

**TRANSCRIPT OF PROCEEDINGS
RELATING TO**

**COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS
SERIES 2014**

Dated: June 15, 2014

**BRACEWELL
& GIULIANI**

**BRACEWELL & GIULIANI LLP
1445 ROSS AVENUE, SUITE 3800
DALLAS, TEXAS 75201-2711**

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UNLIMITED TAX ROAD BONDS,
SERIES 2014

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CERTIFICATE FOR ORDER

I, the undersigned County Clerk of Collin County, Texas, hereby certify as follows:

1. The Commissioners Court of Collin County, Texas (the "Commissioners Court") convened in regular meeting, on July 7, 2014, at the Collin County Administration Building located at 2300 Bloomdale Road, McKinney, Texas, and the roll was called of the duly constituted and acting members of the Commissioners Court, to wit:

Keith Self, County Judge
Mark Reid, Commissioner, Precinct No. 1
Cheryl Williams, Commissioner, Precinct No. 2
Chris Hill, Commissioner, Precinct No. 3
Duncan Webb, Commissioner, Precinct No. 4

and all of the members of the Commissioners Court were present, thus constituting a quorum. Whereupon, among other business, a written Order bearing the following caption was introduced for consideration by the Commissioners Court:

AN ORDER OF THE COMMISSIONERS COURT OF COLLIN COUNTY, TEXAS, AUTHORIZING THE ISSUANCE AND SALE OF COLLIN COUNTY, TEXAS, UNLIMITED TAX ROAD BONDS, SERIES 2014, IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$27,485,000; PROVIDING FOR THE AWARD OF THE SALE THEREOF IN ACCORDANCE WITH SPECIFIED PARAMETERS; LEVYING A TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS; APPROVING THE OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT AND PAYING AGENT/REGISTRAR AGREEMENT; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

was duly introduced for consideration of said Commissioners Court. It was then duly moved and seconded that said Order be passed; and, after due discussion, said motion, carrying with it the passage of said Order, prevailed and carried by the following vote:

AYES: 5

NOES: 0

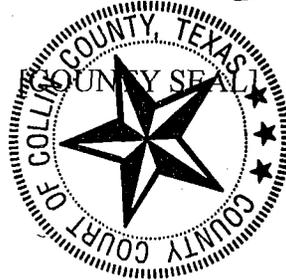
ABSTENTIONS: 0

2. A true, full and correct copy of the aforesaid Order passed at the meeting described in the above and foregoing paragraph is attached to and follows this Certificate; said Order has been duly recorded in the official minutes of said Commissioners Court; the above and foregoing paragraph is a true and correct excerpt from said minutes of said meeting pertaining to the passage of said Order; the persons named in the above and foregoing paragraph, at the time of said meeting and the passage of said Order, were the duly chosen, qualified and acting officers and members of said Commissioners Court as indicated therein; each of said officers and members was duly and sufficiently notified officially and personally in advance, of the time, place and purpose of the aforesaid meeting and that said Order would be introduced and considered for passage at said meeting, and each of said officers and members consented in advance to the holding of said meeting for such purpose; and said meeting was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, TEX. GOV'T CODE ANN., as amended.

SIGNED AND SEALED this July 8, 2014.

[Handwritten Signature]

County Clerk, Collin County, Texas



ORDER
AUTHORIZING THE ISSUANCE OF

COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS
SERIES 2014

Adopted: July 7, 2014

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AN ORDER OF THE COMMISSIONERS COURT OF COLLIN COUNTY, TEXAS, AUTHORIZING THE ISSUANCE AND SALE OF COLLIN COUNTY, TEXAS, UNLIMITED TAX ROAD BONDS, SERIES 2014, IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$27,485,000; PROVIDING FOR THE AWARD OF THE SALE THEREOF IN ACCORDANCE WITH SPECIFIED PARAMETERS; LEVYING A TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS; APPROVING THE OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT AND PAYING AGENT/REGISTRAR AGREEMENT; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Commissioners Court (the "Commissioners Court") of Collin County, Texas (the "County") intends to issue road bonds to finance improvements within the County which the Commissioners Court determines are necessary; and

WHEREAS, the Bonds hereinafter authorized were duly and favorably voted, as required by the Constitution and laws of the State of Texas, at an election held in the County, on November 6, 2007; and

WHEREAS, at said election, the following are among the purposes and amounts of the bonds which were authorized, reflecting any amount previously issued pursuant to such voted authorization, the amount therefrom being authorized to be issued pursuant to this Order, and the balance that remains unissued after the issuance of the bonds herein authorized, to-wit:

| Purpose | Election Date | Amount Voted | Amount Previously Issued | Amount Authorized to be Issued | Unissued Balance |
|---|---------------|---------------|--------------------------|--------------------------------|-----------------------------|
| Road Improvement Projects Including Joint State Highway and Joint City Projects | 11/06/07 | \$235,600,000 | \$133,845,000 | \$27,485,000 ⁽¹⁾ | \$74,270,000 ⁽²⁾ |

⁽¹⁾ Includes any premium generated on the Bonds and allocated to voted authorization.

⁽²⁾ Unless otherwise designated in the Pricing Certificate.

WHEREAS, the Commissioners Court has found and determined that it is necessary and in the best interest of the County and its citizens that it authorize by this Order the issuance and delivery of the bonds in a single series at this time; and

WHEREAS, the County has a principal amount of at least \$100,000,000 in a combination of outstanding long-term indebtedness and long-term indebtedness proposed to be issued, and some amount of such long-term indebtedness is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation, and therefore qualifies as an "Issuer" under Section 1371(4)(P) of Chapter 1371 of the Texas Government Code, as amended ("Chapter 1371"); and

WHEREAS, pursuant to Chapter 1207, the County desires to delegate the authority to effect the sale of the Bonds from time to time to the Authorized Officer; and

WHEREAS, it is officially found, determined, and declared that the meeting at which this Order has been adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Order, was given, all as required by the applicable provisions of Chapter 551, Texas Government Code, as amended;

NOW THEREFORE, BE IT ORDERED BY THE COMMISSIONERS COURT OF COLLIN COUNTY, TEXAS:

ARTICLE I

DEFINITIONS AND OTHER PRELIMINARY MATTERS

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Order the following terms shall have the meanings specified below:

“Authorized Officer” means the County Judge or County Administrator.

“Bond” means any of the Bonds.

“Bonds” means the County’s bonds entitled “Collin County, Texas, Unlimited Tax Road Bonds, Series 2014” authorized to be issued by Section 3.01.

“Closing Date” means the date of the initial delivery of and payment for the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions relating thereto.

“Construction Fund” means the construction fund established by Section 8.01(b)

“Dated Date” means the date designated as the date of the Bonds in the Pricing Certificate.

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named herein, its office in Dallas, Texas, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the County and such successor.

“DTC” shall mean The Depository Trust Company of New York, New York, or any successor securities depository.

“DTC Participant” shall mean brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“Event of Default” means any Event of Default as defined in Section 11.01.

“Initial Bond” means the Initial Bond authorized by Section 3.04(d) of this Order.

“Interest and Sinking Fund” means the interest and sinking fund established by Section 8.01(a).

“Interest Payment Date” means the date or dates upon which interest on the Bonds is scheduled to be paid until the maturity or prior redemption of the Bonds, such dates being February 15 and August 15 of each year commencing on the date set forth in the Pricing Certificate.

“Maturity Date” means one of the respective dates specified in Section 3.02 hereof on which the principal of the Bonds is due and payable.

“Order” means this Order.

“Owner” means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

“Paying Agent/Registrar” means initially The Bank of New York Mellon Trust Company, National Association, or any successor thereto as provided in this Order.

“Paying Agent/Registrar Agreement” means the Paying Agent/Registrar Agreement between the County and the Paying Agent/Registrar relating to the Bonds.

“Pricing Certificate” means a certificate or certificates to be signed by the Authorized Officer.

“Record Date” means the last business day of the month next preceding an Interest Payment Date.

“Register” means the Register specified in Section 3.06(a).

“Representation Letter” means the Blanket Letter of Representations between the County and DTC.

“Special Payment Date” means the Special Payment Date prescribed by Section 3.03(b).

“Special Record Date” means the Special Record Date prescribed by Section 3.03(b).

“Unclaimed Payments” means money deposited with the Paying Agent/Registrar for the payment of the principal, redemption premium, if any, or interest on Bonds as the same become due and payable or money set aside for the payment of Bonds duly called for redemption prior to

maturity and remaining unclaimed by the Owners of such Bonds for 90 days after the applicable payment or redemption date.

“Underwriters” means Citigroup Global Markets, Inc., Estrada Hinojosa & Company, Inc. and Stephens Inc. as underwriters of the Bonds pursuant to that certain Bond Purchase Agreement approved in Section 7.01 hereof.

Section 1.02. Other Definitions. The terms “Commissioners Court” and “County” shall have the meaning assigned in the preamble to this Order.

Section 1.03. Findings. The declarations, determinations and findings declared, made and found in the preamble to this Order are hereby adopted, restated and made a part of the operative provisions hereof.

Section 1.04. Table of Contents, Titles and Headings. The table of contents, titles and headings of the Articles and Sections of this Order have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Order or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.05. Interpretation. (a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) Article and section references shall mean references to articles and sections of this Order unless designated otherwise.

(c) This Order and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Order.

ARTICLE II

SECURITY FOR THE BONDS

Section 2.01. Tax Levy for Payment of the Bonds. (a) In order to provide for the payment of the debt service requirements on the Bonds, being (i) the interest on the Bonds and (ii) a sinking fund for their payment at maturity or a sinking fund of two percent (2%) per annum of the original principal amount of the Bonds (whichever is greater), there is hereby levied for the current year and each succeeding year thereafter, while the Bonds or interest thereon remain outstanding and unpaid, an ad valorem tax on each one hundred dollars valuation of taxable property within the County, at a rate sufficient, without legal limit as to rate or amount, to pay such debt service requirements, full allowance being made for delinquencies and costs of collection.

(b) The ad valorem tax thus levied shall be assessed and collected each year against all property appearing on the tax rolls of the County most recently approved in accordance with

law, and the money thus collected shall be deposited as collected to the Interest and Sinking Fund.

(c) Said ad valorem tax, the collections therefrom, and all amounts on deposit in or required hereby to be deposited to the Interest and Sinking Fund are hereby pledged and committed irrevocably to the payment of the principal of and interest on the Bonds when and as due and payable in accordance with their terms and this Order.

(d) To the extent the County has available funds which may be lawfully used to pay debt service on the Bonds and such funds are on deposit in the Interest and Sinking Fund in advance of the time the County Commissioners are required to set a tax rate for any year, then such tax rate which otherwise would be required to be established pursuant to subsection (a) of this Section may be reduced to the extent and by the amount of such funds then on deposit in the Interest and Sinking Fund.

(e) If the liens and provisions of this Order shall be discharged in a manner permitted by Article XI, then the collection of such ad valorem tax may be suspended or appropriately reduced, as the facts may permit, and further deposits to the Interest and Sinking Fund may be suspended or appropriately reduced, as the facts may permit.

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.01. Authorization. The County's bonds to be designated "Collin County, Texas Unlimited Tax Road Bonds, Series 2014," or such other title as may be specified in the Pricing Certificate, are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, including particularly Article III, Section 52 of the Texas Constitution, as amended, and Chapters 1371 and 1471, Texas Government Code, as amended. The Bonds shall be issued as set forth in the Pricing Certificate in an aggregate principal amount of not to exceed \$27,485,000, for the purpose of providing funds for: (i) the construction, maintenance and operation of macadamized, graveled or paved roads and turnpikes, or in aid thereof, throughout the County, including participating in the cost of joint State Highway and joint city projects, and (ii) paying certain costs of issuing the Bonds.

Section 3.02. Date, Denomination, Maturities, Numbers and Interest. (a) The Bonds shall be dated the Dated Date as set forth in the Pricing Certificate, shall be in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof, and shall be numbered separately from one upward or such other designation acceptable to the County and the Paying Agent/Registrar.

(b) The Bonds shall mature on February 15 in the years and in the principal amounts set forth in the Pricing Certificate.

(c) Interest shall accrue and be paid on each Bond, respectively, until the payment of the principal amount thereof shall have been paid or provided for, from the later of the Dated Date, unless otherwise provided in the Pricing Certificate, or the most recent Interest Payment

Date to which interest has been paid or provided for at the rates per annum for each respective maturity specified in the Pricing Certificate. Such interest shall be payable semiannually commencing on February 15, 2015, or such other date as specified in the Pricing Certificate, and on each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

Section 3.03. Medium, Method and Place of Payment. (a) The principal of, premium, if any, and interest on the Bonds shall be paid in lawful money of the United States of America as provided in this Section.

(b) Interest on the Bonds shall be payable to the Owners whose names appear in the Register at the close of business on the Record Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be at least 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 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.

(c) Interest on the Bonds shall be paid by check (dated as of the Interest Payment Date) and sent by the Paying Agent/Registrar to the person entitled to such payment, United States mail, first class postage prepaid, to the address of such person as it appears in the Register or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such other customary banking arrangements. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar.

(d) The principal of each Bond shall be paid to the person in whose name such Bond is registered on the due date thereof (whether at the Maturity Date or the date of prior redemption thereof) upon presentation and surrender of such Bond at the Designated Payment/Transfer Office.

(e) If a date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

(f) Unclaimed Payments shall be segregated in a special escrow account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owners of the Bonds to which the Unclaimed Payments pertain. Subject to Title 6 of the Texas Property Code, Unclaimed Payments remaining unclaimed by the Owners entitled thereto for three years after

the applicable payment or redemption date shall be applied to the next payment or payments on the Bonds thereafter coming due and, to the extent any such money remains after the retirement of all outstanding Bonds, shall be paid to the County to be used for any lawful purpose. Thereafter, neither the County, the Paying Agent/Registrar, nor any other person shall be liable or responsible to any Owners of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to Title 6 of the Texas Property Code.

Section 3.04. Execution and Initial Registration. (a) The Bonds shall be executed on behalf of the County by the County Judge and County Clerk of the County, by their manual or facsimile signatures, and the official seal of the County shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the County had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the County whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Order unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided in this Order, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same authorized representative of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond delivered on the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided in this Order, manually executed by the Comptroller of Public Accounts of the State of Texas or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the County, and has been registered by the Comptroller.

(d) On the Closing Date, one Initial Bond representing the entire principal amount of the Bonds, payable in stated installments to the Representative or its designee, executed and registered as provided above, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the Representative or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver to DTC on behalf of the Representative registered definitive Bonds as described in Section 3.10(a). To the extent the Paying Agent/Registrar is eligible to participate in DTC's FAST System, as evidenced by agreement between the Paying Agent/Registrar and DTC, the Paying Agent/Registrar shall hold the definitive Bonds in safekeeping for DTC.

Section 3.05. Ownership. (a) The County, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and premium, if

any, thereon, for the further purpose of making and receiving payment of the interest thereon (subject to the provisions herein that interest on the Bonds is to be paid to the person in whose name the Bond is registered on the Record Date), and for all other purposes, whether or not such Bond is overdue, and neither the County nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the person deemed to be the Owner of any Bond in accordance with this Section shall be valid and effectual and shall discharge the liability of the County and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Section 3.06. Registration, Transfer and Exchange. (a) So long as any Bonds remain outstanding, the County shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Order.

(b) The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any denomination or denominations of any integral multiple of \$5,000 principal amount and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) Each exchange Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the County and shall be entitled to the benefits and security of this Order to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(e) No service charge shall be made to the Owner for the initial registration or any subsequent transfer of Bonds, but the Paying Agent/Registrar will require the Owner to pay the reasonable cost incurred by the Paying Agent/Registrar in connection with the exchange of a Bond or Bonds for a different denomination where no simultaneous transfer of the Bond or Bonds to a new Owner also occurs. In addition, the Paying Agent/Registrar may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

(f) Neither the County nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond so selected for redemption, in whole or in part, when such redemption is scheduled to occur within 30 days.

Section 3.07. Cancellation. All Bonds paid in accordance with this Order, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in

accordance with this Order, shall be cancelled and proper records shall be made regarding such payment, redemption, exchange, or replacement. The Paying Agent/Registrar shall then dispose of cancelled Bonds in accordance with the Securities Exchange Act of 1934.

Section 3.08. Temporary Bonds. (a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive Bonds, the proper officers of the County may execute and, upon the County's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the County executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Order.

(c) The County, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar the Bonds in definitive form; thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and authenticate and deliver in exchange therefor a Bond or Bonds of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount as the Bond or Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.09. Replacement Bonds. (a) Upon the presentation and surrender to the Paying Agent/Registrar, at the Designated Payment/Transfer Office, of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount bearing a number not contemporaneously outstanding. The County or the Paying Agent/Registrar may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected herewith.

(b) In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar and the County to save them harmless;

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the County and the Paying Agent/Registrar.

(c) If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the County and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the County or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Bond, may pay such Bond if it has become due and payable or may pay such Bond when it becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the County and shall be entitled to the benefits and security of this Order to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 3.10. Book-Entry Only System. (a) The definitive Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 3.11 hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the County and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds, except as provided in this Order. Without limiting the immediately preceding sentence, the County and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Register of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, the County and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Register as provided in this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the County's obligations with respect to

payment of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the register, shall receive a certificate evidencing the obligation of the County to make payments of amounts due pursuant to this Order. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Order with respect to interest checks or drafts being mailed to the registered Owner at the close of business on the Record Date, the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

(c) The Representations Letter previously executed and delivered by the County, and applicable to the County's obligations delivered in book-entry-only form to DTC as securities depository, is hereby ratified and approved for the Bonds.

Section 3.11. Successor Securities Depository; Transfer Outside Book-Entry Only System. In the event that the County or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the County or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants, as identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts, as identified by DTC. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Order.

Section 3.12. Payments to Cede & Co. Notwithstanding any other provision of this Order to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Representation Letter.

ARTICLE IV

REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01. Limitation on Redemption. The Bonds shall be subject to redemption before scheduled maturity only as provided in this Article IV and the Pricing Certificate.

Section 4.02. Optional Redemption. (a) The Bonds shall be subject to redemption at the option of the County at such times, in such amounts, in such manner and at such redemption prices as may be designated and provided for in the Pricing Certificate.

(b) The County, at least 45 days before the redemption date, unless a shorter period shall be satisfactory to the Paying Agent/Registrar, shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Bonds to be redeemed.

Section 4.03. Mandatory Sinking Fund Redemption.

(a) The Bonds designated as term bonds in the Pricing Certificate (the "Term Bonds"), if any, are subject to scheduled mandatory redemption and will be redeemed by the County, in part at a price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, out of moneys available for such purpose in the Interest and Sinking Fund, on the dates and in the respective principal amounts as set forth in the Pricing Certificate.

(b) At least forty five (45) days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in Section 4.05.

(c) In lieu of calling the Term Bonds described in subsection (b), above, for mandatory redemption, the County reserves the right to purchase such Term Bonds at a price not exceeding the principal amount thereof, plus accrued interest, with moneys on deposit in the Interest and Sinking Fund which are available for the mandatory redemption of such Term Bonds or other lawfully available funds.

(d) Upon any such purchase in lieu of redemption, not less than forty five (45) days prior to a mandatory redemption date, the County shall deliver such Term Bonds to the Paying Agent/Registrar prior to the selection of the Term Bonds for redemption and the principal amount so delivered shall be credited against the amount required to be called for redemption in that year.

(e) To the extent that the Term Bonds have been previously redeemed other than from such scheduled mandatory redemption payments, the amount of each scheduled mandatory redemption payment set forth above shall be reduced, as nearly as practicable, on a pro rata basis.

