least every five years. The County's cumulative rebate amount, which is recorded as a liability in governmental activities on the government-wide financial statements for bonds issued since 1985 and subject to arbitrage, is $643 at September 30, 2009.

**(continued)**

## IV. DETAILED NOTES ON ALL FUNDS (Continued)

### *(f) Long-term Debt* (Continued)

***Changes in Noncurrent Liabilities***

Noncurrent liabilities for the year ended September 30, 2009, were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| General obligation | $ 389,985 | $ 67,465 | $ 48,055 | $ 409,395 | $ 26,404 |
| Compensated absences | 6,592 | 7,932 | 7,594 | 6,930 | 4,500 |
| Claims and judgments | 4,123 | 1,024 | 699 | 4,448 | 2,975 |
| Unamortized bond premiums | 12,071 | 2,142 | 731 | 13,482 | 107 |
| Arbitrage | 1,375 | - | 732 | 643 | 291 |
| Loans payable | 4,096 | - | 4,096 | - | - |
| OPEB | 7,389 | 6,210 | 150 | 13,449 | 450 |
| Total governmental activity | $ 425,631 | $ 84,773 | $ 62,057 | $ 448,347 | $ 34,727 |

Compensated absences are liquidated in the funds that have employees (i.e., General Fund, General Road and Bridge Fund, Health Care Foundation Fund, etc.). Arbitrage liabilities are liquidated with Debt Service Funds.

The beginning balance of Loans Payable reflects the loan balance of a Loan Star loan with the State of Texas. Loan Star is a program operated by the State of Texas to assist with upgrading buildings to become more energy efficient. This loan was fully paid in 2009.

***Contractual Maturities***

The annual debt service for general obligation bonds is as follows:

| | Governmental Activities | |
|---|---|---|
| Fiscal Year Ending September 30, | Principal | Interest |
| 2010 | $ 25,590 | $ 17,648 |
| 2011 | 26,375 | 16,709 |
| 2012 | 25,335 | 15,658 |
| 2013 | 26,305 | 14,531 |
| 2014 | 23,990 | 13,380 |
| 2015-2019 | 129,480 | 49,068 |
| 2020-2024 | 102,755 | 22,454 |
| 2025-2029 | 49,565 | 3,975 |
| | $ 409,395 | $ 153,423 |

The Debt Service Funds have $7,547 available to service the general long-term bond retirement. There are a number of limitations and restrictions contained in the various bond indentures. The County is in compliance with all significant limitations and restrictions.

**(continued)**

## IV. DETAILED NOTES ON ALL FUNDS (Continued)

### *(f) Long-term Debt* (Continued)

#### *Conduit Debt*

The Housing Finance Corporation issues single-family revenue bonds to provide financial assistance to qualified homeowners. As of September 30, 2009, there were 9 series of single-family and multi-family revenue bonds outstanding, with an aggregate principal amount payable of $1,153. This debt is not the obligation of the County. The HFC's liability to pay off debt is limited to revenues received on the loans made from the funds and the balance on the original funding held in trust.

### *(g) Interfund Receivables, Payable Balances and Transfers*

Activity between funds that represent the current portion of lending/borrowing and inter-fund charges for goods and services arrangements outstanding at fiscal year-end are referred to as "Due to/from other funds." The composition of inter-fund balances as of September 30, 2009, is as follows:

| | Due from | Due to |
|---|---|---|
| Due to/from other funds: | | |
| General Fund | $ 924 | $ 18 |
| Health Care Foundation Special Revenue Fund | 74 | 1 |
| Nonmajor Funds | 70 | 977 |
| Internal Service Fund | 123 | 195 |
| Total | $ 1,191 | $ 1,191 |

Activity between the General Fund and other funds represent additional funding for special activities and local matching of grants. An amount of $924 of the $1,191 represents General Fund transfers of which $624 was used to support nonmajor Special Revenue Fund activity. The remaining $71 was used to support grant programs and $195 for support of Internal Service Funds. All other activity, $34, was nonmajor fund activity to provide resources for projected arbitrage liabilities, debt refunding, and additional funding to better track bond resources.