Section 4.04. Partial Redemption. (a) If less than all of the Bonds are to be redeemed, the County shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity or maturities and in such principal amounts for redemption.

(b) A portion of a single Bond of a denomination greater than \$5,000 may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof. If such a Bond is to be partially redeemed, the Paying Agent/Registrar shall treat each \$5,000 portion of a Bond as though it were a single bond for purposes of selection for redemption.

(c) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with Section 3.06 of this Order, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge, notwithstanding any provision of Section 3.06 to the contrary.

(d) The Paying Agent/Registrar shall promptly notify the County in writing of the principal amount to be redeemed of any Bond as to which only a portion thereof is to be redeemed.

Section 4.05. Notice of Redemption to Owners. (a) The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown in the Register.

(b) The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

Section 4.06. Payment Upon Redemption. (a) Before or on each redemption date, the County shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date and the Paying Agent/Registrar shall make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust an amount from the Interest and Sinking Fund or otherwise received by the Paying Agent/Registrar from the County and shall use such funds solely for the purpose of paying the principal of, redemption premium, if any, and accrued interest on the Bonds being redeemed.

(b) Upon presentation and surrender of any Bond called for redemption at the Designated Payment/Transfer Office on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of, redemption premium, if any, and accrued interest on such Bond to the date of redemption from the money set aside for such purpose.

Section 4.07. Effect of Redemption. (a) Notice of redemption having been given as provided in Section 4.05 of this Order, and subject, in the case of optional redemption under Section 4.02, to any conditions or rights reserved by the County under Section 4.08, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the County defaults in the payment of the principal thereof, redemption premium, if any, or accrued interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

(b) If the County shall fail to make provision for payment of all sums due on a redemption date, then any Bond or portion thereof shall continue to bear interest at the rate stated on the Bond until due provision is made for the payment of same.

Section 4.08. Conditional Notice of Redemption.

The County reserves the right, in the case of an optional redemption pursuant to Section 4.02 herein, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the County retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the County delivers a certificate of the County to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the County to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

Section 4.09. Lapse of Payment. Money set aside for the redemption of the Bonds and remaining unclaimed by Owners thereof shall be subject to the provisions of Section 3.03(f) hereof.

ARTICLE V

PAYING AGENT/REGISTRAR

Section 5.01. Appointment of Initial Paying Agent/Registrar. (a) The County hereby appoints The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the County and the Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfer and registrations as herein provided. It shall be the duty of the Paying Agent/Registrar to obtain from the Owners and record in the Register the address of such Owner of each Bond to which payments with respect to the Bonds shall be mailed, as provided herein. The County or its designee shall have the right to inspect the Register during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity.

(b) The County hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds. The Paying Agent/Registrar shall keep proper records of all payments made by the County and the Paying Agent/Registrar with respect to the Bonds, and of all conversions, exchanges and replacements of such Bonds, as provided in the Order.

(c) The execution and delivery of the Paying Agent/Registrar Agreement, substantially in the form presented at this meeting, specifying the duties and responsibilities of

the County and the Paying Agent/Registrar, is hereby approved with such changes as may be approved by the County Judge of the County or the Authorized Officer, and the County Judge, County Clerk of the County and/or the Authorized Officer are hereby authorized to execute such agreement.

Section 5.02. Qualifications. Each Paying Agent/Registrar shall be a commercial bank, trust company, or other entity duly qualified and legally authorized under applicable law, to serve as and perform the duties and services of paying agent and registrar for the Bonds.

Section 5.03. Maintaining Paying Agent/Registrar. (a) At all times while any Bonds are outstanding, the County will maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Order.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the County will promptly appoint a replacement.

Section 5.04. Termination. The County reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated (i) forty-five (45) days written notice of the termination of the appointment and of the Paying Agent/Registrar Agreement, stating the effective date of such termination, and (ii) appointing a successor Paying Agent/Registrar; provided, that, no such termination shall be effective until a successor paying agent/registrar has assumed the duties of paying agent/registrar for the Bonds.

Section 5.05. Notice of Change to Owners. Promptly upon each change in the entity serving as Paying Agent/Registrar, the County will cause notice of the change to be sent to each Owner by United States mail, first class postage prepaid, at the address in the Register, stating the effective date of the change and the name of the replacement Paying Agent/Registrar and the mailing address of its Designated Payment/Transfer Office.

Section 5.06. Agreement to Perform Duties and Functions. By accepting the appointment as Paying Agent/Registrar, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Order and that it will perform the duties and functions of Paying Agent/Registrar prescribed hereby.

Section 5.07. Delivery of Records to Successor. If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

ARTICLE VI

FORM OF THE BONDS

Section 6.01. Form Generally. (a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the Assignment form to appear on each of the Bonds, (i) shall be substantially in the form set forth in this Article, with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Order and the Pricing

Certificate, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the County or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

(c) The definitive Bonds, if any, shall be typewritten, photocopied, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

(d) The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 6.02. Form of Bonds. The form of Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Bond of the Paying Agent/Registrar and the form of Assignment appearing on the Bonds, shall be substantially as follows, with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by the Order and the Pricing Certificate:

(a) Form of Bond

REGISTERED
No. R- _____

REGISTERED
\$ _____

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014⁽¹⁾

INTEREST RATE: _____% MATURITY DATE: February 15, _____, 2014⁽²⁾ DATED DATE: _____ CUSIP NUMBER: _____

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

or registered assigns, on the Maturity Date specified above, the sum of

¹ Insert from Pricing Certificate.

² Insert from Pricing Certificate.

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Dated Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing _____, 2015.⁽³⁾

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "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 books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the County in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond is one of a series of fully registered bonds specified in the title hereof issued in the aggregate principal amount of \$ _____ (herein referred to as the "Bonds"), issued

³ Insert from Pricing Certificate.

pursuant to a certain order of the Commissioners Court of the County (the "Order") for the purposes of (i) providing funds for certain County road improvements and (ii) for paying the costs of issuing the Bonds.

The Bonds and the interest thereon are payable from the levy of a direct and continuing ad valorem tax, without legal limit as to rate or amount, against all taxable property in the County as described and provided in the Order. The Bonds are issued under Section 52, Article III, Texas Constitution and laws enacted under the Constitution.

The County has reserved the option to redeem the Bonds maturing on or after February 15, 20__⁽⁴⁾ in whole or in part, before their respective scheduled maturity dates, on February 15, 20__⁽⁵⁾ or on any date thereafter, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the County shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity and in such principal amounts, for redemption.

The Bonds maturing on February 15, 20__⁽⁶⁾ (the "Term Bonds"), are subject to scheduled mandatory redemption and will be redeemed by the County, in part at a price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, out of moneys available for such purpose in the Interest and Sinking Fund, on the dates and in the respective principal amounts as set forth below.

\$ Term Bonds Maturing February 15, 20__⁽⁷⁾

| <u>Year</u> | <u>Amount</u> |
|---|---------------|
| February 15, 20__ ⁽⁸⁾ | |
| February 15, 20__ ⁽⁹⁾ (maturity) | |

The Paying Agent/Registrar will select by lot the specific Term Bonds (or with respect to Term Bonds having a denomination in excess of \$5,000, each \$5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of Term Bonds required to be redeemed on any redemption date pursuant to the foregoing mandatory sinking fund redemption provisions hereof shall be reduced, at the option of the County, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the County at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional

⁴ Insert from Pricing Certificate.
⁵ Insert from Pricing Certificate.
⁶ Insert from Pricing Certificate.
⁷ Insert from Pricing Certificate.
⁸ Insert from Pricing Certificate.
⁹ Insert from Pricing Certificate.

redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the registered owner of each of the Bonds to be redeemed in whole or in part. Notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; and, from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

In the Order, the County reserves the right, in the case of an optional redemption pursuant to the Order, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the County retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the County delivers a certificate of the County to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the County to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

As provided in the Order, and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar, and, thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the County nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

The County, the Paying Agent/Registrar, and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the County nor the Paying Agent/Registrar shall be affected by notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that the total indebtedness of the County, including the Bonds, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the County has caused this Bond to be executed by the manual or facsimile signature of the County Judge, countersigned by the manual or facsimile signature of the County Clerk of the County, and the official seal of the County has been duly impressed or placed in facsimile on this Bond.

County Clerk, Collin County

County Judge, Collin County

[SEAL]

(b) Form of Comptroller's Registration Certificate. The following Comptroller's Registration Certificate may be deleted from the definitive Bonds if such certificate on the Initial Bond is fully executed.

OFFICE OF THE COMPTROLLER §
OF PUBLIC ACCOUNTS § REGISTER NO. _____
OF THE STATE OF TEXAS §

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding obligation of the County of Collin, Texas; and that this Bond has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, _____.

Comptroller of Public Accounts
of the State of Texas

[SEAL]

(c) Form of Certificate of Paying Agent/Registrar. The following Certificate of Paying Agent/Registrar may be deleted from the Initial Bond if the Comptroller's Registration Certificate appears thereon.

CERTIFICATE OF PAYING AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Bond of this series of Bonds was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Bonds referred to in the within-mentioned Order.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Paying Agent/Registrar

Dated: _____

By: _____
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee): _____

(Social Security or other identifying number: _____) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

Authorized Signatory

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers.

(e) The Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this Section, except for the following alterations:

(i) immediately under the name of the Bond the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the expression "As shown below," and the reference to the "CUSIP NUMBER ____" shall be deleted;

(ii) in the first paragraph of the Bond, the words "on the Maturity Date specified above" shall be deleted and the following will be inserted: "on February 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

| <u>Years</u> | <u>Principal Installments</u> | <u>Interest Rates</u> |
|--|-------------------------------|-----------------------|
| (Information to be inserted from the Pricing Certificate); and | | |

(iii) the Initial Bond shall be numbered T-1.

Section 6.03. CUSIP Registration. The County may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the County nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 6.04. Legal Opinion. The approving legal opinion of Bracewell & Giuliani LLP, Bond Counsel, may be printed on the back of each Bond over the certification of the County Clerk of the County, which may be executed in facsimile.

Section 6.05. Municipal Bond Insurance. If municipal bond guaranty insurance is obtained with respect to the Bonds, the Bonds, including the Initial Bond, may bear an appropriate legend, as provided by the insurer.

ARTICLE VII

SALE OF THE BONDS; CONTROL AND DELIVERY OF THE BONDS

Section 7.01. Sale of Bonds; Official Statement. (a) The Bonds shall be sold to the Underwriters in one or more series or subseries from time to time in accordance with the terms of this Order. As authorized by Chapter 1371, Texas Government Code, the Authorized Officer is hereby authorized to act on behalf of the County in selling and delivering the Bonds and in carrying out the other procedures specified in this Order, including determining the price at which each of the Bonds will be sold, the number and designation of each series or subseries of Bonds to be issued, from time to time, the form in which the Bonds shall be issued, the years and dates on which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of Bonds to be issued by the County, the rate of interest to be borne by each maturity of the Bonds, the Interest Payment Dates, the dates, prices and terms upon and

at which the Bonds shall be subject to redemption prior to maturity at the option of the County and shall be subject to mandatory sinking fund redemption, and all other matters relating to the issuance, sale and delivery of the Bonds, all of which shall be specified in the Pricing Certificate; subject to the following conditions:

(i) the aggregate principal amount, including any premium generated on the Bonds and allocated to voted authorization, to be issued for the purposes described in Section 3.01 hereof, shall not exceed \$27,485,000;

(ii) the Bonds shall not mature later than February 15, 2034;

(iii) the Bonds shall not bear interest at a true interest cost greater than 4.00%;
and

(iv) the Bonds to be issued, prior to delivery, must have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations.

The Authorized Officer is hereby authorized and directed to execute and deliver on behalf of the County one or more Purchase Contracts, providing for the sale of the Bonds to the Underwriters, in such form as determined by the Authorized Officer. The Authorized Officer is hereby authorized and directed to approve the final terms and provisions of each Purchase Contract in accordance with the terms of the Pricing Certificate and this Order, which final terms shall be determined to be the most advantageous reasonably attainable by the County, such approval and determination being evidenced by its execution thereof by the Authorized Officer. All officers, agents and representatives of the County are hereby authorized to do any and all things necessary or desirable to satisfy the conditions set out therein and to provide for the issuance and delivery of the Bonds. The Initial Bonds shall initially be registered in the name of the Citigroup Global Markets Inc. (the "Representative"), or its designee, or such other entity as may be specified in the Purchase Contract.

(b) The authority granted to the Authorized Officer under Section 7.01(a) shall expire on a date 14 days from the date of this Order, unless otherwise extended by the Commissioners Court by separate action.

(c) The County hereby approves the preparation and distribution of one or more Preliminary Official Statements for use in the initial offering and sale of the Bonds and each such Preliminary Official Statement is confirmed (in the form and with such addenda, supplements or amendments as may be approved by the Authorized Officer and the Underwriters) as deemed final within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities and Exchange Act of 1934. The County hereby authorizes the preparation of a final Official Statement reflecting the terms of the Purchase Contract and other relevant information. The use of such final Official Statement by the Underwriters (in the form and with such appropriate variations as shall be approved by the Authorized Officer and the Underwriters) is hereby approved and authorized and the proper officials of the County are authorized to sign such Official Statement. The use and distribution of the Preliminary Official Statement for the

Bonds and the preliminary public offering of the Bonds by the Underwriters is hereby ratified, approved and confirmed.

(d) All officers of the County are authorized to take such actions and to execute such documents, certificates and receipts, and to make such elections with respect to the tax-exempt status of the Bonds, as they may deem necessary and appropriate in order to consummate the delivery of the Bonds.

(e) The obligation of the Underwriters to accept delivery of the Bonds is subject to the Underwriters being furnished with the final, approving opinion of Bracewell & Giuliani LLP, Dallas, Texas, Bond Counsel for the County, which opinion shall be dated as of and delivered on the Closing Date.

Section 7.02. Control and Delivery of Bonds.

(a) The Authorized Officer or County Judge is hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas, and registration with, and initial exchange or transfer by, the Paying Agent/Registrar. Further, in connection with the submission of the record of proceedings for the Bonds to the Attorney General of the State of Texas for examination and approval of such Bonds, the appropriate officer of the County is hereby authorized and directed to issue a check of the County payable to the Attorney General of the State of Texas as a nonrefundable examination fee in the amount required by Chapter 1202, Texas Government Code (such amount not to exceed \$9,500).

(b) After registration by the Comptroller of Public Accounts, delivery of the Bonds shall be made to the Underwriters under and subject to the general supervision and direction of the Authorized Officer or County Judge, against receipt by the County of all amounts due to the County under the terms of sale.

ARTICLE VIII

CREATION OF FUNDS AND ACCOUNTS;
DEPOSIT OF PROCEEDS; INVESTMENTS

Section 8.01. Creation of Funds. The County hereby establishes the following special funds or accounts, which may be renamed as appropriate in the Pricing Certificate, shall be maintained at an official depository of the County and in accordance with Chapter 1471, Texas Government Code:

(i) Collin County, Texas, Unlimited Tax Road Bonds, Series 2014, Interest and Sinking Fund; and

(ii) Collin County, Texas, Unlimited Tax Road Bonds, Series 2014, Construction Fund.

Section 8.02. Interest and Sinking Fund. (a) The taxes levied under Section 2.01 shall be deposited to the credit of the Interest and Sinking Fund at such times and in such amounts as necessary for the timely payment of the principal of and interest on the Bonds.

(b) If the amount of money in the Interest and Sinking Fund is at least equal to the aggregate principal amount of the outstanding Bonds plus the aggregate amount of interest due and that will become due and payable on such Bonds, no further deposits to that fund need be made.

(c) Money on deposit in the Interest and Sinking Fund shall be used to pay the principal of and interest on the Bonds as such become due and payable.

Section 8.03. Construction Fund.

(a) Money on deposit in the Construction Fund, including investment earnings thereon, shall be used for the purposes specified in Section 3.01 of this Order.

(b) All amounts remaining in the Construction Fund after the accomplishment of the purposes for which the Bonds are hereby issued, including investment earnings of the Construction Fund, shall be deposited into the Interest and Sinking Fund, unless a change in applicable law permits or authorizes all or any part of such funds to be used for other purposes.

Section 8.04. Security of Funds. All moneys on deposit in the funds and accounts referred to in this Order shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and moneys on deposit in such funds shall be used only for the purposes permitted by this Order.

Section 8.05. Deposit of Proceeds. The proceeds from the sale of the Bonds shall be deposited as set forth in the Pricing Certificate.

Section 8.06. Investments. (a) Money in the Interest and Sinking Fund and the Construction Fund created by this Order, at the option of the County, may be invested in such securities or obligations as permitted under applicable law.

(b) Any securities or obligations in which money is invested pursuant to Section 8.06(a) shall be kept and held in trust for the benefit of the Owners and shall be sold and the proceeds of sale shall be timely applied to the making of all payments required to be made from the fund from which the investment was made.

Section 8.07. Investment Income. Interest and income derived from investment of any fund or account created by this Order shall be credited to such fund or account.

ARTICLE IX

PARTICULAR REPRESENTATIONS AND COVENANTS

Section 9.01. Payment of the Bonds. On or before each Interest Payment Date for the Bonds, there shall be made available to the Paying Agent/Registrar, out of the Interest and

Sinking Fund, money sufficient to pay such interest on and principal of the Bonds as will accrue or mature on the applicable Interest Payment Date.

Section 9.02. Other Representations and Covenants. (a) The County will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Order and in each Bond; the County will promptly pay or cause to be paid the principal of and interest on each Bond on the dates and at the places and manner prescribed in such Bond; and the County will, at the times and in the manner prescribed by this Order, deposit or cause to be deposited the amounts of money specified by this Order.

(b) The County is duly authorized under the laws of the State of Texas to issue the Bonds; all action on its part for the creation and issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the County in accordance with their terms.

Section 9.03. Federal Income Tax Exclusion. (a) General. The County intends that the interest on the Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Treasury Regulations (the "Regulations"). The County covenants and agrees not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, would (i) cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes or (ii) result in the violation of or failure to satisfy any provision of section 103 and 141 through 150 of the Code and the applicable Regulations. In particular, the County covenants and agrees to comply with each requirement of this Section 9.03 through 9.13; provided, however, that the County shall not be required to comply with any particular requirement of Section 9.03 through 9.13 if the County has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that (i) such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or (ii) compliance with some other requirement set forth in Section 9.03 through 9.13 will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion will constitute compliance with the corresponding requirement specified in Section 9.03 through 9.13.

Section 9.04. No Private Use or Payment and No Private Loan Financing. The County covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder. Moreover, the County will certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

Section 9.05. No Federal Guarantee. The County covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

Section 9.06. No Hedge Bonds. The County covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

Section 9.07. No Arbitrage. The County covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the County will certify, through an authorized officer, employee or agent, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder.

Section 9.08. Arbitrage Rebate. If the County does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, the County will take all necessary steps to comply with the requirement that certain amounts earned by the County on the investment of the “gross proceeds” of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the County will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the County allocable to other bond issue of the County or moneys which do not represent gross proceeds of any bonds of the County, (ii) determine at such times as are required by the Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under the applicable Regulations, all amounts required to be rebated to the federal government. Further, the County will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm’s length and had the yield on the issue not been relevant to either party.

Section 9.09. Information Reporting. The County covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information

statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

Section 9.10. Continuing Obligation. Notwithstanding any other provision of this Order, the County's obligations under the covenants and provisions of this Section 9.03 shall survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Section 9.11. Record Retention. The County will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Bonds until six years after the last Bond is redeemed, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the Authority to retrieve and reproduce such books and records in the event of an examination of the Bonds by the Internal Revenue Service.

Section 9.12. Registration. The Bonds will be issued in registered form.

Section 9.13. Deliberate Action. The County will not take a deliberate action (as defined in section 1.141-2(d)(3) of the Regulations) that causes the Bonds to fail to meet any requirement of section 141 of the Code after the issue date of the Bond unless an appropriate remedial action is permitted by section 1.141-12 of the Regulations and a Counsel's Opinion is obtained that such remedial action cures any failure to meet the requirements of section 141 of the Code.

ARTICLE X

DEFAULT AND REMEDIES

Section 10.01. Events of Default. Each of the following occurrences or events for the purpose of this Order is hereby declared to be an "Event of Default," to-wit:

- (i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or
- (ii) default in the performance or observance of any other covenant, agreement or obligation of the County, the failure to perform which materially, adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Order, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the County.

Section 10.02. Remedies for Default. (a) Upon the happening of any Event of Default, then and in every case any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the County for the purpose of protecting and enforcing the rights of the Owners under this Order, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any

relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then outstanding.

Section 10.03. Remedies Not Exclusive. (a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Order, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Order.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

ARTICLE XI

DISCHARGE

Section 11.01. Discharge by Payment. The Bonds may be defeased, refunded and discharged in any manner permitted by applicable law.

ARTICLE XII

CONTINUING DISCLOSURE UNDERTAKING

Section 12.01. Definitions of Continuing Disclosure Terms. As used in this Article, the following terms have the meanings assigned to such terms below:

“EMMA” means the Electronic Municipal Market Access system.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

Section 12.02. Annual Reports.

(a) The County shall provide annually to the MSRB, within six (6) months after the end of each fiscal year, financial information and operating data with respect to the County of the general type included in the final Official Statement, being the information described in Exhibit A. Any financial statements to be so provided shall be (i) prepared in accordance with the accounting principles described in Exhibit A, (ii) audited, if the County commissions an audit of such statements and the audit is completed within the period during which they must be provided, and (iii) submitted through the EMMA in an electronic format with accompanying

identifying information, as prescribed by the MSRB. If the audit of such financial statements is not complete within such period, then the County shall provide notice that audited financial statements are not available and shall provide unaudited financial statements for the applicable fiscal year to the MSRB. Thereafter, when and if audited financial statements become available, the County shall provide such audited financial statements to the MSRB.

(b) If the County changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the County otherwise would be required to provide financial information and operating data pursuant to this Section.

(c) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

Section 12.03. Material Event Notices.

(a) The County shall notify the MSRB, in a timely manner not in excess of ten (10) Business Days after the occurrence of the event, of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the County;¹⁰

(xiii) The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

(b) The County shall notify the MSRB, in a timely manner, of any failure by the County to provide financial information or operating data in accordance with Section 12.02 of this Order by the time required by such Section.

Section 12.04. Limitations, Disclaimers and Amendments. (a) The County shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the County remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the County in any event will give notice of any deposit made in accordance with Article XII that causes Bonds no longer to be Outstanding.

(b) The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The County undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the County's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The County does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE COUNTY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE COUNTY, WHETHER NEGLIGENT OR WITHOUT FAULT ON

¹⁰ For the purposes of the event identified in (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(c) No default by the County in observing or performing its obligations under this Article shall comprise a breach of or default under the Order for purposes of any other provisions of this Order.

(d) Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the County under federal and state securities laws.

(e) The provisions of this Article may be amended by the County from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the County, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of this Order that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the County (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. If the County so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 12.02 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

(f) Any obligation of the County to expend funds pursuant to the provisions of this Article shall be subject to the appropriation of said funds by the Commissioners Court from sources of funds legally available for such purpose.

ARTICLE XIII

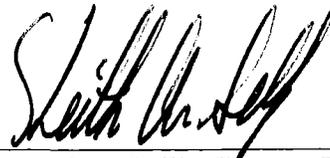
MISCELLANEOUS

Section 13.01. Changes to Order. The County Judge and Director of Administrative Services, in consultation with Bond Counsel, is hereby authorized to make changes to the terms of this Order if necessary or desirable to carry out the purposes hereof or in connection with the approval of the issuance of the Bonds by the Attorney General of Texas.

Section 13.02. Partial Invalidity. If any section, paragraph, clause or provision of this Order shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of the Order.

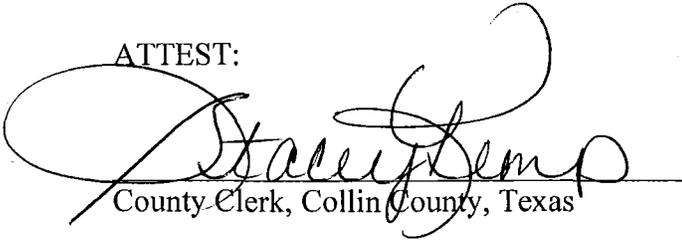
Section 13.03. No Personal Liability. No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Order, against any official or employee of the County or any person executing any Bonds.

APPROVED AND ADOPTED this July 7, 2014.



County Judge, Collin County, Texas

ATTEST:



County Clerk, Collin County, Texas



EXHIBIT A

DESCRIPTION OF ANNUAL DISCLOSURE OF FINANCIAL INFORMATION

The following information is referred to in Article XII of this Order.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the County to be provided annually in accordance with such Article, unless otherwise specifically identified in the Pricing Certificate, are as specified (and included in the Appendix or other headings of the Official Statement referred to) below:

1. The portions of the financial statements of the County appended to the Official Statement as Appendix B, but for the most recently concluded fiscal year.
2. Statistical and financial data set forth in Tables 1-7 and 9-14, inclusive.

Accounting Principles

The accounting principles referred to in such Article are the accounting principles described in the notes to the financial statements referred to in Paragraph 1 above.

PRICING CERTIFICATE

Re: \$25,045,000 Collin County, Texas Unlimited Tax Road Bonds, Series 2014 (the "Unlimited Tax Bonds")

I, the undersigned Authorized Officer of Collin County, Texas (the "County"), do hereby make and execute this Pricing Certificate pursuant to an order adopted by the Commissioners Court of the County on July 7, 2014 (the "Order") captioned as follows:

AN ORDER OF THE COMMISSIONERS COURT OF COLLIN COUNTY, TEXAS, AUTHORIZING THE ISSUANCE AND SALE OF COLLIN COUNTY, TEXAS, UNLIMITED TAX ROAD BONDS, SERIES 2014, IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$27,485,000; PROVIDING FOR THE AWARD OF THE SALE THEREOF IN ACCORDANCE WITH SPECIFIED PARAMETERS; LEVYING A TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS; APPROVING THE OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT AND PAYING AGENT/REGISTRAR AGREEMENT; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

authorizing the issuance of the referenced Unlimited Tax Bonds. Capitalized terms used in this Pricing Certificate shall have the meanings given such terms in the Order.

Unlimited Tax Road Bonds, Series 2014

1. As authorized by Section 7.01 of the Order, I am acting on behalf of the County in selling the Collin County, Texas Unlimited Tax Road Bonds, Series 2014 to Citigroup Global Markets Inc. (the "Representative"), acting on its own behalf and as representative of Estrada Hinojosa & Company, Inc. and Stephens Inc. (collectively, the "Underwriters"), pursuant to the terms of a Purchase Contract (as more specifically described in Section 4 herein), authorized pursuant to Section 7.01 of the Order, for the sum of \$27,618,598.83 (representing a principal amount of \$25,045,000, plus a premium of \$2,716,593.60, less an underwriting discount of \$142,994.77) and having the following terms, conditions and provisions, all as authorized pursuant to Section 7.01 of the Order:

A. The Unlimited Tax Bonds shall be issued in the aggregate principal amount of \$25,045,000 and shall be dated as of June 15, 2014 (the "Bond Date").

B. The Unlimited Tax Bonds shall accrue interest from the Closing Date (as defined below). The Unlimited Tax Bonds shall mature on February 15 in the years and in the principal amounts set forth below and shall bear interest payable on February 15 and August 15 of each year, commencing February 15, 2015, at the rates set forth below:

| <u>Years</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Years</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|--------------|-------------------------|----------------------|--------------|-------------------------|----------------------|
| 2015 | \$ 785,000 | 2.000% | 2025 | \$1,240,000 | 5.000% |
| 2016 | 845,000 | 3.000% | 2026 | 1,305,000 | 5.000% |
| 2017 | 875,000 | 3.000% | 2027 | 1,370,000 | 5.000% |
| 2018 | 895,000 | 2.000% | 2028 | 1,440,000 | 5.000% |
| 2019 | 925,000 | 5.000% | 2029 | 1,505,000 | 4.000% |
| 2020 | 970,000 | 4.000% | 2030 | 1,570,000 | 4.000% |
| 2021 | 1,015,000 | 5.000% | 2031 | 1,630,000 | 4.000% |
| 2022 | 1,065,000 | 5.000% | 2032 | 1,700,000 | 4.000% |
| 2023 | 1,120,000 | 5.000% | 2033 | 1,770,000 | 4.000% |
| 2024 | 1,180,000 | 5.000% | 2034 | 1,840,000 | 4.000% |

C. The County reserves the right to redeem the Unlimited Tax Bonds maturing on or after February 15, 2025, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, before their scheduled maturity date, on February 15, 2024 or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. If less than all of the Unlimited Tax Bonds are to be redeemed, the County shall determine the amount thereof to be redeemed, and shall direct the Paying Agent/Registrar to call by lot the Unlimited Tax Bonds, or portions thereof, for redemption.

D. The Bonds have a scheduled closing date of July 31, 2014 (the "Closing Date").

E. In accordance with the parameters contained in Section 7.01 of the Order, the undersigned does hereby find, certify and represent that the foregoing terms of the Unlimited Tax Bonds satisfy the following requirements and parameters contained within such Section 7.01:

(i) the aggregate principal amount of the Unlimited Tax Bonds to be issued for the purposes described in Section 3.01 is \$25,045,000, which together with the net premium allocated to voted authorization of \$2,440,000, does not exceed \$27,485,000;

(ii) the Unlimited Tax Bonds do not mature later than February 15, 2034;

(iii) the Unlimited Tax Bonds bear interest at a true interest cost of 3.222021%, which is not greater than 4.000%; and

(iv) the Unlimited Tax Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations.

2. Proceeds from the sale of the Unlimited Tax Bonds shall be applied as follows:

A. The amount of \$27,485,000, representing \$25,045,000 of principal and \$2,440,000 of net premium on the Bonds allocated to voted authorization, shall be deposited to the Project Fund for the purposes set out in Section 3.01 of the Order.

B. Premium received on the Bonds in the amount of \$133,598.83 shall be used to pay the costs of issuing the Unlimited Tax Bonds. To the extent any such sum is not used for such purpose, such excess shall be deposited to the Interest and Sinking Fund.

C. Premium on the Unlimited Tax Bonds in the amount of \$142,994.77 shall be used to pay the underwriters' discount on the Unlimited Tax Bonds.

3. The Unlimited Tax Bonds shall be issued substantially in the form attached hereto as **Exhibit A**.

4. The Unlimited Tax Bonds authorized and approved by the Order are hereby sold by the County to the Underwriters acting in accordance with the bond purchase contract (the "Purchase Contract"), dated July 9, 2014, attached hereto as **Exhibit B** and incorporated herein by reference as a part of the Pricing Certificate for all purposes. The terms of the Purchase Contract are hereby determined to be the most advantageous reasonably attainable by the County. The Authorized Officer, as authorized and directed in the Order to execute said Purchase Contract for and on behalf of the County and as the act and deed of the Commissioners Court of the County (the "Commissioners Court"), has so executed such Purchase Contract as the Commissioner Court's act and deed. The representations, warranties, and agreements of the County contained therein are true and correct in all material respects and shall be honored and performed by the County.

5. The use of the Preliminary Official Statement by the Underwriters in connection with the public offering and sale of the Unlimited Tax Bonds is hereby ratified, confirmed and approved in all respects. The final Official Statement, being a modification and amendment of the Preliminary Official Statement to reflect the terms of sale (together with such changes approved by the Authorized Officer, or any one or more of said officials), shall be and is hereby in all respects approved and the Underwriters may and shall use and distribute said final Official Statement, dated July 9, 2014, in the reoffering, sale and delivery of the Unlimited Tax Bonds to the public.

6. In accordance with Article XII of the Order, the information to be provided pursuant to the Rule shall include the financial information and operating data with respect to the County as identified in Article XII and Exhibit A to the Order.

7. The County does not reserve the right to issue any additional bonds in the future pursuant to the Order.

[The Remainder of this page is intentionally left blank]

Executed this 9th day of July, 2014.

AUTHORIZED OFFICER

By: _____

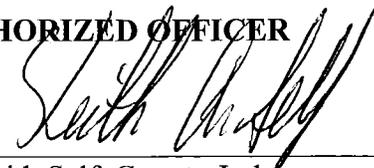

Keith Self, County Judge,
Collin County, Texas as Authorized
Officer

EXHIBIT A

FORMS OF BONDS

The form of Unlimited Tax Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Bond of the Paying Agent/Registrar and the form of Assignment appearing on the Unlimited Tax Bonds, shall be substantially as follows:

(a) Form of Unlimited Tax Bond

REGISTERED
No. R- _____

REGISTERED
\$ _____

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

INTEREST RATE: MATURITY DATE: CLOSING DATE: CUSIP NUMBER:
_____ % February 15, ____ July 31, 2014 _____

Collin County (the "County"), State of Texas, for value received, hereby promises to pay
to

or registered assigns, on the Maturity Date specified above, the sum of

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date,

mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "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 books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the County in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond, dated June 15, 2014, is one of a series of fully registered bonds specified in the title hereof issued in the aggregate principal amount of \$25,045,000 (herein referred to as the "Bonds") pursuant to a certain order of the Commissioners Court of the County (the "Order") for the public purpose of (i) providing funds for certain county road improvements and (ii) paying the costs of issuance related to the Bonds.

The Bonds and the interest thereon are payable from the levy of a direct and continuing ad valorem tax, without legal limit as to rate or amount, against all taxable property in the County as described and provided in the Order. The Bonds are issued under Section 52, Article III, Texas Constitution and laws enacted under the Constitution.

The County has reserved the option to redeem the Bonds maturing on or after February 15, 2025, in whole or in part, before their respective scheduled maturity dates, on February 15, 2024, or on any date thereafter, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the County shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity and in such principal amounts, for redemption.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the registered owner of each of the Bonds to be redeemed in whole or in part. Notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; and, from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

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

Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. Notice having been so given and subject, in the case of an optional redemption, to any rights or conditions reserved by the county in the notice, the Bonds called for redemption shall become due and payable on the specified redemption date, and notwithstanding that any Bond or portion thereof has not been surrendered for payment, interest on such Bond or portion thereof shall cease to accrue.

As provided in the Order, and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar, and, thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The County, the Paying Agent/Registrar, and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the County nor the Paying Agent/Registrar shall be affected by notice to the contrary.

Neither the County nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that the total indebtedness of the County, including the Bonds, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the County has caused this Bond to be executed by the manual or facsimile signature of the County Judge, countersigned by the manual or facsimile signature of the County Clerk of the County, and the official seal of the County has been duly impressed or placed in facsimile on this Bond.

County Clerk, Collin County

County Judge, Collin County

[SEAL]

(b) Form of Comptroller's Registration Certificate. The following Comptroller's Registration Certificate may be deleted from the definitive Bonds if such certificate on the Initial Bond is fully executed.

| | | |
|---------------------------|---|--------------------|
| OFFICE OF THE COMPTROLLER | § | |
| OF PUBLIC ACCOUNTS | § | REGISTER NO. _____ |
| OF THE STATE OF TEXAS | § | |

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding obligation of the County of Collin, Texas; and that this Bond has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, _____.

Comptroller of Public Accounts
of the State of Texas

[SEAL]

(c) Form of Certificate of Paying Agent/Registrar. The following Certificate of Paying Agent/Registrar may be deleted from the Initial Bond if the Comptroller's Registration Certificate appears thereon.

CERTIFICATE OF PAYING AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Bond of this series of Bonds was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Bonds referred to in the within-mentioned Order.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Paying Agent/Registrar

Dated: _____

By: _____
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee): _____

(Social Security or other identifying number: _____) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

Authorized Signatory

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers.

(e) The Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this Section, except for the following alterations:

A. immediately under the name of the Bond the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the expression "As shown below," and the reference to the "CUSIP NUMBER ____" shall be deleted;

B. in the first paragraph of the Bond, the words "on the Maturity Date specified above" shall be deleted and the following will be inserted: "on February 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

| <u>Years</u> | <u>Principal Installments</u> | <u>Interest Rates</u> |
|--|-------------------------------|-----------------------|
| (Information to be inserted from the Pricing Certificate); and | | |

C. the Initial Bond shall be numbered T-1.

EXHIBIT B
BOND PURCHASE CONTRACT

(See Tab __)

PURCHASE CONTRACT

RELATING TO

\$25,045,000
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS, SERIES 2014

\$23,380,000
COLLIN COUNTY, TEXAS
LIMITED TAX REFUNDING AND IMPROVEMENT BONDS, SERIES 2014

July 9, 2014

Collin County, Texas
2300 Bloomdale Rd., Suite 4100
McKinney, Texas 75071

Dear Judge Self and Members of the Commissioners Court:

CITIGROUP GLOBAL MARKETS INC. (the "Representative") and *ESTRADA HINOJOSA & COMPANY, INC.* and *STEPHENS INC.* (collectively, the "Underwriters"), offer to enter into this Purchase Contract (the "Purchase Contract") with *COLLIN COUNTY, TEXAS* (the "County") for the purchase by the Underwriters of the County=s *Unlimited Tax Road Bonds, Series 2014* (the "Unlimited Tax Bonds") and *Limited Tax Refunding and Improvement Bonds, Series 2014* (the "Limited Tax Bonds", and together with the Unlimited Tax Bonds, the "Securities"). This offer is made subject to the County=s acceptance of this Purchase Contract on or before 10:00 p.m. Central Time on July 9, 2014.

1. **Purchase and Sale of the Securities.** (a) Upon the terms and conditions and upon the basis of the representations set forth herein, the Underwriters, jointly and severally, hereby agree to purchase from the County, and the County hereby agrees to sell and deliver to the Underwriters the Unlimited Tax Bonds in an aggregate principal amount of **\$25,045,000** (representing the original aggregate principal amount of the Unlimited Tax Bonds). The Unlimited Tax Bonds shall have the maturities, interest rates and be subject to redemption in accordance with the provisions of Exhibit A hereto and shall be issued and secured under the provisions of the Unlimited Tax Bond Order (as defined below).

(b) The purchase price for the Unlimited Tax Bonds shall be **\$27,618,598.83** (representing the principal amount of the Unlimited Tax Bonds, plus an original issue premium on the Unlimited Tax Bonds in the amount of **\$2,716,593.60**, and less an Underwriters= discount on the Unlimited Tax Bonds of **\$142,994.77**).

(c) Upon the terms and conditions and upon the basis of the representations set forth herein, the Underwriters, jointly and severally, hereby agree to purchase from the County, and the County hereby agrees to sell and deliver to the Underwriters the Limited Tax Bonds in an aggregate principal amount of **\$23,380,000** (representing the original aggregate principal amount of the Limited Tax Bonds). The Limited Tax Bonds shall have the maturities, interest rates and be subject to redemption in accordance with the provisions of Exhibit A hereto and shall be issued and secured under the provisions of the Limited Tax Bond Order (as defined below).

(d) The purchase price for the Limited Tax Bonds shall be **\$26,808,722.53** (representing the principal amount of the Limited Tax Bonds, plus a net original issue premium on the Limited Tax Bonds in the amount of **\$3,555,578.45**, and less an Underwriters= discount on the Limited Tax Bonds of **\$126,855.92**).