Interfund advance activity is as follows:

| | Advances from | Advances to |
|---|---|---|
| Advances from/to other funds: | | |
| General Fund | $ 162 | $ - |
| Unlimited Tax Road Bond 2007 | 14 | - |
| Permanent Improvement | 11,700 | - |
| Nonmajor funds | 1,341 | - |
| Animal Safety Internal Service Fund | - | 1,700 |
| Collin County Toll Road Authority Fund | - | 11,517 |
| Total | $ 13,217 | $ 13,217 |

These balances are a result of funding for two separate activities. The first is a $1,700 balance to fund the Animal Shelter in the Animal Safety fund. This is planned to be financed over a 10-year period. The second activity is financing the new Collin County Toll Road Authority Fund to build the Outer Loop (Loop 9) through Collin County. These advances are planned to be paid back in the future with toll revenues generated from this project.

**(continued)**

## IV. DETAILED NOTES ON ALL FUNDS (Continued)

### *(g) Interfund Receivables, Payable Balances and Transfers* (Continued)

All transfers are reported under other financing sources (uses). The accumulated total of interfund transfers for the fiscal year ending September 30, 2009, is as follows:

| | Transfer In | Transfer Out |
|---|---|---|
| Governmental Funds: | | |
| General Fund | $ 162 | $ 9,462 |
| General Road and Bridge Fund | - | 434 |
| Unlimited Tax Road Bond 2007 Fund | 14 | - |
| Nonmajor Funds | 36,814 | 25,577 |
| Total | $ 36,990 | $ 35,473 |

The General Fund transfer out mostly consists of budgeted transfers to support nonmajor Special Revenue Funds, of which the largest is $8,150 to support the Juvenile Probation Fund. Most of the transfer activity in the nonmajor funds is the result of shifting funds between debt service and capital projects funds after a new bond issue. Additionally, capital assets were transferred from governmental activities to the Collin County Toll Road Authority Enterprise Fund. An advance was recorded, as the Enterprise Fund is expected to repay the General Fund. This non-reciprocal transaction resulted in Transfers In exceeding Transfers Out by $1,517.

### *(h) Leases*

As leasor, HCF has a number of non-cancelable operating leases with minimum future rentals in aggregate of $1,213. The buildings are carried at a cost of $6,286 with accumulated depreciation of $4,013. Future minimum rental payments applicable to the operating leases are as follows:

| Fiscal Year Ending September 30, | Rental Payments |
|---|---|
| 2010 | $ 1,011 |
| 2011 | 144 |
| 2012 | 54 |
| 2013 | 4 |
| | $ 1,213 |

**(continued)**

## IV. DETAILED NOTES ON ALL FUNDS (Continued)

### *(h) Leases* (Continued)

Collin County leases office space under operating leases that expire over periods of up to six years. Most of the leases are non-cancelable and renewal options are available. A total cost of these leases was $2,132 for the year ended September 30, 2009. At September 30, 2009, future minimum rental payments applicable to the operating leases are as follows:

| Fiscal Year Ending September 30 | Future Rental Payments |
|---|---|
| 2010 | $ 1,324 |
| 2011 | 336 |
| 2012 | 335 |
| 2013 | 134 |
| 2014 | 3 |
| | $ 2,132 |

## V. OTHER INFORMATION

### *(a) Risk Management*

The County has elected to provide a limited risk self-funded group health insurance program to eligible employees and dependents, and is partially self-insured against the risks arising from tort claims, workers' compensation benefits due employees who are injured while on duty, losses of funds by theft or mysterious disappearances in all fee offices of the County and any and all other claims asserted by employees and/or third parties against the County arising out of the normal conduct of County business. The County has also chosen to be a reimbursing employer under the unemployment compensation program administered by the Texas Employment Commission.

The Health Insurance Claims Fund was established to account for the County's group health and dental insurance. A third-party administrator, United Health Care, administers the County plan. During the year ended September 30, 2009, the County paid seven hundred sixty dollars ($760) per month for medical and dental benefits per budgeted position to the plan. Employees, at their option, authorized payroll deductions to pay premiums for dependents. In accordance with state law, the County was protected against catastrophic individual loss by stop-loss coverage carried through United Health Care. Individual stop-loss deductible is $100 per person.

Collin County has seen an increase in health insurance cost in fiscal year 2009. The fund has a fund balance of $7,756 down from $10,218 in 2008. Additional funding was not budgeted in fiscal year 2010; it is anticipated changes will be made in the 2011 budget to maintain the fund balance. The fund balance is currently healthy enough to absorb an increase in costs if needed. Claims in recent years have remained fairly stable. Management continues to monitor the claims going forward.

The County's Workers' Compensation Fund self-insurance program provides medical and indemnity payments as required by law for on-the-job related injuries up to a stop-loss of $275. The third-party administrator for the program, Tri-star, monitors the filing of claims, verifies the legitimacy of those claims, and processes payments to the injured employees. The County is protected against catastrophic individual or aggregate loss by stop-loss coverage carried through State National Insurance Company.

**(continued)**

## V. OTHER INFORMATION (Continued)

### *(a) Risk Management* (Continued)

Losses as a result of theft, mysterious disappearance, and damage or destruction of assets are accounted for in the Liability Claims Internal Service Fund. The County carries insurance through various commercial insurance companies to limit losses to reasonable deductible levels. The County did not experience any identified material violations of financial-related legal or contractual provisions.

Premiums are paid into each individual insurance internal service fund by all other funds. Contracted insurance providers receive disbursements from each fund based on monthly enrollment and premium calculations or actual cost plus an administrative fee. All of each fund's resources are available to pay the particular type of claims, claim reserves and administrative costs of that specific program. Liabilities of each fund are reported when it is probable that a loss or claim has occurred and the amount of the loss or claim is known or can be reasonably estimated.

Liabilities include an amount for claims or judgments that have been incurred but not reported. The estimate of the claims and judgments liability also includes amounts to guard against catastrophic loss. No settlements in the past three years have exceeded insurance coverage. Changes in the medical, workers' compensation and claims liability amounts in fiscal years 2008 and 2009 follow:

| | Beginning Liability | Current Year Claims and Changes in Estimates | Claims Payments | Ending Liability |
|---|---|---|---|---|
| 2009 Medical | $ 2,967 | $ 19,719 | $ 19,378 | $ 3,308 |
| 2008 Medical | 2,228 | 18,482 | 17,743 | 2,967 |
| 2009 Workers' Compensation | 701 | 657 | 695 | 663 |
| 2008 Workers' Compensation | 672 | 493 | 464 | 701 |
| 2009 Claims Liability | 457 | 969 | 968 | 458 |
| 2008 Claims Liability | 549 | 1,022 | 1,114 | 457 |

### *(b) Commitments and Contingencies*

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. A contingent liability was not established because potential reimbursements are considered immaterial.

The County is named as a defendant in various lawsuits related to alleged violations of constitutional and employment rights. In all of these cases, the County is denying the allegations and is vigorously defending against them. County officials estimate that the potential claims against the County will not materially adversely affect the financial position of the County.

**(continued)**

## V. OTHER INFORMATION (Continued)

### *(c) Longevity Pay*

Longevity pay for the County's employees is calculated and paid annually if approved by the Commissioners' Court. The formula for its calculation has been adopted as policy by the Court however it is only available to employees hired before December 18, 2007. The liability for the 2010 budget year has been recorded in the Government Fund Statements as a current expenditure since the liability was paid as part of the last payroll in fiscal year 2010.

### *(d) Post-Retirement Health Benefits*

#### 1) Plan Description

The County adopted a new post-retirement, single-employer defined benefit health plan for its employees effective January 1, 2007. All retirees are now given the opportunity to purchase health benefits through the County based at cost at age 65 even if they retire early. At age 65, retirees who meet the 8 years of continuous fulltime service and the rule of 75 are given a period of 31 days after the retiree's 65$^{th}$ birthday to continue or begin health insurance coverage at reduced rates based on the annual basis of existing employees applying the following criteria:

8 – 10 years of fulltime service with Collin County – 25% rate reduction

11 – 15 years of fulltime service with Collin County – 50% rate reduction

16 – 19 years of fulltime service with Collin County – 75% rate reduction

20 + years of fulltime service with Collin County – 100% rate reduction

The applicable coverage amount applies to both retiree and the retiree's spouse when they reach age 65 and is available only if the retiree is not covered under another insurance policy other than Medicare. Spouse coverage is only available if they were on the County's plan prior to the employee's retirement from the County. County coverage is secondary to eligibility for Medicare coverage.

#### 2) Funding Policy

Collin County's optional post retirement benefit liability is recorded at full-accrual in the government-wide statements. An actuarial study was performed in accordance with GASB 45. The projected liability accrual for fiscal year 2009 has been recorded net of health care claims for retired employees. Collin County took a fund as needed approach to post employment health insurance coverage in fiscal year 2009; however, an amount of $2.2 million was set aside in fiscal year 2009 to reduce the liability in a future year.

Collin County is required to record the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC is 8.4 percent of annual covered payroll.