(e) **CITIGROUP GLOBAL MARKETS INC.**, as the Representative, represents that it has been duly authorized to execute this Purchase Contract and has been duly authorized to act hereunder as the Representative. All actions that may be taken by the Underwriters hereunder may be taken by the Representative alone.

2. **Orders.** The Unlimited Tax Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of the unlimited tax bond order adopted by the County on July 7, 2014 (the "Unlimited Tax Bond Order") and shall have the terms and features (including those with respect to price and rates) as set forth in the pricing certificate executed pursuant to the terms of the Unlimited Tax Bond Order (the "Unlimited Tax Pricing Certificate" and, together with the Unlimited Tax Bond Order, the "Unlimited Tax Order"). The Limited Tax Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of the limited tax bond order adopted by the County on July 7, 2014 (the "Limited Tax Bond Order") and shall have the terms and features (including those with respect to price and rates) as set forth in the pricing certificate executed pursuant to the terms of the Limited Tax Bond Order (the "Limited Tax Pricing Certificate" and, together with the Limited Tax Bond Order, the "Limited Tax Order"). The Unlimited Tax Bond Order and the Limited Tax Bond Order are sometimes collectively referred to herein as the "Bond Orders," the Unlimited Tax Pricing Certificate and the Limited Tax Pricing Certificate are sometimes collectively referred to as the "Pricing Certificates," and the Unlimited Tax Order and the Limited Tax Order are sometimes collectively referred to as the "Orders."

3. **Public Offering.** It shall be a condition of the obligations of the County to sell and deliver the Securities to the Underwriters, and of the obligations of the Underwriters to purchase and accept delivery of the Securities, that the entire principal amount of the Securities set forth in the Orders shall be sold and delivered by the County and accepted and paid for by the Underwriters at the Closing. The Underwriters agree to make a bona fide public offering of all of the Securities, at prices not in excess of the initial public offering prices, as set forth in the Official Statement; provided however at least ten percent (10%) of the principal amount of the Securities of each maturity thereof shall be sold to the "public" (exclusive of dealers, brokers and investment bankers, etc.) at the initial offering price set forth in the Official Statement. On or before the Closing (as defined below), the Representative shall execute and deliver to Bond Counsel an issue price

certificate for the Securities prepared by Bond Counsel verifying the initial offering prices to the public at which the Underwriters reasonably expected to sell or in fact sold a substantial amount of each stated maturity of the Securities to the public.

4. **Security Deposit.** Delivered to the County herewith as a good faith deposit is a corporate check of the Representative payable to the order of the County in the amount of \$509,650. Such check is a common "Good Faith" check for the Unlimited Tax Bonds and the Limited Tax Bonds, and an amount of such check that is proportionate to the principal amount of that the respective series of Securities bears to the combined principal amount of the Securities may be applied toward any obligation of the Underwriters owing as a result of the failure of the Underwriters to accept delivery of a series of the Securities, as provided herein. In the event the County accepts this Purchase Contract, such check shall be held by the County as security for the performance of the Underwriters of their obligation to purchase, accept delivery of and pay for the Securities under this Purchase Contract. Such check shall be held uncashed by the County until the time of Closing, at which time such check shall be returned uncashed to the Representative. In the event that the County does not accept this Purchase Contract, such check will be immediately returned to the Representative. Should the County fail to deliver the Securities at the Closing, or should the County be unable to satisfy the conditions of the Securities of the Underwriters to purchase, accept delivery of, and pay for the Securities, as set forth in this Purchase Contract (unless waived by the Representative), or should such Securities of the Underwriters be terminated for any reason permitted by this Purchase Contract, such check shall immediately be returned to the Representative. In the event that the Underwriters fail (other than for a reason permitted hereunder) to purchase, accept delivery of, and pay for the Securities of either or both series at the Closing as herein provided, such check shall be cashed and the amount thereof as relates to the proportionate amount of the Securities of each series offered with respect to which the Underwriters fail to perform (other than for a reason permitted hereunder) shall be retained by the County as and for fully liquidated damages, and not as a penalty for such failure of the Underwriters and for any defaults hereunder on the part of the Underwriters. Acceptance of such check by the County shall constitute a full release and discharge of all claims and damages for such failure and/or any and all such defaults, and the County shall have no further action for damages, specific performance, or any other legal or equitable relief against the Underwriters. The Underwriters and the County understand that in such event the County's actual damages may be greater or may be less than such amount. Accordingly, the Underwriters hereby waive any right to claim that the County's actual damages are less than such amount, and the County's acceptance of this Purchase Contract shall constitute a waiver of any right the County may have to additional damages from the Underwriters. The Representative hereby agrees not to stop payment on the check, or cause payment on the check to be stopped, unless the County has breached any of the terms of this Purchase Contract.

5. **Official Statement.** The Official Statement, including the cover pages and Appendices thereto, of the County, dated July 9, 2014, with respect to the Securities, as further amended only in the manner herein provided, is hereinafter called the "Official Statement". The County hereby authorizes the Orders and the Official Statement and the information therein contained to be used by the Underwriters in connection with the public offering and sale of the Securities. The County confirms its consent to the use by the Underwriters prior to the date hereof of the Preliminary Official Statement, relative to the Securities, dated June 23, 2014 (the "Preliminary

Official Statement"), in connection with the preliminary public offering and sale of the Securities, and it is "deemed final" as of its date, within the meaning, and for the purposes, of Rule 15c2-12 promulgated under authority granted by the federal Securities and Exchange Act of 1934 (the "Rule"). The County agrees to cooperate with the Underwriters to provide the Official Statement, within seven business days of the date hereof, in a "designated electronic format", as defined in and specified by Rule G-32 of the Municipal Securities Rulemaking Board (the "MSRB") and in sufficient quantities for the Underwriters to satisfy the requirements of Rule G-32 of the MSRB obligating the Underwriters to deliver a copy of the Official Statement to a purchaser of the Securities not later than the date of Closing, as defined herein, upon an Underwriters= receipt from the purchaser of a request therefor. The Underwriters will use their best efforts to assist the County in the preparation of the final Official Statement in order to ensure compliance with the aforementioned rules.

If at any time after the date of this Purchase Contract but before the first to occur of (i) the date on which the Official Statement is available to any person from the MSRB, but in no case less than twenty-five (25) days after the "end of the underwriting period" (as defined in the Rule) for the Securities or (ii) the date that is 90 days after the "end of the underwriting period", any event shall occur that might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County shall notify the Representative, and if, in the opinion of the Representative, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the County will at its expense supplement or amend the Official Statement (in a manner approved by the Representative) and furnish to the Underwriters such supplement or amendment, in a "designated electronic format", so that the statements in the Official Statement as so amended and supplemented will not, in light of the circumstances when the Official Statement is delivered to a purchaser, be misleading or so that the Official Statement will comply with law. Unless otherwise notified in writing by the Representative, the County can assume that the "end of the underwriting period" for purposes of the Rule is the date of the Closing. In the event that the County has been given notice pursuant to the preceding sentence that the "end of the underwriting period" will not occur on the date of the Closing, the Representative agrees to provide prompt written notice to the County upon the occurrence of the "end of the underwriting period".

To the best knowledge and belief of the County, the Official Statement contains information, including financial information or operating data, as required by the Rule. Except as disclosed in the Official Statement, the County has not failed to comply with any undertaking specified in paragraph (b)(5)(i) of the Rule within the last five years.

6. Representations, Warranties and Agreements of the County. On the date hereof, the County represents, warrants and agrees as follows:

(a) The County is a political subdivision of the State of Texas and a body politic and corporate, and has full legal right, power and authority to enter into this Purchase Contract, to adopt the Bond Orders, to sell the Securities, and to issue and deliver the Securities to the Underwriters as provided herein and to carry out and consummate all other

transactions contemplated by the Orders (including the Undertaking defined below in Section 8(d)(2)), the Pricing Certificates, the Escrow Agreement (as defined below) and this Purchase Contract and all documents required hereunder and thereunder to be executed and delivered by the County (this Purchase Contract, the Orders, the Undertaking and the Escrow Agreement and the other documents referred to in this clause are hereinafter referred to as the "County Documents");

(b) By official action of the County prior to or concurrently with the acceptance hereof, the County has duly adopted the Bond Orders, has duly authorized and approved the execution and delivery of, and the performance by the County of the obligations contained in the Securities, the Pricing Certificates, the Escrow Agreement and this Purchase Contract and has duly authorized and approved the performance by the County of its obligations contained in the Orders, including, without limitation, the submission of a transcript of proceedings to the Public Finance Division of the Office of the Attorney General of Texas (the "Attorney General") for the approval of the Securities; and the County Documents each constitute legal, valid and binding agreements of the County, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, sovereign immunity of political subdivisions, and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights or by general principles of equity which permit the exercise of judicial discretion;

(c) The County is not in breach of or default under any law or administrative regulation of the State of Texas or the United States (including regulations of their respective agencies) applicable to the issuance of the Securities or any applicable judgment or decree or any loan agreement, note, order, agreement or other instrument, except as may be disclosed in the Official Statement, to which the County is a party or to the knowledge of the County it is otherwise subject, that would have a material and adverse effect upon the business or financial condition of the County; and the execution and delivery of the Securities and this Purchase Contract by the County and the adoption of the Bond Orders by the County and compliance with the provisions thereof will not violate or constitute a material breach of or default under any existing law or administrative regulation, or any judgment, decree or agreement or other instrument to which the County is a party or, to the knowledge of the County, is otherwise subject;

(d) All approvals, consents and orders of any governmental authority or agency having jurisdiction of any matter that would constitute a condition precedent to the performance by the County of its obligations to sell and deliver the Securities hereunder will have been obtained, except for the approval of the Securities by the Attorney General and registration of the Securities by the Office of the Comptroller of the State (the "Comptroller"). The County represents that a transcript of proceedings will be filed with the Attorney General in form and substance consistent with the administrative rules of the Public Finance Division of the Attorney General, which will permit the review of such transcript and the approval of the Securities by the Attorney General, and the registration of the Securities by the Comptroller on or before the Closing, as required by Section 8(d)(6) hereof,

but subject to the discretion of the Attorney General with respect to the issuance of his approving opinion;

(e) As of its date the Preliminary Official Statement did not, and at the time of the County's acceptance hereof and at the time of the Closing, the Official Statement does not and will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) Between the date of this Purchase Contract and the Closing, the County will not, without the prior written consent of the Underwriters, sell or issue any additional bonds, notes or other obligations for borrowed money payable in whole or in part from ad valorem taxes, and the County will not incur any material liabilities (except in the ordinary course of business), direct or contingent, nor will there be any adverse change of a material nature in the financial position of the County;

(g) Except as described in the Official Statement, no litigation is pending or, to the knowledge of the County, threatened in any court affecting the corporate existence of the County, the title of its officers to their respective offices, or seeking to restrain or enjoin the issuance or delivery of the Securities, affecting or seeking to prohibit, restrain or enjoin the collection of ad valorem taxes pledged to the payment of the principal of and interest on the Securities, or in any way contesting or affecting the issuance, execution, delivery, payment, security or validity of the Securities, or in any way contesting or affecting the validity or enforceability of the Orders, or contesting the powers of the County, or any authority for the Securities, the Orders, the Escrow Agreement or this Purchase Contract or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or the Official Statement;

(h) The County will cooperate with the Underwriters in arranging for the qualification of the Securities for sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Representative designates, and will use its best efforts to continue such qualifications in effect so long as required for distribution of the Securities; provided, however, that the County will not be required to execute a consent to service of process or to qualify to do business in connection with any such qualification in any jurisdiction;

(i) The descriptions of the Securities and the Orders contained in the Official Statement accurately summarize certain provisions of such instruments, and the Securities, when validly executed, authenticated and delivered in accordance with the Orders and sold to the Underwriters as provided herein, will be validly issued and outstanding obligations of the County entitled to the benefits of, and subject to the limitations contained in, the Orders;

(j) If prior to the Closing an event occurs affecting the County that is materially adverse for the purpose for which the Official Statement is to be used and is not disclosed in the Official Statement, the County shall notify the Representative, and if in the opinion of the

County and the Representative such event requires a supplement or amendment to the Official Statement, the County will supplement or amend the Official Statement in a form and in a manner approved by the Representative;

(k) The financial statements contained in the Official Statement present fairly the financial position of the County as of the date and for the period covered thereby and are stated on a basis substantially consistent with that of the prior year=s audited financial statements;

(l) Any certificate signed by any official of the County and delivered to the Underwriters shall be deemed a representation and warranty by the County to the Underwriters as to the truth of the statements therein contained;

(m) The County will not knowingly take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Securities to be applied in a manner other than as provided in the Orders or that would cause the interest of the Securities to be includable in gross income of the holders thereof for federal income tax purposes;

(n) The County maintains internal controls and procedures designed to ensure that material information relating to the County is made known to the appropriate officials of the County responsible for the County=s compliance with the disclosure obligations of the County under federal securities laws including, without limitation, the County=s compliance with the Rule and the Undertaking; and

(o) The County has complied in all material respects with all of its previous continuing disclosure obligations under the Rule (or disclosed its non-compliance in the Preliminary Official Statement and the Official Statement) during the previous five years.

7. **Closing.** By 10:00 A.M., Central Time, on July 31, 2014 (the "Closing"), the County will deliver the initial securities certificates of the Securities of each series (as provided for in the Orders) to the Underwriters and the County shall take appropriate steps to provide The Depository Trust Company ("DTC") with one definitive securities certificate for each year of maturity of the Securities, and to provide the Underwriters with the other documents hereinafter mentioned. On or prior to the date of Closing, the Underwriters shall make arrangements with DTC for the Securities to be immobilized and thereafter traded as book-entry only securities and on the date of Closing the Underwriters will accept such delivery and pay the purchase price of the Securities as set forth in Section 1 hereof in immediately available funds. Concurrently with the payment for the Securities by the Underwriters, the County shall return to the Representative the check referred to in Section 4 hereof. Delivery and payment as aforesaid shall be made at the office of the paying agent/registrars for the Securities, as identified in the Official Statement, or such other place as shall have been mutually agreed upon by the County and the Representative.

In addition, the County and the Underwriters agree that there shall be a preliminary closing held at such place as the County and the Underwriters shall mutually agree, commencing at least 24

hours prior to the Closing; provided, however, in lieu of this preliminary closing Bond Counsel, as defined below, may provide the counsel to the Underwriters with a complete Transcript of Proceedings on the business day preceding the Closing. Drafts of all documents to be delivered at the Closing shall be prepared and distributed to all parties and their counsel for review at least three business days prior to the Closing.

8. **Conditions.** The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the County contained herein and to be contained in the documents and instruments to be delivered at the Closing, and upon the performance by the County of its obligations hereunder, both as of the date hereof and as of the date of Closing. Accordingly, the Underwriters' obligations under this Purchase Contract to purchase and pay for the Securities shall be subject to the performance by the County of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following conditions:

(a) The representations and warranties of the County contained herein shall be true, complete and correct in all material respects on the date hereof and on and as of the date of Closing, as if made on the date of Closing;

(b) At the time of the Closing, (i) all official action of the County related to the Orders shall be in full force and effect, and the Orders shall not have been amended, modified or supplemented and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Representative; and (ii) the net proceeds of the sale of the Securities shall be deposited and applied as described in the Official Statement and in the Orders;

(c) The County shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(d) At or prior to the Closing, the Underwriters shall have received each of the following documents:

(1) The Official Statement of the County executed on behalf of the County by the County Judge and County Clerk, or a conformed copy thereof;

(2) The Bond Orders, certified by the County Clerk under the seal of the County as having been duly adopted by the County and as being in effect, and the Pricing Certificates, each with such changes or amendments as may have been agreed to by the Underwriters. The Orders shall contain the agreement of the County, in form satisfactory to the Underwriters, that is described under the caption "CONTINUING DISCLOSURE OF INFORMATION" in the Preliminary Official Statement (the "Undertaking");

(3) The Paying Agent/Registrar Agreement (with respect to each or both series of the Securities), having been duly executed on behalf of the County and The

Bank of New York Mellon Trust Company, National Association, as Paying Agent/Registrar;

(4) The escrow agreement relating to the Limited Tax Bonds and the obligations to be refunded with the proceeds of the Limited Tax Bonds (the "Escrow Agreement") having been duly executed on behalf of the County and The Bank of New York Mellon Trust Company, National Association, as Escrow Agent, evidencing that all respective "Escrowed Securities" and cash to be deposited with the Escrow Agent on the date of Closing have been purchased by or delivered to the Escrow Agent, all as described in the Official Statement, together with a certificate, dated as of the date of Closing, executed by an appropriate official of the Escrow Agent, to the effect that the Escrow Agreement has been duly authorized, executed and entered into by the Escrow Agent;

(5) The opinions pertaining to the issuance of the Securities, dated the date of Closing, of Bracewell & Giuliani LLP ("Bond Counsel") in substantially the forms and substance set forth in Appendix C to the Official Statement;

(6) Opinions with respect to the Securities, dated on or prior to the date of Closing, of the Attorney General, approving the Securities as required by law and the registration certificates of the Comptroller;

(7) The supplemental opinion, dated the date of Closing, of Bond Counsel, addressed to the County and the Underwriters, which provides that the Underwriters may rely upon the opinions of Bond Counsel delivered in accordance with the provisions of Section 8(d)(5) hereof, and opining to the effect that (a) the Purchase Contract has been duly authorized, executed and delivered by the County and (assuming due authorization by the Underwriters) constitutes a binding and enforceable agreement of the County in accordance with its terms; (b) in its capacity as Bond Counsel, such firm has reviewed the information in the Preliminary Official Statement and the Official Statement under the captions or subcaptions "PLAN OF FINANCING" (except for the subcaption "Sources and Uses of Proceeds"), "THE BONDS" (except for the subcaptions "Book-Entry-Only System" and "Bondholders' Remedies"), "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Obligations for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", "OTHER INFORMATION - Legal Matters", and "APPENDIX C - FORMS OF BOND COUNSEL'S OPINIONS", and such firm is of the opinion that such descriptions present a fair and accurate summary of the provisions of the laws and instruments therein described and such information conforms to the Orders; and (c) the Securities are exempt from registration pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and the Orders are exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act");

(8) The opinion of McCall, Parkhurst & Horton L.L.P., Underwriters=Counsel, addressed to the Underwriters, and dated the date of Closing in substantially the form attached hereto as Exhibit B;

(9) A certificate, dated the date of Closing, signed by an appropriate officer of the County, to the effect that (i) the representations and warranties of the County contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) except to the extent disclosed in the Official Statement, no litigation is pending or, to the knowledge of such persons, threatened in any court to restrain or enjoin the issuance or delivery of the Securities, or the collection or application of the ad valorem taxes pledged or to be pledged to pay the principal of and interest on the Securities, or the pledge thereof, or in any way contesting or affecting the validity of the Securities or the County Documents, or contesting the powers of the County or the authorization of the Securities or the County Documents, or contesting in any way the accuracy, completeness or fairness of the Official Statement (but in lieu of or in conjunction with such certificate, the Underwriters may, in their sole discretion, accept certificates or opinions of the County Attorney that, in the opinion thereof, the issues raised in any such pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit); (iii) to the best of their knowledge, no event affecting the County has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iv) that there has not been any material and adverse change in the affairs or financial condition of the County since September 30, 2013, the latest date as to which audited financial information is available;

(10) A certificate, dated the date of the Closing, of an appropriate officer of the County to the effect that, on the basis of the facts, estimates and circumstances in effect on the date of delivery of the Securities, it is not expected that the proceeds of the Securities of either series will be used in a manner that would cause the Securities of either series to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended;

(11) The delivery by Grant Thornton LLP of a report (the "Verification Report") verifying the mathematical accuracy of the schedules that demonstrate that the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the escrow fund, will be sufficient to pay when due, the principal of and interest on the obligations to be refunded with the proceeds of the Limited Tax Bonds;

(12) Evidence of the ratings on the Securities, which shall be "Aaa" by Moody=s Investors Service, Inc. ("Moody=s"), and "AAA" by Standard and Poor=s

Ratings Services, a Standard & Poor=s Financial Services LLC business ("S&P"), shall be delivered in a form acceptable to the Underwriters; and

(13) Such additional legal opinions, certificates, instruments and other documents as Bond Counsel or the Underwriters may reasonably request to evidence the truth, accuracy and completeness, as of the date hereof and as of the date of Closing, of the County=s representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance and satisfaction by the County at or prior to the date of Closing of all agreements then to be performed and all conditions then to be satisfied by the County.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are satisfactory to the Underwriters.