**(continued)**

## V. OTHER INFORMATION (Continued)

### *(d) Post-Retirement Health Benefits* (Continued)

#### 3) Annual OPEB Cost

For 2009, the County's annual OPEB cost (expense) of $6,060 was equal to ARC less the retired employee health claims in accordance with the benefit plan. This is the second year OPEB disclosure has been required so only 2008 and 2009 is presented below. The County's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2009 was as follows:

**Annual OPEB Cost**

| Accounting Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| September 30, 2007 | $ - | 0% | $ - |
| September 30, 2008 | 7,856 | 6% | 7,389 |
| September 30, 2009 | 6,210 | 2% | 6,060 |

#### 4) Funding Status and Funding Progress

The funding status of the plan as of September 30, 2009, was as follows:

| | |
|---|---|
| Actuarial accrued liability (AAL) | $ 37,462 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | $ 37,462 |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00% |
| Covered payroll (active plan members) | $ 76,955 |
| UAAL as a percentage of covered payroll | 48.68% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes of the financial statements, presents multiyear trend information that show whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### 5) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**(continued)**

## V. OTHER INFORMATION (Continued)

### *(d) Post-Retirement Health Benefits* (Continued)

#### 5) Actuarial Methods and Assumptions (Continued)

**Actuarial Valuation Information and Assumptions**

| | |
|---|---|
| Measurement date: | Benefit liabilities are valued as of October 31, 2008 |
| Discount rate for valuing liabilities: | 4.00% per annum, compounded annually |
| Mortality rates: | Health lives: 1994 UP Mortality Table for respective gender |
| Salary scale: | N/A |
| Actuarial cost method: | Unit Credit Cost Method |
| Amortization method: | Level dollar |
| Amortization period: | Closed; 29 years |
| Level dollar amortization factor: | 17.6631 |

Retirement Rates:

| **Ages** | **Male** | **Female** |
|---|---|---|
| 40 - 44 | 5.0% | 5.0% |
| 45 - 49 | 10.0% | 10.0% |
| 50 - 54 | 14.0% | 16.0% |
| 55 - 59 | 14.0% | 16.0% |
| 60 | 14.0% | 16.0% |
| 61 | 14.0% | 16.0% |
| 62 | 32.0% | 32.0% |
| 63 | 18.0% | 18.0% |
| 64 | 18.0% | 18.0% |
| 65 | 35.0% | 35.0% |
| 66 and over | 25.0% | 25.0% |

Medical Inflation:

| | **Health Care Trend Rates** | |
|---|---|---|
| **Plan Year Ending** | **Medical Plan** | **Dental Plan** |
| 2009 to 2010 | 7.80% | 5.66% |
| 2010 to 2011 | 7.30% | 5.53% |
| 2011 to 2012 | 6.70% | 5.39% |
| 2012 to 2013 | 6.70% | 5.26% |
| 2013 to 2014 | 6.70% | 5.12% |
| 2014 to 2015 | 6.70% | 4.99% |
| 2077 to 2078 and after | 4.90% | 4.00% |

**(continued)**

## V. OTHER INFORMATION (Continued)

### *(e) Retirement Commitments*

#### (1) Plan Description

The County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees is responsible for the administration of the statewide agent multi-employer public employee defined benefit pension retirement system consisting of 574 public employee 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 Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the state statutes governing the TCDRS (TCDRS Act). Members employed by Collin County can retire at age 60 and above with eight or more years of service, with 30 years of service, regardless of age, or when the sum of their age and years of service equal 75 or more. Members are vested after eight years of employment, but must leave their accumulated contributions in the plan to receive any employer-financed benefit.

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 within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

#### (2) Funding Policy

The County has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using the actuarially determined rate of 12.5 % for the months of the accounting year in 2008 and 13.0 % for 2009. The contribution rate payable by the employee members for the calendar years of 2008 and 2009 is 7% as adopted by the governing body of the County. The employee contribution rate and the County's contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act. If a plan has had adverse experience, the TCDRS Act has provisions that allow the employer to contribute a fixed supplemental contribution rate determined by the System's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

**(continued)**

***(e) Retirement Commitments*** (Continued)

**(3) Annual Pension Cost**

For the accounting year ended September 30, 2009, the annual pension cost for Collin County to the TCDRS plan for its employees was $16,736 and the actual contributions were $16,736. The actual contributions was 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 actual actuarial valuations as of December 31, of 2006, 2007 and 2008, the basis for assessing the adequacy of the financing arrangement beginning with the contribution rates for calendar years 2006 and ending with 2008. The December 31, 2008 actuarial valuation is the most recent valuation. Funding information differs from prior compliance data due to plan changes effective January 1, 2007.