If the County shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Securities as set forth in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Securities shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate, the security deposit referred to in Section 4 of this Purchase Contract shall be returned to the Representative and neither the Underwriters nor the County shall be under further obligation hereunder, except that the respective obligations of the County and the Underwriters set forth in Sections 10 and 12 hereof shall continue in full force and effect.

9. **Termination.** The Underwriters may terminate their obligation to purchase at any time before the Closing if any of the following should occur:

(a) An event shall occur which makes untrue or incorrect in any material respect, as of the time of such event, any statement contained in the Official Statement or which is not reflected in the Official Statement but should be reflected therein in order to make the statements contained therein not misleading in any material respect and requires an amendment of or supplement to the Official Statement and the effect of which is, in the judgment of the Representative, reasonably exercised, would materially adversely affect the market for the Securities or the sale, at the contemplated offering prices, by the Underwriters of the Securities.

(b) (i) Legislation shall have been enacted by the Congress of the United States, or recommended to the Congress for passage by the President of the United States or favorably reported for passage to either House of the Congress by any Committee of such House; or (ii) a decision shall have been rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court; or (iii) an order, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or any other agency of the United States; or (iv) a release or official statement shall have been issued by the President of

the United States or by the Treasury Department of the United States or by the Internal Revenue Service, the effect of which, in any such case described in clause (i), (ii), (iii), or (iv), would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Securities or upon income of the general character to be derived by the County, other than any imposition of federal income taxes upon interest received on obligations of the general character as the Securities on the date hereof and other than as disclosed in the Official Statement, in such a manner as in the judgment of the Representative, reasonably exercised, would materially adversely affect the market for the Securities or the sale, at the contemplated offering prices, by the Underwriters of the Securities.

(c) (i) Legislation shall have been introduced in or enacted (or resolution passed) by the Congress of the United States; (ii) an order, decree, ruling, regulation (final, temporary, or proposed), press release, or other form of notice issued or made by or on behalf of the United States Securities and Exchange Commission (the "SEC"); or (iii) an order or injunction issued by any court of competent jurisdiction; the effect of which, in any such case described in clause (i), (ii), or (iii) would be to require registration of any security under the Securities Act, or qualification of any document under the Trust Indenture Act, in connection with the public offering of the Securities, or that the issuance, offering, or sale of obligations of the general character of the Securities, including any or all underlying arrangements, as contemplated by this Purchase Contract or by the Official Statement or otherwise, is or would be in violation of the federal securities laws as amended and then in effect, or any proceeding for that purpose shall have been initiated or threatened in any such court or by any such authority.

(d) (i) The Constitution of the State of Texas shall be amended or an amendment shall be proposed, or (ii) legislation shall be enacted, or (iii) a decision shall have been rendered as to matters of Texas law, or (iv) any order, ruling or regulation shall have been issued or proposed by or on behalf of the State of Texas by an official, agency or department thereof, affecting the tax status of the County, its property or income, its securities (including the Securities) or the interest thereon, that in the judgment of the Representative, reasonably exercised, would materially adversely affect the market for the Securities or the sale, at the contemplated offering prices, by the Underwriters of the Securities.

(e) There shall have occurred any (i) material outbreak of hostilities (including, without limitation, an escalation of hostilities that existed prior to the date hereof or an act of terrorism) or (ii) material other national or international calamity or crisis, or any material adverse change in the financial or economic conditions affecting the United States government or the securities market in the United States that, in the judgment of the Representative, reasonably exercised, would materially adversely affect the market for the Securities or the sale, at the contemplated offering prices, by the Underwriters of the Securities.

(f) There shall have occurred a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or

prices for securities shall have been required on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the SEC or any other governmental agency having jurisdiction or any national securities exchange shall have: (i) imposed additional material restrictions not in force as of the date hereof with respect to trading in securities generally, or to the Securities or similar obligations; or (ii) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers that, in the judgment of the Representative, reasonably exercised, would materially adversely affect the market for the Securities or the sale, at the contemplated offering prices, by the Underwriters of the Securities.

(g) An event described in Section 6(j) hereof occurs that, in the reasonable judgment of the Representative, requires a supplement or amendment to the Official Statement that, in the judgment of the Representative, reasonably exercised, would materially adversely affect the market for the Securities or the sale, at the contemplated offering prices, by the Underwriters of the Securities.

(h) A general banking moratorium shall have been declared by authorities of the United States, the State of New York or the State of Texas, or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred that, in the judgment of the Representative, reasonably exercised, would materially adversely affect the market for the Securities or the sale, at the contemplated offering prices, by the Underwriters of the Securities.

(i) (i) A lowering of the ratings (without regard to credit enhancement) initially assigned to the Securities by Moody's and S&P, respectively, set forth in Section 8(d)(12) hereof shall occur prior to the Closing, or (ii) there shall have been any official declaration as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification) of any rating by Moody's or S&P on any debt securities issued by the County and secured in a like manner as the Securities, including either series of the Securities.

10. **Expenses.** (a) The County shall pay all expenses incident to the issuance of the Securities, including but not limited to: (i) the cost of the preparation, printing and distribution of the Preliminary Official Statement and the Official Statement; (ii) the cost of the preparation and printing of the Securities; (iii) the fees and expenses of Bond Counsel to the County; (iv) the fees and disbursements of the County's accountants, advisors, and of any other experts or consultants retained by the County; (v) the fees for the bond ratings and any travel or other expenses incurred incident thereto; and (vi) the premium, if any, for municipal bond insurance policy pertaining to the Securities.

(b) The Underwriters shall pay (i) all advertising expenses in connection with the offering of the Securities; (ii) the cost of the preparation and printing of all the underwriting documents; and (iii) the fee of McCall, Parkhurst & Horton L.L.P., Underwriters' Counsel, for such firm's opinion required by Section 8(d)(8) hereof.

(c) The County acknowledges that the Underwriters are required to pay fees to the Municipal Advisory Council of Texas (the "MAC"), a non-profit corporation whose purpose is to collect, maintain and distribute information relating to issuing entities of municipal securities, in connection with the offering of the Securities. The County acknowledges that the Underwriters will pay from the Underwriters' expense allocation of the underwriting discount the applicable per bond assessment charged by the MAC. The County acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider such fees and expenses.

11. **Notices.** Any notice or other communication to be given to the County under this Purchase Contract may be given by delivering the same in writing at the address for the County set forth above, and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to *CITIGROUP GLOBAL MARKETS INC.*, 300 Crescent Court, Suite 940, Dallas, Texas 75201, Attention: Mario Carrasco.

12. **Parties in Interest.** This Purchase Contract is made solely for the benefit of the County and the Underwriters (including the successors or assigns of any Underwriter) and no other person shall acquire or have any right under this contract. The County's representations, warranties and agreements contained in this Purchase Contract that exist as of the Closing, and without regard to any change in fact or circumstance occurring subsequent to the Closing, shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriters, and (ii) delivery of any payment for the Securities hereunder; and the County's representations and warranties contained in Section 6 of this Purchase Contract shall remain operative and in full force and effect, regardless of any termination of this Purchase Contract.

13. **Status of the Underwriters.** The County acknowledges and agrees that (i) the purchase and sale of the Securities pursuant to this Purchase Contract is an arms-length commercial transaction between the County and the Underwriters, (ii) the Underwriters have financial and other interests that differ from those of the County, (iii) the Underwriters are acting solely as principals and are not acting as municipal advisors, financial advisors or fiduciaries to the County, (iv) the Underwriters have not assumed any advisory or fiduciary responsibility to the County with respect to the transaction contemplated hereby and the discussions, undertakings, and procedures leading thereto irrespective of whether the Underwriters have provided or are currently providing other services to the County on other matters and (v) the only obligations the Underwriters have to the County with respect to the transaction contemplated hereby expressly are set forth in this Agreement. The Underwriters have provided to the County prior disclosures under MSRB Rule G-17, which the County hereby acknowledges the receipt of prior to the adoption of the Orders.

14. **Choice of Law.** This Purchase Contract shall be governed by and construed in accordance with the laws of the State of Texas.

15. **Execution in Counterparts.** This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Purchase Contract by signing any such counterpart. This

Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by electronic mail with a copy in portable document format or other replicating image attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

16. **Section Headings.** Section headings have been inserted in this Purchase Contract as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Purchase Contract and will not be used in the interpretation of any provisions of this Purchase Contract.

17. **Severability.** If any provision of this Purchase Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstances, or of rendering any other provision inoperative or unenforceable to any extent whatever.

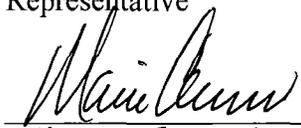
[Execution Page Follows]

If you agree with the foregoing, please sign the enclosed counterpart of this Purchase Contract and return it to the Representative. This Purchase Contract shall become a binding agreement between you and the Underwriters when at least the counterpart of this Purchase Contract shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

Citigroup Global Markets Inc.
Estrada Hinojosa & Company, Inc.
Stephens Inc.

By: **Citigroup Global Markets Inc.**
Representative

By: 
Name: MARIO CARRASCO
Title: DIRECTOR

ACCEPTANCE

ACCEPTED at _____ [a.m.][p.m.], Central Time this ____ day of July, 2014.

By: _____
Pricing Officer
Collin County, Texas

[Signature Page to the Series 2014 Purchase Contract]

If you agree with the foregoing, please sign the enclosed counterpart of this Purchase Contract and return it to the Representative. This Purchase Contract shall become a binding agreement between you and the Underwriters when at least the counterpart of this Purchase Contract shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

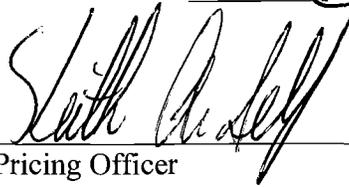
Citigroup Global Markets Inc.
Estrada Hinojosa & Company, Inc.
Stephens Inc.

By: **Citigroup Global Markets Inc.**
Representative

By: _____
Name:
Title:

ACCEPTANCE

ACCEPTED at 9:00 (a.m.) [p.m.], Central Time this 9th day of July, 2014.

By:  _____
Pricing Officer
Collin County, Texas

[Signature Page to the Series 2014 Purchase Contract]

EXHIBIT A

Schedule of Maturities, Interest Rates, Yields and Redemption Provisions

\$25,045,000
Collin County, Texas
Unlimited Tax Road Bonds, Series 2014

| Maturity (2/15) | Principal Amount (\$) | Interest Rate (%) | Yield (%) |
|----------------------------|----------------------------------|------------------------------|----------------------|
| 2015 | 785,000 | 2.00 | 0.20 |
| 2016 | 845,000 | 3.00 | 0.28 |
| 2017 | 875,000 | 3.00 | 0.59 |
| 2018 | 895,000 | 2.00 | 0.95 |
| 2019 | 925,000 | 5.00 | 1.30 |
| 2020 | 970,000 | 4.00 | 1.62 |
| 2021 | 1,015,000 | 5.00 | 1.89 |
| 2022 | 1,065,000 | 5.00 | 2.15 |
| 2023 | 1,120,000 | 5.00 | 2.35 |
| 2024 | 1,180,000 | 5.00 | 2.49 |
| 2025 | 1,240,000 | 5.00 | 2.62* |
| 2026 | 1,305,000 | 5.00 | 2.73* |
| 2027 | 1,370,000 | 5.00 | 2.82* |
| 2028 | 1,440,000 | 5.00 | 2.92* |
| 2029 | 1,505,000 | 4.00 | 3.28* |
| 2030 | 1,570,000 | 4.00 | 3.36* |
| 2031 | 1,630,000 | 4.00 | 3.42* |
| 2032 | 1,700,000 | 4.00 | 3.48* |
| 2033 | 1,770,000 | 4.00 | 3.54* |
| 2034 | 1,840,000 | 4.00 | 3.59* |

* Yield calculated based on the assumption that the Unlimited Tax Bonds denoted and sold at a premium will be redeemed on February 15, 2024, the first optional call date for the Unlimited Tax Bonds, at a redemption price of par plus accrued interest to the redemption date.

Optional Redemption. The County reserves the right, at its option, to redeem Unlimited Tax Bonds having a stated maturity on February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

\$23,380,000
Collin County, Texas
Limited Tax Refunding and Improvement Bonds, Series 2014

| <u>Maturity (2/15)</u> | <u>Principal Amount (\$)</u> | <u>Interest Rate (%)</u> | <u>Yield (%)</u> |
|----------------------------|----------------------------------|------------------------------|----------------------|
| 2015 | 555,000 | 2.000 | 0.200 |
| 2016 | 1,615,000 | 3.000 | 0.290 |
| 2017 | 1,595,000 | 4.000 | 0.600 |
| 2018 | 1,670,000 | 5.000 | 0.970 |
| 2019 | 1,760,000 | 5.000 | 1.300 |
| 2020 | 1,845,000 | 4.000 | 1.650 |
| 2021 | 1,935,000 | 5.000 | 1.930 |
| 2022 | 2,040,000 | 5.000 | 2.170 |
| 2023 | 2,150,000 | 5.000 | 2.370 |
| 2024 | 2,260,000 | 5.000 | 2.510 |
| 2025 | 2,385,000 | 5.000 | 2.640* |
| 2026 | 2,515,000 | 5.000 | 2.750* |
| 2027 | 115,000 | 3.000 | 3.180 |
| 2028 | 120,000 | 3.125 | 3.310 |
| 2029 | 125,000 | 3.250 | 3.390 |

\$695,000 3.625% Term Bonds due February 15, 2034, Priced to Yield 3.740%

* Yield calculated based on the assumption that the Limited Tax Bonds denoted and sold at a premium will be redeemed on February 15, 2024, the first optional call date for the Limited Tax Bonds, at a redemption price of par plus accrued interest to the redemption date.

Optional Redemption. The County reserves the right, at its option, to redeem Limited Tax Bonds having a stated maturity on and after February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing on February 15, 2034 (the "Term Bonds"), are subject to mandatory sinking fund redemption prior to their stated maturity and shall be redeemed in part at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 15 in each of the years set forth below:

**Term Bonds Stated to
Mature on February 15, 2034**

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-----------------------------|
| 2030 | \$ 130,000 |
| 2031 | 135,000 |
| 2032 | 140,000 |
| 2033 | 140,000 |
| 2034* | 150,000 |

* Stated maturity.

EXHIBIT B

**Proposed Form of Underwriters= Counsel Opinion of
McCall, Parkhurst & Horton L.L.P.**

July 29, 2014

**Citigroup Global Markets Inc.
Estrada Hinojosa & Company, Inc.
Stephens Inc.**
c/o Citigroup Global Markets Inc.
300 Crescent Court, Suite 940
Dallas, Texas 75201

Re: \$25,045,000 Collin County, Texas Unlimited Tax Road Bonds, Series 2014

**\$23,380,000 Collin County, Texas Limited Tax Refunding and Improvement
Bonds, Series 2014**

Ladies and Gentlemen:

We have acted as counsel for you as the underwriters of the securities referenced above (the "Securities"), issued under and pursuant to separate orders (jointly, the "Bond Orders") of Collin County, Texas (the "County") on July 7, 2014, as supplemented by the Pricing Certificates as defined in the Bond Orders (the "Pricing Certificates", and, collectively with the Bond Orders, the "Orders") authorizing the issuance of the Securities, which Securities you are purchasing pursuant to a Purchase Contract, dated July 9, 2014. All capitalized undefined terms used herein shall have the meaning set forth in the Purchase Contract.

In connection with this opinion letter, we have considered such matters of law and of fact, and have relied upon such certificates and other information furnished to us, as we have deemed appropriate as a basis for our opinion set forth below. We are not expressing any opinion or views herein on the authorization, issuance, delivery, validity of the Securities and we have assumed, but not independently verified, that the signatures on all documents and Securities that we have examined are genuine.

Based on and subject to the foregoing, we are of the opinion that, under existing laws, the Securities are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Orders are not required to be qualified under the Trust Indenture Act of 1939, as amended.

Because the primary purpose of our professional engagement as your counsel was not to establish factual matters, and because of the wholly or partially non-legal character of many of the determinations involved in the preparation of the Official Statement dated July 9, 2014 (the "Official Statement") and because the information in the Official Statement under the headings "THE BONDS - Book-Entry-Only System," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION B Compliance with Prior Undertakings" and Appendices A, B and C thereto were prepared by others who have been engaged to review or provide such information, we are not passing on and do not assume any responsibility for, except as set forth in the last sentence of this paragraph,

the accuracy, completeness or fairness of the statements contained in the Official Statement (including any appendices, schedules and exhibits thereto) and we make no representation that we have independently verified the accuracy, completeness or fairness of such statements. In the course of our review of the Official Statement, we had discussions with representatives of the County regarding the contents of the Official Statement. In the course of our participation in the preparation of the Official Statement as your counsel, we had discussions with representatives of the County, Bond Counsel and Financial Advisor, regarding the contents of the Official Statement. In the course of such activities, no facts came to our attention that would lead us to believe that the Official Statement (except for the financial statements and other financial and statistical data contained therein, the information set forth under the headings "THE BONDS - Book-Entry-Only System," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION B Compliance with Prior Undertakings" and Appendices A, B and C thereto, as to which we express no opinion), as of its date contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This opinion letter may be relied upon by only you and only in connection with the transaction to which reference is made above and may not be used or relied upon by any other person for any purposes whatsoever without our prior written consent.

Respectfully,

PAYING AGENT/REGISTRAR AGREEMENT

between

COLLIN COUNTY, TEXAS

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Pertaining to

Collin County, Texas
Unlimited Tax Road Bonds
Series 2014

Dated as of July 7, 2014

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PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT (this "Agreement") is by and between Collin County, Texas (the "Issuer"), and The Bank of New York Mellon Trust Company, N.A. (the "Bank"), a national banking association organized under the laws of the United States of America.

WHEREAS, the Issuer has duly authorized and provided for the issuance of its Unlimited Tax Road Bonds, Series 2014 (the "Bonds"), in an aggregate principal amount of \$25,045,000 to be issued as registered securities without coupons;

WHEREAS, all things necessary to make the Bonds the valid obligations of the Issuer, in accordance with their terms, will be taken upon the issuance and delivery thereof;

WHEREAS, the Issuer is desirous that the Bank act as the Paying Agent of the Issuer in paying the principal, redemption premium, if any, and interest on the Bonds, in accordance with the terms thereof, and that the Bank act as Registrar for the Bonds;

WHEREAS, the Issuer has duly authorized the execution and delivery of this Agreement; and all things necessary to make this Agreement the valid agreement of the Issuer, in accordance with its terms, have been done;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE I

APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. Appointment. (a) The Issuer hereby appoints the Bank to act as Paying Agent with respect to the Bonds in paying to the Owners of the Bonds the principal, redemption premium, if any, and interest on all or any of the Bonds.

(b) The Issuer hereby appoints the Bank as Registrar with respect to the Bonds.

(c) The Bank hereby accepts its appointment, and agrees to act as, the Paying Agent and Registrar.

Section 1.02. Compensation. (a) As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Annex A hereto for the first year of this Agreement, or such part thereof, this Agreement shall be in effect, and thereafter while this Agreement is in effect, the fees and amounts set forth in the Bank's current fee schedule then in effect for services as Paying Agent/Registrar for counties, which shall be supplied to the Issuer on or before 90 days prior to the close of the Fiscal Year of the Issuer, and shall be effective upon the first day of the following Fiscal Year.

(b) In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Bank in accordance

with any of the provisions hereof, including the reasonable compensation and the expenses and disbursements of its agents and counsel.

ARTICLE II

DEFINITIONS

Section 2.01. Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms have the following meanings when used in this Agreement:

“Bond” or “Bonds” means any or all of the Issuer’s Unlimited Tax Road Bonds, Series 2014, dated June 15, 2014, and issued in the aggregate principal amount of \$25,045,000.

“Designated Payment/Transfer Office” means the corporate trust office of the Bank located in Dallas, Texas, or in such other location as designated by the Paying Agent/Registrar. The Bank will notify the Issuer in writing of any change in the location of the Designated Payment/Transfer Office.

“Financial Advisor” means First Southwest Company.

“Fiscal Year” means the fiscal year of the Issuer.

“Issuer Request” and “Issuer Order” means a written request or order signed in the name of the Issuer by the County Judge, the County Clerk, or any other authorized representative of the Issuer and delivered to the Bank.

“Legal Holiday” means a day on which the Bank is required or authorized by applicable law to be closed.

“Order” means the resolution, order, or ordinance of the governing body of the Issuer pursuant to which the Bonds are issued, certified by the County Clerk or any other officer of the Issuer, and delivered to the Bank.

“Owner” means the Person in whose name a Bond is registered in the Register.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, or government or any agency or political subdivision of a government.

“Predecessor Bonds” of any particular Bond means every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond (and, for the purposes of this definition, any Bond registered and delivered under Section 4.06 in lieu of a mutilated, lost, destroyed or stolen Bond shall be deemed to evidence the same obligation as the mutilated, lost, destroyed or stolen Bond).

“Record Date” means the last business day of the month next preceding an interest payment date established by the Order.

“Register” means a register in which the Issuer shall provide for the registration and transfer of Bonds.

“Responsible Officer” when used with respect to the Bank means the Chairman or Vice Chairman of the Board of Directors, the Chairman or Vice Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Stated Maturity” means the date specified in the Order as the fixed date on which the principal of the Bonds is due and payable or the date fixed in accordance with the terms of the Order for redemption of the Bonds, or any portion thereof, prior to the fixed maturity date.

Section 2.02. Other Definitions. The terms “Bank” and “Issuer” have the meanings assigned to them in the opening paragraph of this Agreement.

ARTICLE III

PAYING AGENT

Section 3.01. Duties of Paying Agent. (a) The Bank, as Paying Agent and on behalf of the Issuer, provided adequate funds shall have been provided to it for such purpose on behalf of the Issuer, shall pay to the Owner at the Stated Maturity and upon the surrender of the Bond or Bonds so maturing at the Designated Payment/Transfer Office, the amount of the Bond or Bonds then maturing, and redemption premium, if any, at the Designated Payment/Transfer Office provided that the Bank shall have been provided by or on behalf of the Issuer adequate funds to make such payment.

(b) The Bank, as Paying Agent and on behalf of the Issuer, shall pay interest when due on the Bonds to each Owner of the Bonds (or their Predecessor Bonds) as shown in the Register at the close of business on the Record Date, provided that the Bank shall have been provided by or on behalf of the Issuer adequate funds to make such payments; such payments shall be made by computing the amount of interest to be paid each Owner, preparing the checks, and mailing the checks on each payment date addressed to the addresses thereof as appearing on the Register on the Record Date.

Section 3.02. Payment Dates. The Issuer hereby instructs the Bank to pay the principal of, redemption premium, if any, and interest on the Bonds at the dates specified in the Order.

ARTICLE IV

REGISTRAR

Section 4.01. Transfer and Exchange. (a) The Bank, as Registrar and on behalf of the Issuer, shall keep the Register at the Bank Office, and the Designated Payment/Transfer Office, and subject to such reasonable written regulations as the Issuer may prescribe, which regulations shall be furnished the Bank herewith or subsequent hereto by Issuer Order, the Issuer shall provide for the registration and transfer of the Bonds. The Bank is hereby appointed "Registrar" for the purpose of registering and transferring the Bonds as herein provided. The Bank agrees to maintain the Register while it is Registrar.

(b) The Bank as Registrar hereby agrees that at any time while any Bond is outstanding, the Owner may deliver such Bond to the Designated Payment/Transfer Office for transfer or exchange, accompanied by instructions from the Owner, or the duly authorized designee of the Owner, designating the persons, the maturities, and the principal amounts to and in which such Bond is to be transferred and the addresses of such persons; the Bank shall thereupon, within not more than three (3) business days, register and deliver such Bond or Bonds as provided in such instructions. The provisions of the Order shall control the procedures for transfer or exchange set forth herein to the extent such procedures are in conflict with the provisions of the Order.

(c) Every Bond surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed in a manner acceptable to the Paying Agent/Registrar and in form satisfactory to the Bank, duly executed by the Owner thereof or his attorney duly authorized in writing.

(d) The Bank may request any supporting documentation it feels necessary to effect a re-registration.

Section 4.02. The Bonds. The Issuer shall provide an adequate inventory of unregistered Bonds to facilitate transfers. The Bank covenants that it will maintain the unregistered Bonds in safekeeping and will use reasonable care in maintaining such unregistered Bonds in safekeeping, which shall be not less than the care it maintains for debt securities of other governments or corporations for which it serves as registrar, or which it maintains for its own securities.

Section 4.03. Form of Register. (a) The Bank as Registrar will maintain the records of the Register in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Register in any form other than a form which the Bank has currently available and utilizes at the time.

(b) The Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 4.04. List of Owners. (a) The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the cost, if any, of reproduction, a copy of the information contained in the Register. The Issuer may also inspect the information in the

Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

(b) Unless otherwise required by law, the Bank will not release or disclose the content of the Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer. Upon receipt of a subpoena or court order, the Bank will notify the Issuer so that the Issuer may contest the subpoena or court order.

(c) At all times, while the Bank is the Registrar, the Bank shall maintain and have available a copy of the Register at its office in Dallas, Texas.

Section 4.05. Cancellation of Bonds. All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Bank, shall be promptly canceled by it and, if surrendered to the Issuer, shall be delivered to the Bank and, if not already canceled, shall be promptly canceled by the Bank. The Issuer may at any time deliver to the Bank for cancellation any Bonds previously certified or registered and delivered which the Issuer may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Bank. All canceled Bonds held by the Bank shall be disposed of pursuant to the Securities Exchange Act of 1934.

Section 4.06. Mutilated, Destroyed, Lost, or Stolen Bonds. (a) Subject to the provisions of this Section 4.06, the Issuer hereby instructs the Bank to deliver fully registered Bonds in exchange for or in lieu of mutilated, destroyed, lost, or stolen Bonds as long as the same does not result in an overissuance.

(b) If (i) any mutilated Bond is surrendered to the Bank at the Designated Payment/Transfer Office, or the Issuer and the Bank receives evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (ii) there is delivered to the Issuer and the Bank such security or indemnity as may be required by the Bank to save and hold each of them harmless, then in the absence of notice to the Issuer or the Bank that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute, and upon its request the Bank shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same stated maturity and of like tenor and principal amount bearing a number not contemporaneously outstanding.

(c) Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the Issuer, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of the Order equally and ratably with all other outstanding Bonds.

(d) Upon the satisfaction of the Bank and the Issuer that a Bond has been mutilated, destroyed, lost, or stolen, and upon receipt by the Bank and the Issuer of such indemnity or security as they may require, the Bank shall cancel the Bond number on the Bond registered with a notation in the Register that said Bond has been mutilated, destroyed, lost, or stolen; and a new Bond shall be issued of the same series and of like tenor and principal amount bearing a number, according to the Register, not contemporaneously outstanding.

(e) The Bank may charge the Owner the Bank's fees and expenses in connection with issuing a new Bond in lieu of or exchange for a mutilated, destroyed, lost, or stolen Bond.

(f) The Issuer hereby accepts the Bank's current blanket bond for lost, stolen, or destroyed Bonds and any future substitute blanket bond for lost, stolen, or destroyed Bonds that the Bank may arrange, and agrees that the coverage under any such blanket bond is acceptable to it and meets the Issuer's requirements as to security or indemnity. The Bank need not notify the Issuer of any changes in the security or other company giving such bond or the terms of any such bond, provided that the amount of such bond is not reduced below the amount of the bond on the date of execution of this Agreement. The blanket bond then utilized by the Bank for lost, stolen, or destroyed Bonds by the Bank is available for inspection by the Issuer on request.

Section 4.07. Transaction Information to Issuer. The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Bonds it has paid pursuant to 3.01; Bonds it has delivered upon the transfer or exchange of any Bonds pursuant to Section 4.01; and Bonds it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Bonds pursuant to Section 4.06 of this Agreement.

ARTICLE V

THE BANK

Section 5.01. Duties of Bank. The Bank undertakes to perform the duties set forth herein and in accordance with the Order and agrees to use reasonable care in the performance thereof. The Bank hereby agrees to use the funds deposited with it for payment of the principal of, redemption premium, if any, and interest on the Bonds to pay the Bonds as the same shall become due and further agrees to establish and maintain all accounts and funds as may be required for the Bank to function as Paying Agent. The Bank is also authorized to transfer funds relating to the closing and initial delivery of the Bonds in the manner described in the closing memorandum prepared by the Issuer's Financial Advisor or other agent on behalf of the Issuer. The Bank may act on a facsimile or email transmission of the closing memorandum acknowledged by the Issuer's Financial Advisor or the Issuer as the final closing memorandum. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions.

Section 5.02. Reliance on Documents, Etc. (a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that

repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, certificate, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Bonds, but is protected in acting upon receipt of Bonds containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Owner or an attorney-in-fact of the Owner. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, certificate, note, security, or other paper or document supplied by Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys and the Bank.

Section 5.03. Recitals of Issuer. (a) The recitals contained herein and in the Bonds shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

(b) The Bank shall in no event be liable to the Issuer, any Owner, or any other Person for any amount due on any Bond except as otherwise expressly provided herein with respect to the liability of the Bank for its duties under this Agreement.

Section 5.04. May Hold Bonds. The Bank, in its individual or any other capacity, may become the Owner or pledgee of Bonds and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

Section 5.05. Money Held by Bank. (a) Money held by the Bank hereunder need not be segregated from any other funds provided appropriate accounts are maintained.

(b) The Bank shall be under no liability for interest on any money received by it hereunder.

(c) Subject to the provisions of Title 6, Texas Property Code, any money deposited with the Bank for the payment of the principal or redemption premium, if any, of or interest on any Bond and remaining unclaimed for three years after final maturity of the Bond will be paid by the Bank to the Issuer, and the Owner of such Bond shall thereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such monies shall thereupon cease.

(d) The Bank will comply with the reporting requirements of Chapter 74 of the Texas Property Code.

(e) The Bank shall deposit any moneys received from the Issuer into a trust account to be held in a fiduciary capacity for the payment of the Bonds, with such moneys in the account that exceed the deposit insurance available to the Issuer provided by the Federal Deposit Insurance Corporation to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas and to the extent practicable under the laws of the United States of America to secure and be pledged as collateral for trust accounts until the principal and interest on the Bonds have been presented for payment and paid to the owner thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the owner of such Bonds shall, at its own expense and risk, request such other medium of payment.

Section 5.06. Indemnification. To the extent permitted by law, the Issuer agrees to indemnify the Bank, its officers, directors, employees, and agents for, and hold them harmless against, any loss, liability, or expense incurred without negligence or bad faith on their part arising out of or in connection with its acceptance or administration of the Bank's duties hereunder, and under Article V of the Order, including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

Section 5.07. Interpleader. The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demands or controversy over its persons as well as funds on deposit in the appropriate state or federal court located in the State of Texas; waive personal service of any process; and agree that service of process by certified or registered mail, return receipt requested, to the address set forth in this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction within the State of Texas to determine the rights of any person claiming any interest herein.

Section 5.08. Merger, Conversion, Consolidation, or Succession. Any corporation into which the Paying Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which the Paying Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Paying Agent shall be the successor of the Paying Agent hereunder without the execution or filing of any paper or any further act on the part of either of the parties hereto.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.01. Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereof.

Section 6.02. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other.

Section 6.03. Notices. Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or

the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown below:

- (a) if to the Issuer: Collin County, Texas
2300 Bloomdale Rd.
Suite 3100
McKinney, Texas 75071
Attention: County Auditor

- (b) if to the Bank: The Bank of New York Mellon Trust Company, N.A.
2001 Bryan Street, 11th Floor
Dallas, Texas 75201
Attention: Issuer Administrative Services

Section 6.04. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 6.05. Successors and Assigns. All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 6.06. Separability. If any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 6.07. Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 6.08. Entire Agreement. This Agreement and the Order constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar, and if any conflict exists between this Agreement and the Order, the Order shall govern.

Section 6.09. Counterparts. This Agreement may be executed in any number of counterparts, each which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10. Termination. (a) This Agreement will terminate on the date of final payment by the Bank issuing its checks for the final payment of principal, redemption premium, if any, and interest of the Bonds.

(b) This Agreement may be earlier terminated upon sixty (60) days written notice by either party, provided that no termination shall be effective until a successor has been appointed by the Issuer and has accepted the duties imposed by this Agreement.

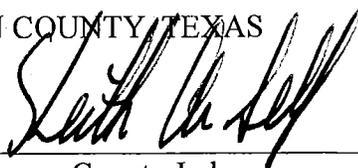
(c) The provisions of Section 1.02 and of Article V shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.11. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

COLLIN COUNTY, TEXAS

By:



County Judge

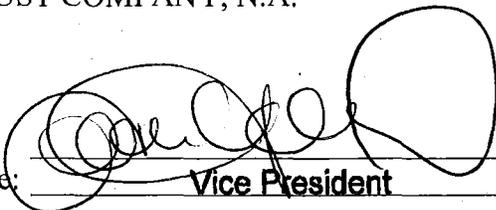
ATTEST:



County Clerk

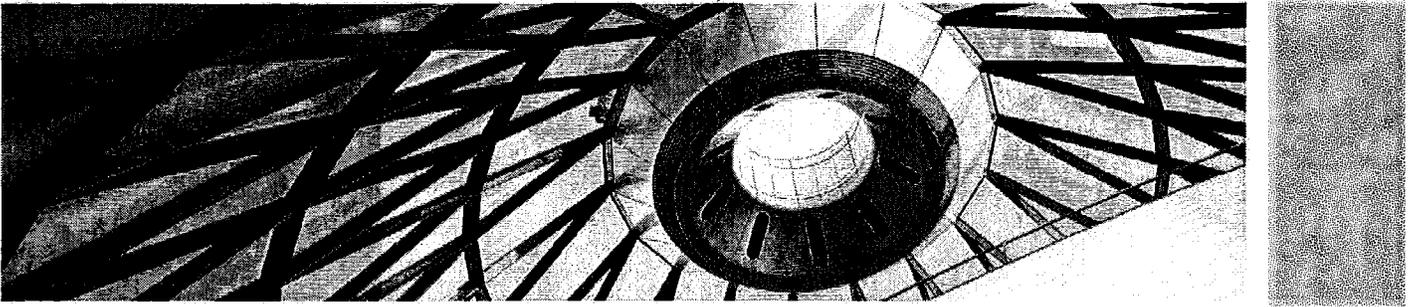


THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.

By: 
Title: Vice President

ANNEX "A"

SCHEDULE OF FEES FOR SERVICE AS PAYING AGENT/REGISTRAR



Collin County, Texas Unlimited Tax Road Bonds, Series 2014

May 30, 2014

Presented By:

BNY Mellon Corporate Trust

Fee Schedule for the following:

- Paying Agent
- Registrar



BNY MELLON

Fee Schedule

Subject to the Terms and Disclosures below, upon appointment of The Bank of New York Mellon Trust Company, N.A. ("BNYM" or "us" or "affiliates" or "subsidiaries") in the roles as outlined within this Fee Schedule (this "Fee Schedule"), Collin County, Texas ("Customer") shall be responsible for the payment of the fees, expenses and charges as set forth herein. Fees are payable or accrue at the time of the execution of the governing documents (the "Transaction Documents") in connection with the closing of the transaction (the "Transaction") which is the subject of this Fee Schedule.

General Fees

Acceptance Fee

\$0

The Transaction Acceptance Fee is payable at the time of the execution of the governing documents in connection with the closing of the transaction which is the subject of this Agreement (the "Transaction"), and compensates BNYM for the following: review of all supporting documents, initial establishment of the required accounts and Know Your Customer checks.

Annual Paying Agent Fee

\$750

An annual charge covering the normal paying agent duties related to account administration and bondholder services. Our pricing is based on the assumption on that the bonds are DTC-eligible/book-entry only. This fee is payable annually, in advance.

Extraordinary Services/Miscellaneous Fees

The charges for performing extraordinary or other services not contemplated at the time of the execution of the Transaction Documents or not specifically covered elsewhere in this schedule will be commensurate with the service to be provided and may be charged in BNY Mellon's sole discretion. If it is contemplated that BNY Mellon hold/and or value collateral, additional acceptance, administration and counsel review fees will be applicable to the agreement governing such services. If the bonds are converted to certificated form, additional annual fees will be charged for any applicable tender agent and/or registrar/paying agent services. Additional information will be provided at such time. If all outstanding bonds of a series are defeased or redeemed, or BNY Mellon is removed as paying agent prior to the maturity of the bonds, a termination fee may be assessed at that time.

Miscellaneous fees and expenses may include, but are not necessarily limited to supplemental agreements, tender processing, the preparation and distribution of sinking fund redemption notices, optional redemptions, failed remarketing processing, preparation of special or interim reports, UCC filing fees, auditor confirmation fees, wire transfer fees, Letter of Credit drawdown fees, transaction fees to settle third-party trades, and reconciliation fees to balance trust account balances to third-party investment provider statements. Counsel, accountants, special agents and others will be charged at the actual amount of fees and expenses billed. FDIC or other governmental charges will be passed along as incurred. Reimbursement will be required for any out-of-pocket expenses and will be invoiced to the Customer at cost.

Terms and Disclosures

General

BNYM's final acceptance of its appointment pursuant to the Transaction Documents is subject to the full review and approval of all related documentation and standard Know Your Customer procedures. In the event that this Transaction does not proceed with BNYM in the roles contemplated by this Fee Schedule and the Transaction Documents, Customer will be responsible for payment of any external counsel fees and expenses and out-of-pocket expenses which BNYM may have incurred up to and including the termination date.

Customer shall be responsible for filing any applicable information returns with the U.S. Department of Treasury, Internal Revenue Service in connection with payments made by BNYM to vendors who have not performed services for BNYM's benefit under the various bond or note issuances or other undertakings contemplated by this Fee Schedule.

PRIVILEGED AND CONFIDENTIAL

The information in this fee schedule is confidential and is intended for the sole use of the addressee only. This information shall not be intentionally disclosed, reproduced, copied, published, distributed or displayed in any form to any third party without BNYM's prior written approval.