**Actuarial Valuation Information**

| Actuarial valuation date | 12/31/2006 | 12/31/2007 | 12/31/2008 |
|---|---|---|---|
| Actuarial cost method | Entry age | Entry age | Entry age |
| Amortization cost method | Level percentage of payroll, open | Level percentage of payroll, open | Level percentage of payroll, open |
| Asset valuation method | SAF: 10 year smoothed value ESF: Fund value | SAF: 10 year smoothed value ESF: Fund value | SAF: 10 year smoothed value ESF: Fund value |
| Actuarial assumptions: | | | |
| Investment return | 8.0% | 8.0% | 8.0% |
| Projected salary increases | 5.3% | 5.3% | 5.3% |
| Inflation | 3.5% | 3.5% | 3.5% |
| Cost-of-living adjustments | 0.0% | 0.0% | 0.0% |

**Annual Pension Cost**

| Accounting Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| September 30, 2007 | $ 14,518 | 100% | — |
| September 30, 2008 | 16,452 | 100% | — |
| September 30, 2009 | 16,736 | 100% | — |

***(f) Cost-sharing Arrangement***

In January 2006, Collin County Commissioners' Court approved a Letter of Understanding and resolution for the recommendation to purchase and implement Tyler Technologies "Odyssey" as the single Common Integrated Justice System (CIJS) for the County. This cost-sharing arrangement is intended to spread the cost of developing a statewide courts system between all the counties currently participating and those who participate in the system in the future.

In March 2006, Collin County entered into an agreement with the Texas Conference of Urban Counties and Tyler Technologies to participate in the development of CIJS and issued tax notes to fund the project. Of the $15,477 in resources encumbered and reserved for this project, $6,488 has been expended or encumbered as of September 30, 2009, leaving a balance of $8,988. The court civil case project has been implemented and the criminal case project is scheduled to be operational in August 2010.

**(continued)**

## V. OTHER INFORMATION (Continued)

### *(g) Subsequent Events*

Collin County was awarded two road project grants from the State of Texas from their Regional Tollroad Authority funds of approximately $8 million and $12 million. The $8 million will be used in conjunction with the City of Wylie to reconstruct a portion of FM 1378. The $12 million will be used for construction of the Outer Loop (Loop 9) project.

**COLLIN COUNTY, TEXAS**

Required Supplementary Information

Schedule of Revenues, Expenditures, and

Changes in Fund Balance – Budget (GAAP Basis) and Actual

General Fund

For the Year Ended September 30, 2009

| | Budget | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (negative) |
| Revenues: | | | | |
| Taxes: | | | | |
| Property | $ 119,222 | $ 119,222 | $ 119,981 | $ 759 |
| Fees and permits | 13,085 | 13,085 | 11,297 | ( 1,788) |
| Federal and state funds | 3,679 | 3,713 | 3,993 | 280 |
| Charges for services | 6,082 | 6,082 | 5,357 | ( 725) |
| Fines and forfeitures | 2,771 | 2,771 | 2,270 | ( 501) |
| Interest | 5,240 | 5,240 | 3,484 | ( 1,756) |
| Miscellaneous | 443 | 443 | 817 | 374 |
| Total revenues | 150,522 | 150,556 | 147,199 | ( 3,357) |
| Expenditures: | | | | |
| Current: | | | | |
| General administration | 37,474 | 33,357 | 23,809 | 9,548 |
| Judicial | 14,559 | 14,639 | 13,846 | 793 |
| Financial administration | 10,904 | 11,018 | 9,946 | 1,072 |
| Legal | 10,464 | 10,519 | 10,322 | 197 |
| Public facilities | 10,816 | 11,070 | 10,172 | 898 |
| Equipment services | 2,298 | 2,305 | 1,919 | 386 |
| Public safety | 45,038 | 45,912 | 44,931 | 981 |
| Health and welfare | 10,879 | 11,831 | 11,315 | 516 |
| Culture and recreation | 573 | 573 | 496 | 77 |
| Conservation | 308 | 308 | 285 | 23 |
| Capital outlay | 3,841 | 3,971 | 2,315 | 1,656 |
| Debt service: | | | | |
| Principal retirement | - | 4,096 | 4,096 | - |
| Interest and fiscal charges | - | 414 | 414 | - |
| Total expenditures | 147,154 | 150,013 | 133,866 | 16,147 |
| Excess of revenues over expenditures | 3,368 | 543 | 13,333 | 12,790 |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 162 | 162 |
| Transfers out | ( 8,668) | ( 9,572) | ( 9,462) | 110 |
| Sale of assets | 75 | 75 | 80 | 5 |
| Total other financing sources (uses) | ( 8,593) | ( 9,497) | ( 9,220) | 277 |
| Net change in fund balance | ( 5,225) | ( 8,954) | 4,113 | 13,067 |
| Fund balance – beginning | 129,513 | 129,513 | 129,513 | - |
| Fund balance – ending | $ 124,288 | $ 120,559 | $ 133,626 | $ 13,067 |

## COLLIN COUNTY, TEXAS

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget (GAAP Basis) and Actual
General Road and Bridge Special Revenue Fund
For the Year Ended September 30, 2009

| | Budget | | | Variance with Final Budget positive |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | **(negative)** |
| Revenues: | | | | |
| Taxes: | | | | |
| Property | $ 4,070 | $ 4,070 | $ 4,096 | $ 26 |
| Federal and state funds | - | 5,130 | 5,130 | - |
| Fees and permits: | | | | |
| Road mileage fees | 5,350 | 5,350 | 6,032 | 682 |
| Vehicle title fees | 760 | 760 | 641 | ( 119) |
| Road and bridge fees | 5,465 | 5,465 | 6,209 | 744 |
| Culvert permit | 3 | 3 | 1 | ( 2) |
| Total fees and permits | 11,578 | 11,578 | 12,883 | 1,305 |
| Fines and forfeitures: | | | | |
| County clerk | - | - | 1,549 | 1,549 |
| District clerk | - | - | 336 | 336 |
| County courts | 1,335 | 1,335 | 49 | ( 1,286) |
| District courts | 570 | 570 | 280 | ( 290) |
| Total fines and forfeitures | 1,905 | 1,905 | 2,214 | 309 |
| Interest | 305 | 305 | 285 | ( 20) |
| Miscellaneous: | | | | |
| Sale of road and bridge materials | 230 | 230 | 353 | 123 |
| Other and grants | 16 | 16 | 7 | ( 9) |
| Total miscellaneous | 246 | 246 | 360 | 114 |
| Total revenues | 18,104 | 23,234 | 24,968 | 1,734 |
| Expenditures: | | | | |
| Current: | | | | |
| Public transportation: | | | | |
| Road and bridge maintenance: | | | | |
| Salaries and benefits | 5,456 | 5,456 | 5,266 | 190 |
| Maintenance and operating | 14,248 | 14,248 | 9,817 | 4,431 |
| Total road and bridge maintenance | 19,704 | 19,704 | 15,083 | 4,621 |
| Engineering: | | | | |
| Salaries and benefits | 439 | 439 | 380 | 59 |
| Maintenance and operating | 18 | 18 | 14 | 4 |
| Total engineering | 457 | 457 | 394 | 63 |

**(continued)**

**COLLIN COUNTY, TEXAS**

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget (GAAP Basis) and Actual
General Road and Bridge Special Revenue Fund, continued
For the Year Ended September 30, 2009

| | Budget | | | Variance with Final Budget positive |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | **(negative)** |
| Services and operations: | | | | |
| Salaries and benefits | $ 440 | $ 440 | $ 437 | $ 3 |
| Maintenance and operating | 14 | 14 | 2 | 12 |
| Total services and operations | 454 | 454 | 439 | 15 |
| Soil conservation: | | | | |
| Maintenance and operating | 60 | 60 | 49 | 11 |
| Special projects: | | | | |
| Salaries and benefits | 267 | 267 | 219 | 48 |
| Maintenance and operating | 5 | 5 | - | 5 |
| Total special projects | 272 | 272 | 219 | 53 |
| Non-departmental: | | | | |
| Maintenance and operating | 1,118 | 1,118 | 155 | 963 |
| Air Check Texas | | | | |
| Maintenance and operating | - | 5,130 | 5,130 | - |
| Capital outlay: | | | | |
| Public transportation: | | | | |
| Road and bridge maintenance | 1,888 | 1,455 | 854 | 601 |
| Total capital outlay | 1,888 | 1,455 | 854 | 601 |
| Total expenditures | 23,953 | 28,650 | 22,323 | 6,327 |
| Excess (deficiency) of revenues over (under) expenditures | ( 5,849) | ( 5,416) | 2,645 | 8,061 |
| Other financing sources (uses): | | | | |
| Transfers out | - | ( 434) | ( 434) | - |
| Sale of assets | 102 | 102 | 61 | ( 41) |
| Total other financing sources (uses) | 102 | ( 332) | ( 373) | ( 41) |
| Net change in fund balance | ( 5,747) | ( 5,748) | 2,272 | 8,020 |
| Fund balance - beginning | 13,901 | 13,901 | 13,901 | - |
| Fund balance - ending | $ 8,154 | $ 8,153 | $ 16,173 | $ 8,020 |