The Bank of New York Mellon Corporation is a global financial organization that operates in and provides services and products to clients through its affiliates and subsidiaries located in multiple jurisdictions (the "BNY Mellon Group"). The BNY Mellon Group may (i) centralize in one or more affiliates and subsidiaries certain activities (the "Centralized Functions"), including audit, accounting, administration, risk management, legal, compliance, sales, product communication, relationship management, and the compilation and analysis of information and data regarding Customer (which, for purposes of this provision, includes the name and business contact information for Customer employees and representatives) and the accounts established pursuant to the Transaction Documents ("Customer Information") and (ii) use third party service providers to store, maintain and process Customer Information ("Outsourced Functions"). Notwithstanding anything to the contrary contained elsewhere in this Fee Schedule or the Transaction Documents and solely in connection with the Centralized Functions and/or Outsourced Functions, Customer consents to the disclosure of, and authorizes BNY Mellon to disclose, Customer Information to (i) other members of the BNY Mellon Group (and their respective officers, directors and employees) and to (ii) third-party service providers (but solely in connection with Outsourced Functions) who are required to maintain the confidentiality of Customer Information. In addition, the BNY Mellon Group may aggregate Customer Information with other data collected and/or calculated by the BNY Mellon Group, and the BNY Mellon Group will own all such aggregated data, provided that the BNY Mellon Group shall not distribute the aggregated data in a format that identifies Customer Information with Customer specifically. Customer represents that it is authorized to consent to the foregoing and that the disclosure of Customer Information in connection with the Centralized Functions and/or Outsourced Functions does not violate any relevant data protection legislation. Customer also consents to the disclosure of Customer Information to governmental and regulatory authorities in jurisdictions where the BNY Mellon Group operates and otherwise as required by law.

Customer agrees that BNYM shall have no obligation to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties as paying agent or registrar in connection with the Transaction, or in the exercise of any of its rights or powers in connection therewith, if it shall have reasonable grounds for believing that repayment of such funds is not assured to it. Customer agrees to reimburse BNYM for extraordinary expenses incurred by it in connection with the Transaction to the extent permitted by law.

Please note the fees quoted in this Fee Schedule are based upon the information available at the present time. Further quotes may be provided once the structure of the deal has been finalized. Annual Fees cover a period of one year and any portion thereof and are not subject to pro-rata. Fees may be subject to adjustment during the life of the engagement.

Advance Fees

BNYM requires that Customer agree to the fees quoted in this Fee Schedule prior to the commencement of any work or the provision of any services by BNYM in relation to the Transaction. In the event that BNYM provides any services to Customer prior to your agreement to the fees quoted herein, the commencement of such work or the provision of such services shall not be deemed to constitute a waiver of the fees listed in this Fee Schedule. BNYM reserves the right to cease providing services until such time as Customer agrees to the fees quoted herein. BNYM reserves the right to request that any and all fees due and payable pursuant to this Fee Schedule and related in any way to the Transaction are paid in advance (either in whole or in part) prior to the provision of any services.

Revocation of Offer

BNYM may revoke the terms of this Fee Schedule if the Transaction does not close within three months from the date of this Fee Schedule. Should the Transaction fail to close for any reason, a termination fee equal to BNYM's Acceptance Fee, any external counsel fees, expenses and disbursements and all out-of-pocket expenses will apply.

Confidential Information

All information provided to Customer by BNYM must remain confidential and may not be intentionally disclosed, reproduced, copied, published, or displayed in any form to any third party without BNYM's prior written approval.

PRIVILEGED AND CONFIDENTIAL

The information in this fee schedule is confidential and is intended for the sole use of the addressee only. This information shall not be intentionally disclosed, reproduced, copied, published, distributed or displayed in any form to any third party without BNYM's prior written approval.

Customer Notice Required By the USA Patriot Act

To help the U.S. government fight the funding of terrorism and money laundering activities, US Federal law requires all financial institutions to obtain, verify and record information that identifies each person (whether an individual or organization) for which a relationship is established. When Customer establishes a relationship with BNYM, we will ask Customer to provide certain information (and documents) that will help us to identify Customer. We will ask for your organization's name, physical address, tax identification or other government registration number and other information that will help us identify Customer. We may also ask for a Certificate of Incorporation or similar document or other pertinent identifying documentation for your type of organization.

PRIVILEGED AND CONFIDENTIAL

The information in this fee schedule is confidential and is intended for the sole use of the addressee only. This information shall not be intentionally disclosed, reproduced, copied, published, distributed or displayed in any form to any third party without BNYM's prior written approval.

REGISTERED
No. R-1

REGISTERED
\$785,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 2.000% | February 15, 2015 | July 31, 2014 | 194740 GA8 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay
to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

SEVEN HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-2

REGISTERED
\$845,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 3.000% | February 15, 2016 | July 31, 2014 | 194740 GB6 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

EIGHT HUNDRED FORTY-FIVE THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-3

REGISTERED
\$875,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 3.000% | February 15, 2017 | July 31, 2014 | 194740 GC4 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

EIGHT HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-4

REGISTERED
\$895,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 2.000% | February 15, 2018 | July 31, 2014 | 194740 GD2 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay
to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

EIGHT HUNDRED NINETY-FIVE THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-5

REGISTERED
\$925,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| | | | |
|-----------------------|-----------------------|----------------------|----------------------|
| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
| 5.000% | February 15, 2019 | July 31, 2014 | 194740 GE0 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

NINE HUNDRED TWENTY-FIVE THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-6

REGISTERED
\$970,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 4.000% | February 15, 2020 | July 31, 2014 | 194740 GF7 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

NINE HUNDRED SEVENTY THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-7

REGISTERED
\$1,015,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 5.000% | February 15, 2021 | July 31, 2014 | 194740 GG5 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION FIFTEEN THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-8

REGISTERED
\$1,065,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 5.000% | February 15, 2022 | July 31, 2014 | 194740 GH3 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION SIXTY-FIVE THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-9

REGISTERED
\$1,120,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 5.000% | February 15, 2023 | July 31, 2014 | 194740 GJ9 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION ONE HUNDRED TWENTY THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-10

REGISTERED
\$1,180,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 5.000% | February 15, 2024 | July 31, 2014 | 194740 GK6 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-11

REGISTERED
\$1,240,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 5.000% | February 15, 2025 | July 31, 2014 | 194740 GL4 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay
to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION TWO HUNDRED FORTY THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-12

REGISTERED
\$1,305,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 5.000% | February 15, 2026 | July 31, 2014 | 194740.GM2 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION THREE HUNDRED FIVE THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-13

REGISTERED
\$1,370,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 5.000% | February 15, 2027 | July 31, 2014 | 194740 GNO |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION THREE HUNDRED SEVENTY THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-14

REGISTERED
\$1,440,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 5.000% | February 15, 2028 | July 31, 2014 | 194740 GP5 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION FOUR HUNDRED FORTY THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-15

REGISTERED
\$1,505,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 4.000% | February 15, 2029 | July 31, 2014 | 194740 GQ3 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION FIVE HUNDRED FIVE THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-16

REGISTERED
\$1,570,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 4.000% | February 15, 2030 | July 31, 2014 | 194740 GR1 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION FIVE HUNDRED SEVENTY THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-17

REGISTERED
\$1,630,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 4.000% | February 15, 2031 | July 31, 2014 | 194740 GS9 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION SIX HUNDRED THIRTY THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-18

REGISTERED
\$1,700,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 4.000% | February 15, 2032 | July 31, 2014 | 194740 GT7 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay
to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-19

REGISTERED
\$1,770,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 4.000% | February 15, 2033 | July 31, 2014 | 194740 GU4 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION SEVEN HUNDRED SEVENTY THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

REGISTERED
No. R-20

REGISTERED
\$1,840,000

United States of America
State of Texas
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BOND
SERIES 2014

| <u>INTEREST RATE:</u> | <u>MATURITY DATE:</u> | <u>CLOSING DATE:</u> | <u>CUSIP NUMBER:</u> |
|-----------------------|-----------------------|----------------------|----------------------|
| 4.000% | February 15, 2034 | July 31, 2014 | 194740 GV2 |

Collin County (the "County"), State of Texas, for value received, hereby promises to pay
to

CEDE & CO.

or registered assigns, on the Maturity Date specified above, the sum of

ONE MILLION EIGHT HUNDRED FORTY THOUSAND DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Closing Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2015.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas, of The Bank of New York Mellon Trust Company, N.A. (the "Designated Payment/Transfer Office"), as the initial Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the person to whom interest is to be paid. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date; provided, however, that in the event of nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying

Agent/Registrar, if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "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 books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the County in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond, dated June 15, 2014, is one of a series of fully registered bonds specified in the title hereof issued in the aggregate principal amount of \$25,045,000 (herein referred to as the "Bonds") pursuant to a certain order of the Commissioners Court of the County (the "Order") for the public purpose of (i) providing funds for certain county road improvements and (ii) paying the costs of issuance related to the Bonds.

The Bonds and the interest thereon are payable from the levy of a direct and continuing ad valorem tax, without legal limit as to rate or amount, against all taxable property in the County as described and provided in the Order. The Bonds are issued under Section 52, Article III, Texas Constitution and laws enacted under the Constitution.

The County has reserved the option to redeem the Bonds maturing on or after February 15, 2025, in whole or in part, before their respective scheduled maturity dates, on February 15, 2024, or on any date thereafter, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the County shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity and in such principal amounts, for redemption.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the registered owner of each of the Bonds to be redeemed in whole or in part. Notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; and, from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

In the Order, the County reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the

redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the County retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the County delivers a certificate of the County to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding, and the rescission of such redemption shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the County to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. Notice having been so given and subject, in the case of an optional redemption, to any rights or conditions reserved by the county in the notice, the Bonds called for redemption shall become due and payable on the specified redemption date, and notwithstanding that any Bond or portion thereof has not been surrendered for payment, interest on such Bond or portion thereof shall cease to accrue.

As provided in the Order, and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar, and, thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The County, the Paying Agent/Registrar, and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the County nor the Paying Agent/Registrar shall be affected by notice to the contrary.

Neither the County nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that the total indebtedness of the County, including the Bonds, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the County has caused this Bond to be executed by the manual or facsimile signature of the County Judge, countersigned by the manual or facsimile signature of the County Clerk of the County, and the official seal of the County has been duly impressed or placed in facsimile on this Bond.

Stacy Kemp
County Clerk, Collin County

Leith A. Self
County Judge, Collin County



SPECIMEN

CERTIFICATE OF PAYING AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Bond of this series of Bonds was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Bonds referred to in the within-mentioned Order.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Paying Agent/Registrar

Dated: _____

By: _____
Authorized Signatory

SPECIMEN

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee): _____

(Social Security or other identifying number: _____) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

Authorized Signatory

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers.

SPECIAL

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.



PRELIMINARY OFFICIAL STATEMENT

Dated June 23, 2014

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

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes 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 WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS



\$27,485,000*
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS, SERIES 2014

Dated Date: June 15, 2014

Accrues from Delivery Date

Due: February 15, as shown below

PAYMENT TERMS . . . Interest on the \$27,485,000* Collin County, Texas Unlimited Tax Road Bonds, Series 2014 (the "Unlimited Tax Bonds") will accrue from the date of initial delivery (the "Delivery Date") to the initial purchasers shown below (the "Underwriters"), and will be payable February 15, 2015, and on each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Unlimited Tax Bonds 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, particularly Article III, Section 52 of the Texas Constitution, as amended, Chapter 1471, Texas Government Code, as amended, a County-wide election held on November 6, 2007, and a bond order adopted on June 23, 2014 by the Commissioners Court of the County authorizing the issuance of the Unlimited Tax Bonds (the "Unlimited Tax Bond Order"), and are direct obligations of Collin County, Texas (the "County"), payable from a continuing direct ad valorem tax levied on a taxable property within the County, without legal limit as to rate or amount, as provided by 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) construct, maintain and operate macadamized, graveled or paved roads and turnpikes, or in aid thereof, throughout the County, including participation in joint city-county projects; and (ii) pay costs of issuance associated with the sale of the Unlimited Tax Bonds.

MATURITY SCHEDULE*

CUSIP Prefix: 194738 ⁽¹⁾

| Amount | (2-15) Maturity | Interest Rate | Initial Yield | CUSIP Suffix ⁽¹⁾ | Amount | (2-15) Maturity | Interest Rate | Initial Yield | CUSIP Suffix ⁽¹⁾ |
|------------|--------------------|------------------|------------------|--------------------------------|--------------|--------------------|------------------|------------------|--------------------------------|
| \$ 895,000 | 2015 | | | | \$ 1,370,000 | 2025 | | | |
| 980,000 | 2016 | | | | 1,425,000 | 2026 | | | |
| 1,015,000 | 2017 | | | | 1,475,000 | 2027 | | | |
| 1,055,000 | 2018 | | | | 1,535,000 | 2028 | | | |
| 1,095,000 | 2019 | | | | 1,590,000 | 2029 | | | |
| 1,135,000 | 2020 | | | | 1,655,000 | 2030 | | | |
| 1,180,000 | 2021 | | | | 1,715,000 | 2031 | | | |
| 1,225,000 | 2022 | | | | 1,780,000 | 2032 | | | |
| 1,270,000 | 2023 | | | | 1,850,000 | 2033 | | | |
| 1,320,000 | 2024 | | | | 1,920,000 | 2034 | | | |

(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.

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Unlimited Tax Bonds having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

SEPARATE ISSUES . . . The Unlimited Tax Bonds are being offered by the County concurrently with its Limited Tax Refunding and Improvement Bonds, Series 2014 (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 Bracewell & Giuliani LLP, Bond Counsel, Dallas, Texas (see Appendix C - "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton 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 July 31, 2014 (the "Delivery Date").

CITIGROUP

ESTRADA HINOJOSA & COMPANY, INC.

STEPHENS INC.

* Preliminary, subject to change.

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.



PRELIMINARY OFFICIAL STATEMENT

Dated June 23, 2014

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

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes 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 WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS



\$23,480,000*
 COLLIN COUNTY, TEXAS
 LIMITED TAX REFUNDING AND IMPROVEMENT BONDS, SERIES 2014

Dated Date: June 15, 2014
 Accrues from Delivery Date

Due: February 15, as shown below

PAYMENT TERMS . . . Interest on the \$23,480,000* Collin County, Texas, Limited Tax Refunding and Improvement Bonds, Series 2014 (the "Limited Tax Bonds") will accrue from the date of initial delivery (the "Delivery Date") to the initial purchasers shown below (the "Underwriters"), and will be payable February 15, 2015, and on each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Limited Tax Bonds 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 being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended and Chapter 331, Texas Local Government Code, as amended, a County-wide election held on November 6, 2007 and a bond order adopted on June 23, 2014 by the Commissioners Court of the County authorizing the issuance of the Limited Tax Bonds (the "Limited Tax Bond Order" and together with the Unlimited Tax Bond Order, the "Orders"), and are direct obligations of Collin County, Texas (the "County"), payable from a continuing direct ad valorem tax levied on a taxable property within the County, within the limits prescribed law, as provided by the Limited Tax Bond Order (see "The Bonds - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Limited Tax Bonds will be used for (i) acquiring and improving land for park and open space purposes, including joint city-county projects, (ii) refund a portion of the County's outstanding limited tax debt described in Schedule I (the "Refunded Bonds") for debt service savings; and (iii) paying the costs of issuance associated with the sale of the Limited Tax Bonds.

MATURITY SCHEDULE*

CUSIP Prefix: 194738 ⁽¹⁾

| Amount | (2-15) Maturity | Interest Rate | Initial Yield | CUSIP Suffix ⁽¹⁾ | Amount | (2-15) Maturity | Interest Rate | Initial Yield | CUSIP Suffix ⁽¹⁾ |
|------------|--------------------|------------------|------------------|--------------------------------|--------------|--------------------|------------------|------------------|--------------------------------|
| \$ 545,000 | 2015 | | | | \$ 2,400,000 | 2025 | | | |
| 1,615,000 | 2016 | | | | 2,525,000 | 2026 | | | |
| 1,595,000 | 2017 | | | | 120,000 | 2027 | | | |
| 1,670,000 | 2018 | | | | 125,000 | 2028 | | | |
| 1,760,000 | 2019 | | | | 125,000 | 2029 | | | |
| 1,850,000 | 2020 | | | | 130,000 | 2030 | | | |
| 1,950,000 | 2021 | | | | 135,000 | 2031 | | | |
| 2,055,000 | 2022 | | | | 140,000 | 2032 | | | |
| 2,160,000 | 2023 | | | | 150,000 | 2033 | | | |
| 2,275,000 | 2024 | | | | 155,000 | 2034 | | | |

⁽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.

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Limited Tax Bonds having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

SEPARATE ISSUES . . . The Limited Tax Bonds are being offered by the County concurrently with its Unlimited Tax Road Bonds, Series 2014 (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 Bracewell & Giuliani LLP, Bond Counsel, Dallas, Texas (see Appendix C - "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton 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 July 31, 2014 (the "Delivery Date").



ESTRADA HINOJOSA & COMPANY, INC.

STEPHENS INC.

* Preliminary, subject to change.

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For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the County with respect to the Bonds that has been "deemed final" by the County as of its date except for the omission of no more than the information permitted by the Rule.

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 Preliminary 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 \$27,485,000* Unlimited Tax Road Bonds, Series 2014 (the "Unlimited Tax Bonds"). The Unlimited Tax Bonds mature serially on February 15 in each of the years 2015 through 2034 (see "The Bonds - Description of the Bonds").

- THE LIMITED TAX BONDS** The Limited Tax Bonds are issued as \$23,480,000* Limited Tax Refunding and Improvement Bonds, Series 2014 (the "Limited Tax Bonds"). The Limited Tax Bonds mature serially on February 15 in each of the years 2015 through 2034 (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 the Delivery Date, and is payable February 15, 2015, and each August 15 and February 15 thereafter until maturity or prior redemption (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, Article III, Section 52 of the Texas Constitution, as amended, Chapter 1471, Texas Government Code, as amended, a County-wide election held on November 6, 2007, and the Unlimited Tax Bond Order adopted by the Commissioners Court of the County on June 23, 2014, in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" which will contain the final terms of sale and will complete the sale of the Unlimited Tax Bonds (see "The Bonds - Authority for Issuance").

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 Chapter 331, Texas Local Government Code, as amended, a County-wide election held on November 6, 2007, and the Limited Tax Bond Order adopted by the Commissioners Court of the County on June 23, 2014, in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" which will contain the final terms of sale and will complete the sale of the Limited Tax Bonds (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-Unlimited 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 located within the County (see "The Bonds - Security and Source of Payment-Limited Tax Bonds").

- REDEMPTION** The County reserves the right, at its option, to redeem Bonds of either series, having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption").

- TAX EXEMPTION**..... In the opinion of Bond Counsel, under existing law, the interest on the Bonds will be excludable from gross income for federal income tax purposes 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) construct, maintain and operate macadamized, graveled or paved roads and turnpikes, or in aid thereof, throughout the County, including participation in joint city-county projects; and (ii) pay costs of issuance associated with the sale of the Unlimited Tax Bonds.

* Preliminary, subject to change.