**COLLIN COUNTY, TEXAS**

Required Supplementary Information

Schedule of Revenues, Expenditures, and

Changes in Fund Balance – Budget (GAAP Basis) and Actual

Health Care Foundation Special Revenue Fund

For the Year Ended September 30, 2009

| | Budget | | | Variance with Final Budget positive |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | **(negative)** |
| Revenues: | | | | |
| Federal and state funds | $ 127 | $ 127 | $ 156 | $ 29 |
| Fees and permits | 468 | 468 | 436 | ( 32) |
| Rental revenues | 1,147 | 1,147 | 1,145 | ( 2) |
| Interest | 328 | 328 | 577 | 249 |
| Miscellaneous | 143 | 143 | 26 | ( 117) |
| Total revenues | 2,213 | 2,213 | 2,340 | 127 |
| Expenditures: | | | | |
| Current: | | | | |
| Health and welfare: | | | | |
| Salaries and benefits | 1,940 | 1,940 | 1,322 | 618 |
| Maintenance and operating | 2,224 | 2,475 | 2,475 | - |
| Total health and welfare | 4,164 | 4,415 | 3,797 | 618 |
| Public facilities: | | | | |
| Maintenance and operating | 442 | 442 | 300 | 142 |
| Total public facilities | 442 | 442 | 300 | 142 |
| Total expenditures | 4,606 | 4,857 | 4,097 | 760 |
| Excess (deficiency) of revenues over (under) expenditures | ( 2,393) | ( 2,644) | ( 1,757) | 887 |
| Fund balance – beginning | 15,658 | 15,658 | 15,658 | - |
| Fund balance – ending | $ 13,265 | $ 13,014 | $ 13,901 | $ 887 |

## STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

Annual budgets are adopted for all governmental funds except Farm Museum Memorial, District Attorney Service Fee, Myers Park Foundation, Tax Assessor/Collector Motor Vehicle Tax, Justice Court Technology, Dangerous Wild Animal, Economic Development, L.E.O.S.E. Education, Juvenile Delinquency Prevention, Child Abuse Prevention, Court Initiated Guardianship, District Attorney Deferred Prosecution Program, Drug Court Program, SCAAP, County Court-at-Law Fee Program, Excess Distribution and Grants Special Revenue Funds, and all bond funds. No appropriations were approved out of the individual funds listed. The budget for each bond issue is adopted at the time the bonds are issued and rolled from year to year until the funding is exhausted. Juvenile Probation/Alternative Education Funds budget is not adopted as part of the County's budget, but is ministerially adopted after the Juvenile Probation Board formally approves it. All grants funds budgets are adopted at the state and federal level and ministerially adopted by Commissioners' Court. All governmental fund annual appropriations lapse at fiscal year-end.

On or before the last day of May of each year, all departments of the County submit requests for appropriations to the Budget Officer. The initial budget request and the Budget Officer's recommendations are provided to the Court beginning early July. Commissioners' Court holds budget hearings to allow departments to justify requests not included in the Budget Officer's proposed budget. They hold public hearings and publish notices starting in August on the timetable required by state statute. By September 1 or as soon as possible the budget and tax rate are adopted with tax notices mailed on or after October l.

The appropriated budget is adopted annually by fund, department, and activity at the legal level of budgetary control. The categories of salary and benefits, maintenance and operating, training and travel, and capital assets are the legal levels used. Effective September 1, 2005, the Court amended this policy to allow the Budget Officer/Finance Director to amend the budget as needed for appropriation line items with a "For Your Information Notification" to the Court for all amendments over $5,000. This change required the County Auditor to spend additional audit time and resulted in the reallocation of expenditures to comply with GAAP for proper asset classification and reporting purposes.

Encumbrance accounting is utilized by governmental entities. Encumbrances (i.e. purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

### Employees Retirement System Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (1) (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| December 31, 2006 | $ 162,567 | $ 185,341 | $ 22,774 | 87.71% | $ 71,361 | 31.91% |
| December 31, 2007 | 185,082 | 209,955 | 24,873 | 88.15% | 78,560 | 31.66% |
| December 31, 2008 | 189,983 | 231,578 | 41,595 | 82.04% | 74,027 | 56.19% |

### Retired Employees Health Care Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (1) (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| December 31, 2008 | $ - | $ 57,216 | $ 57,216 | - % | $ 70,737 | 80.89% |
| December 31, 2009 | - | 37,462 | 37,462 | - % | 74,027 | 50.61% |

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**APPENDIX C**

FORMs OF BOND COUNSEL'S OPINIONS

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[Closing Date]

$__________________
COLLIN COUNTY, TEXAS
UNLIMITED TAX REFUNDING BONDS,
SERIES 2010

WE HAVE represented Collin County, Texas (the "Issuer"), as its bond counsel in connection with an issue of bonds (the "Bonds") described as follows:

COLLIN COUNTY, TEXAS UNLIMITED TAX REFUNDING BONDS, SERIES 2010, dated October 1, 2010.

The Bonds mature, bear interest and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Commissioners Court of the Issuer authorizing their issuance (the "Order").

WE HAVE represented the Issuer as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, which contains certified copies of certain proceedings of the Issuer; an escrow agreement (the "Escrow Agreement") between the Issuer and The Bank of New York Mellon Trust Company, N. A., as escrow agent (the "Escrow Agent"), the report (the "Report") of Grant Thornton LLP, Certified Public Accountants (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded and the mathematical accuracy of certain computations of the yield on the Bonds and obligations

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acquired with the proceeds of the Bonds; certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer, and other public officials, and other certified showings relating to the authorization and issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the obligations being refunded. We have further examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, United States Department of Treasury regulations, and rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer;

(B) Firm banking and financial arrangements have been made for the discharge and final payment of the bonds being refunded pursuant to an Escrow Agreement entered into between the Issuer and the Escrow Agent on the date of delivery of the Bonds, and, therefore, such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement; and

(C) A continuing ad valorem tax upon all taxable property within Collin County, Texas, necessary to pay the interest on and principal of the Bonds, has been levied and pledged irrevocably for such purposes, without limit as to rate or amount, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitations.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT:

(1) Interest on the Bonds is excludable from gross income of the owners for federal income tax purposes under existing law; and

(2) The Bonds are not "private activity bonds" within the meaning of the Code, and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, REIT, or a REMIC) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Issuer, the Issuer's financial advisors and the Underwriters of the Bonds with respect to matters solely within the knowledge of the Issuer, the Issuer's financial advisors and the Underwriters, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Order pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have further relied on the Report of the Verification Agent, regarding the mathematical accuracy of certain computations. If such representations or the Report are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing provisions of the Order, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

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

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

Our opinions 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 thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the 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. 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 as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

[Closing Date]

$______________
COLLIN COUNTY, TEXAS
LIMITED TAX REFUNDING BONDS,
SERIES 2010

WE HAVE represented Collin County, Texas (the "Issuer"), as its bond counsel in connection with an issue of bonds (the "Bonds") described as follows:

> COLLIN COUNTY, TEXAS LIMITED TAX REFUNDING BONDS, SERIES 2010, dated October 1, 2010.
>
> The Bonds mature, bear interest and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Commissioners Court of the Issuer authorizing their issuance (the "Order").

WE HAVE represented the Issuer as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, which contains certified copies of certain proceedings of the Issuer; an escrow agreement (the "Escrow Agreement") between the Issuer and The Bank of New York Mellon Trust Company, N. A., as escrow agent (the "Escrow Agent"), the report (the "Report") of Grant Thornton LLP, Certified Public Accountants (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded and

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the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; customary certificates of officers, agents and representatives of the Escrow Agent, the Issuer, and other public officials, and other certified showings relating to the authorization and issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the obligations being refunded. We have further examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, United States Department of Treasury regulations, and rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer;

(B) Firm banking and financial arrangements have been made for the discharge and final payment of the bonds being refunded pursuant to an Escrow Agreement entered into between the Issuer and the Escrow Agent on the date of delivery of the Bonds, and, therefore, such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement; and

(C) A continuing ad valorem tax upon all taxable property within Collin County, Texas, necessary to pay the interest on and principal of the Bonds, has been levied and pledged irrevocably for such purposes, within the limits prescribed by law, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitations.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and

(2) The Bonds are not “private activity bonds” within the meaning of the Code and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the “adjusted current earnings” of a corporation (other than an S corporation, regulated investment company, REIT or a REMIC) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the Issuer, the Issuer’s financial advisors and the Underwriters of the Bonds with respect to matters solely within the knowledge of the Issuer, the Issuer’s financial advisors and the Underwriters, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Order pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have further relied on the Report of the Verification Agent, regarding the mathematical accuracy of certain computations. If such Report or representations are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing provisions of the Order, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

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