Proceeds from the sale of the Limited Tax Bonds will be used for (i) acquiring and improving land for park and open space purposes, including joint city-county projects, (ii) refunding a portion of the County's outstanding limited tax debt described in Schedule I (the "Refunded Bonds") for debt service savings; and (iii) paying 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 |
|------------------------|-----------------------------|---|---------------------------------------|----------------------------|----------------------------|---|----------------------------|
| 2010 | 782,341 ⁽²⁾ | \$ 72,388,951,258 | \$ 92,529 | \$ 383,805,000 | \$ 491 | 0.53% | 102.79% |
| 2011 | 801,865 ⁽³⁾ | 71,277,687,478 | 88,890 | 347,725,000 | 434 | 0.49% | 102.79% |
| 2012 | 804,390 ⁽³⁾ | 72,462,518,559 | 90,084 | 393,210,000 | 489 | 0.54% | 103.08% |
| 2013 | 813,133 ⁽³⁾ | 74,640,404,493 | 91,794 | 393,350,000 | 484 | 0.53% | 102.52% |
| 2014 | 834,642 ⁽⁴⁾ | 79,186,696,846 | 94,875 | 393,950,000 ⁽⁵⁾ | 472 | 0.50% | 100.20% ⁽⁶⁾ |

- (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) Source: U.S. Census Bureau
- (3) Source: Texas Workforce Commission
- (4) Source: County Officials
- (5) Projected; includes all limited tax and unlimited tax debt of the County and the Bonds. Excludes the Refunded Bonds. Preliminary, subject to change.
- (6) Collections through April 30, 2014.

COUNTY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

| <u>Commissioners Court</u> | <u>Term Expires</u> |
|---|---------------------|
| Keith Self County Judge | 12/31/2014 |
| Mark Reid Commissioner, Precinct No. 1 | 12/31/2014 |
| Cheryl Williams Commissioner, Precinct No. 2 | 12/31/2014 |
| Chris Hill Commissioner, Precinct No. 3 | 12/31/2016 |
| Duncan Webb Commissioner, Precinct No. 4 | 12/31/2014 |

OTHER ELECTED AND APPOINTED OFFICIALS

| <u>Name</u> | <u>Position</u> | <u>Term Expires</u> |
|-----------------|------------------------|---|
| Bill Bilyeu | County Administrator | Appointed by Commissioners Court |
| Jeff May | County Auditor | Appointed by District Judges 9/30/2015 |
| Monika Arris | Budget Director | Appointed by Commissioners Court |
| Stacey Kemp | County Clerk | 12/31/2014 |
| Kenneth L. Maun | Tax Assessor-Collector | 12/31/2016 |

CONSULTANTS AND ADVISORS

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

Bond Counsel Bracewell & Giuliani LLP
Dallas, Texas

Financial Advisor First Southwest Company
Fort Worth, Texas

For additional information regarding the County, please contact:

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

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

COLLIN COUNTY, TEXAS

\$27,485,000*

UNLIMITED TAX ROAD BONDS, SERIES 2014

\$23,480,000*

**LIMITED TAX REFUNDING AND
IMPROVEMENT BONDS, SERIES 2014**

INTRODUCTION

This Official Statement, which includes the Appendices and Schedule I hereto, provides certain information regarding the issuance of \$27,485,000* Collin County, Texas Unlimited Tax Road Bonds, Series 2014 (the "Unlimited Tax Bonds") and \$23,480,000* Collin County, Texas Limited Tax Refunding and Improvement Bonds, Series 2014 (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 the separate Unlimited Tax Bond Order and the Limited Tax Bond, Order (collectively, the "Orders"). The Commissioners Court of Collin County (the "County") on June 23, 2014 delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" which will contain the final terms of sale and will complete the sale of the Bonds (the "Orders" and the Pricing Certificate are jointly referred to as the "Order").

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 "Other Information –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 (the "State") 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) construct, maintain and operate macadamized, graveled or paved roads and turnpikes, or in aid thereof, throughout the County, including participation in joint city-county projects; and (iii) 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 for (i) acquiring and improving land for park and open space purposes, including joint city-county projects, (ii) refunding a portion of the County's outstanding limited tax debt described in Schedule I (the "Refunded Bonds") for debt service savings; and (iii) paying the costs of issuance associated with the sale of the Limited Tax Bonds.

REFUNDED BONDS . . . The principal of and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and redemption dates for the Refunded bonds as shown on Schedule I hereto, from funds to be deposited pursuant to an Escrow Agreement 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 will provide that a portion of the proceeds from the sale of the Limited Tax Bonds in an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds will be deposited with the Escrow Agent pursuant to the Escrow Agreement for deposit to special escrow funds (the "Escrow Fund") established under the Escrow Agreement for the payment of the Refunded Bonds. Amounts on deposit in the Escrow Fund will be used to purchase obligations authorized by Chapter 1207, Texas Government Code, as amended (the "Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest on the Refunded Bonds.

* Preliminary, subject to change.

Grant Thornton LLP, a nationally recognized accounting firm, will verify at the time of delivery of the Limited Tax Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate the Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. (see "Other Information – Verification of Arithmetical and Mathematical Computations").

By the deposit of the 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 Tax 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.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds and contributions from the County, if any, will be applied approximately as follows:

| | <u>Unlimited Tax Bonds</u> | <u>Limited Tax Bonds</u> |
|--|----------------------------|--------------------------|
| <u>Sources of Funds</u> | | |
| Par Amount of Bonds | \$ - | \$ - |
| Reoffering Premium | - | - |
| Accrued Interest | - | - |
| Transfer from Prior Issue Debt Service Funds | - | - |
| Total Sources of Funds | <u>\$ -</u> | <u>\$ -</u> |
| <u>Uses of Funds</u> | | |
| Deposit to Escrow Fund | \$ - | \$ - |
| Deposit to Debt Service Fund | - | - |
| Deposit to Construction Fund | - | - |
| Costs of Issuance ⁽¹⁾ | - | - |
| Total Uses of Funds | <u>\$ -</u> | <u>\$ -</u> |

(1) Includes the Underwriters' Discount.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated June 15, 2014 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on the cover page (with respect to the Unlimited Tax Bonds) and page 3 (with respect to the Limited Tax Bonds) hereof. Interest will accrue on the Bonds from the Delivery Date to the Underwriters and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15, 2015, and on each August 15 and February 15 thereafter until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment 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 issued pursuant to the Constitution and general laws of the State, particularly Article III, Section 52 of the Texas Constitution, as amended, Chapter 1471, Texas Government Code, as amended, a County-wide election held on November 6, 2007, and the Unlimited Tax Bond Order adopted by the Commissioners Court of the County.

The Limited Tax Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapter 1207, Texas Government Code, as amended and Chapter 331, Texas Local Government Code, as amended, a County-wide election held on November 6, 2007 and the Limited Tax Bond Order adopted by the Commissioners Court of the County.

SECURITY AND SOURCES OF PAYMENT . . .

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.

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: Bonds, Time Warrants, Certificate of Obligation, and Contractual Obligations" below.

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, Tax Notes and Contractual Obligations...Article VIII, Section 9 of the Texas Constitution imposes a limit of \$0.80 per \$100 of assessed valuation for general fund, 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 Article VIII, Section 9 of the Texas Constitution, for the further maintenance of county roads. This additional tax may be established by the Commissioners Court only upon approval by a majority of participating voters in an election held to approve such additional tax. The additional tax may not be used for debt service. **The voters of the County have 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.

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem the Bonds of either series having stated maturities on and after February 15, 2025 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the County may select the maturities of Bonds, as the case may be, to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date. The County reserves the right, in the case of an optional redemption to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent

events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the County retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the County delivers a certificate of the County to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the County to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the County shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds of either series to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF A BOND (OR ANY PORTION OF ITS PRINCIPAL SUM) SHALL HAVE BEEN DULY CALLED FOR REDEMPTION AND NOTICE OF SUCH REDEMPTION DULY GIVEN, THEN UPON THE REDEMPTION DATE SUCH BOND (OR THE PORTION OF ITS PRINCIPAL SUM TO BE REDEEMED) SHALL BECOME DUE AND PAYABLE, AND, IF MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR AND ALL OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST SHALL CEASE TO ACCRUE AND BE PAYABLE FROM AND AFTER THE REDEMPTION DATE ON THE PRINCIPAL AMOUNT REDEEMED.

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 State 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; provided, however, that the right to call such Bonds for redemption is not 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 The Depository Trust Company ("DTC"), New York, New York, 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the 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 the Bonds. The Bonds of each series 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 will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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. Payments on the Bonds 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 Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to 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 are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM. In the event that the Book-Entry-Only System is discontinued, printed certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In each of 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 are duly paid and any successor Paying Agent/Registrar shall be a bank or trust company 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.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will 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 will 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 the stated maturity or earlier redemption upon presentation to the 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 "Book-Entry-Only System" herein. If the date for any payment on the Bonds is 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 will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due.

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

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

BONDHOLDERS' REMEDIES . . . If the County defaults in the payment of principal, interest, or redemption price on the Bonds of either series when due, or if it fails to make payments into any fund or funds created in the Orders, or defaults in the observation

or performance of any other covenants, conditions, or obligations set forth in the Orders, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Orders and the County's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Orders do not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the County to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas 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, Bondholders may not be able to bring such a suit against the County for breach of the Bonds or covenant set forth in the Orders. Even if a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County's property. Further, the registered owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. In addition, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

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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 Title 1 of the Texas Tax Code (referred to herein as the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining 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 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 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 provides for an exemption from ad valorem taxation for "goods-in-transit", which are defined as personal property (i) acquired or imported into Texas and transported to another location in the State or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods and (iii) 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 vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Pursuant to changes enacted during the 2011 Texas Legislature Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 2011 to provide for the taxation of the goods-in-transit. After holding the public hearing, the taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011, to tax goods-in-transit and pledged the taxes imposed on goods-in-transit until the debt is discharged, the tax remains effective if cessation of the imposition of the tax would impair the obligation of the contract by which the debt was created.

Under authority of Chapter 311, Texas Tax Code, as amended, a county or a city may create one or more tax increment reinvestment zones ("TIRZ") within the County and freeze the taxable values of property in the TIRZ at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIRZ, 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 TIRZ in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIRZ. Taxes levied by the County against the values of real property a TIRZ, 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 TIRZ.

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

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the County is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Effective January 1, 2012, oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. 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 assesses 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 Tax 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 ten TIRZs, one each with the Cities of Allen, Farmersville, Frisco, Lavon, Melissa, Plano, and Richardson, one with the Town of Prosper and two with the City of McKinney. The County has not created a TIRZ.

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

2013/14 Market Valuation Established by the Collin Central Appraisal District
(excluding totally exempt property) \$ 90,331,740,866

Less Exemptions/Reductions at 100% Market Value:

| | | |
|---|------------------|-----------------------|
| Over 65 and Disabled | \$ 1,092,741,784 | |
| Disabled Veterans Exemptions | 151,734,208 | |
| Charitable Organizations | 49,954,153 | |
| Tax Abatements | 685,090,838 | |
| Homestead Exemption | 2,088,637,829 | |
| Freeport Exemption | 635,933,573 | |
| Pollution Control Property | 39,579,879 | |
| Historical Exemption | 25,927,584 | |
| Homestead Cap Adjustment | 77,203,870 | |
| Limited Income Housing | 2,117,041 | |
| Agricultural Productivity, Open Space Land Use Reductions | 6,291,586,327 | |
| Other | <u>4,536,934</u> | <u>11,145,044,020</u> |

2013/14 Taxable Assessed Valuation \$ 79,186,696,846

County Funded Debt Payable from Ad Valorem Taxes (as of 5-1-14)

| | |
|-------------------------|----------------------------------|
| Limited Tax Debt | \$ 97,675,000 ⁽¹⁾ |
| Unlimited Tax Debt | 245,310,000 |
| The Limited Tax Bonds | 23,480,000 ⁽²⁾ |
| The Unlimited Tax Bonds | <u>27,485,000 ⁽²⁾</u> |

Funded Debt Payable from Ad Valorem Taxes \$ 393,950,000

Interest and Sinking Fund (as of 5-1-14) \$ 18,716,946

Ratio General Obligation Debt to Taxable Assessed Valuation 0.50%

2014 Estimated Population - 834,642
Per Capita Taxable Assessed Valuation - \$94,875
Per Capita Funded Debt Payable from Ad Valorem Taxes - \$472

(1) Excludes the Refunded Bonds; preliminary, subject to change.
(2) Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

| Category | Taxable Appraised Value for Fiscal Year Ended September 30, | | | | | |
|---|---|------------|-------------------|------------|-------------------|------------|
| | 2014 | | 2013 | | 2012 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 50,936,281,711 | 56.39% | \$ 48,335,459,628 | 56.47% | \$ 47,803,044,461 | 57.07% |
| Real, Residential, Multi-Family | 5,387,792,815 | 5.96% | 4,909,285,970 | 5.74% | 4,462,205,042 | 5.33% |
| Real, Vacant Lots/Tracts | 830,859,338 | 0.92% | 824,879,626 | 0.96% | 892,928,396 | 1.07% |
| Real, Acreage (Land Only) | 6,360,727,206 | 7.04% | 7,119,882,130 | 8.32% | 7,090,704,021 | 8.46% |
| Real, Farm and Ranch Improvements | 1,792,805,955 | 1.98% | 805,914,525 | 0.94% | 817,548,827 | 0.98% |
| Real, Commercial and Industrial | 16,672,278,031 | 18.46% | 15,755,099,044 | 18.41% | 15,198,818,038 | 18.14% |
| Real and Intangible Personal, Utilities | 1,182,787,309 | 1.31% | 1,163,061,803 | 1.36% | 1,128,257,894 | 1.35% |
| Tangible Personal, Business | 6,118,621,334 | 6.77% | 5,720,297,694 | 6.68% | 5,485,905,795 | 6.55% |
| Tangible Personal, Other | 42,642,081 | 0.05% | 45,864,441 | 0.05% | 40,668,941 | 0.05% |
| Inventory | 799,245,446 | 0.88% | 734,478,360 | 0.86% | 681,181,171 | 0.81% |
| Special Inventory Tax | 207,699,640 | 0.23% | 187,868,538 | 0.22% | 167,581,030 | 0.20% |
| Total Appraised Value Before Exemptions | \$ 90,331,740,866 | 100.00% | \$ 85,602,091,759 | 100.00% | \$ 83,768,843,616 | 100.00% |
| Less: Total Exemption/Reductions | (11,145,044,020) | | (10,961,687,266) | | (11,306,325,057) | |
| Taxable Assessed Value | \$ 79,186,696,846 | | \$ 74,640,404,493 | | \$ 72,462,518,559 | |

| Category | Taxable Appraised Value for Fiscal Year Ended September 30, | | | |
|---|---|------------|-------------------|------------|
| | 2011 | | 2010 | |
| | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 47,129,255,659 | 56.95% | \$ 47,023,799,761 | 55.92% |
| Real, Residential, Multi-Family | 4,359,373,394 | 5.27% | 4,418,373,249 | 5.25% |
| Real, Vacant Lots/Tracts | 903,532,169 | 1.09% | 897,382,927 | 1.07% |
| Real, Acreage (Land Only) | 7,415,809,201 | 8.96% | 7,982,962,832 | 9.49% |
| Real, Farm and Ranch Improvements | 833,309,201 | 1.01% | 826,660,638 | 0.98% |
| Real, Commercial and Industrial | 14,844,885,029 | 17.94% | 15,448,987,640 | 18.37% |
| Real and Intangible Personal, Utilities | 1,174,373,653 | 1.42% | 1,099,988,202 | 1.31% |
| Tangible Personal, Business | 5,146,374,881 | 6.22% | 5,161,195,686 | 6.14% |
| Tangible Personal, Other | 42,760,159 | 0.05% | 45,207,373 | 0.05% |
| Inventory | 755,930,021 | 0.91% | 1,013,621,038 | 1.21% |
| Special Inventory Tax | 146,010,145 | 0.18% | 167,718,060 | 0.20% |
| Total Appraised Value Before Exemptions | \$ 82,751,613,512 | 100.00% | \$ 84,085,897,406 | 100.00% |
| Less: Total Exemptions/Reductions | (11,473,926,034) | | (11,696,946,148) | |
| Taxable Assessed Value | \$ 71,277,687,478 | | \$ 72,388,951,258 | |

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 |
|------------------------|------------------------|---|---------------------------------------|---|--|------------------------|
| 2010 | 782,341 ⁽²⁾ | \$ 72,388,951,258 | \$ 92,529 | \$ 383,805,000 | 0.53% | \$ 491 |
| 2011 | 801,865 ⁽³⁾ | 71,277,687,478 | 88,890 | 347,725,000 | 0.49% | 434 |
| 2012 | 804,390 ⁽³⁾ | 72,462,518,559 | 90,084 | 393,210,000 | 0.54% | 489 |
| 2013 | 813,133 ⁽³⁾ | 74,640,404,493 | 91,794 | 393,350,000 | 0.53% | 484 |
| 2014 | 834,642 ⁽⁴⁾ | 79,186,696,846 | 94,875 | 393,950,000 ⁽⁵⁾ | 0.50% | 472 |

(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) Source: U.S. Census Bureau

(3) Source: Texas Workforce Commission

(4) Source: County Officials

(5) Projected; includes the Bonds. Excludes the Refunded Bonds. Preliminary, subject to change.

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 |
|------------------------|------------|--------------|---------------------------|----------------|-----------------------|------------------------|
| 2010 | \$ 0.24250 | \$0.187080 | \$ 0.055420 | \$ 175,543,207 | 101.04% | 102.79% |
| 2011 | 0.24000 | 0.184580 | 0.055420 | 170,749,824 | 100.27% | 102.79% |
| 2012 | 0.24000 | 0.176046 | 0.063954 | 170,204,902 | 101.39% | 103.08% |
| 2013 | 0.24000 | 0.174663 | 0.065337 | 176,489,220 | 101.06% | 102.52% |
| 2014 | 0.23750 | 0.180334 | 0.057166 | 185,623,327 | 99.62% ⁽¹⁾ | 100.20% ⁽¹⁾ |

(1) Collections through April 30, 2014.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

| | Tax Year | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| <u>Limited Constitutional Taxes ⁽¹⁾</u> | | | | | |
| Operating Fund | \$ 0.176334 | \$ 0.173046 | \$ 0.173046 | \$ 0.184580 | \$ 0.181080 |
| Limited Tax Debt Service Fund | 0.019378 | 0.026190 | 0.026190 | 0.025530 | 0.024890 |
| Total Constitutional Tax Rate | \$ 0.195712 | \$ 0.199236 | \$ 0.199236 | \$ 0.210110 | \$ 0.205970 |
| <u>Unlimited Constitutional Taxes ⁽²⁾</u> | | | | | |
| Road and Bridge Fund | \$ 0.004000 | \$ 0.003000 | \$ 0.003000 | \$ 0.000000 | \$ 0.006000 |
| Farm-to-Market and Lateral Road | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Unlimited Tax Debt Service Fund | 0.037788 | 0.037764 | 0.037764 | 0.029890 | 0.030530 |
| Total Tax Rate | \$ 0.237500 | \$ 0.240000 | \$ 0.240000 | \$ 0.240000 | \$ 0.242500 |

(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 | 2013/14 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|----------------------------------|---|--|
| Oncor Electric Delivery Company | \$ 495,218,356 | 0.63% |
| Bank of America NA | 321,486,177 | 0.41% |
| Stonebriar Mall Ltd. Partnership | 239,971,384 | 0.30% |
| Health Care Service Corporation | 209,172,377 | 0.26% |
| J.C. Penney Company | 164,974,971 | 0.21% |
| Cisco Systems Inc | 163,098,708 | 0.21% |
| Village at Allen LP | 142,468,550 | 0.18% |
| AT&T Mobility LLC | 137,198,694 | 0.17% |
| IBM Credit LLC | 135,149,181 | 0.17% |
| EMC Corporation | 123,696,347 | 0.16% |
| | <u>\$ 2,132,434,745</u> | <u>2.69%</u> |

TABLE 7 - TAX ADEQUACY ⁽¹⁾

| | |
|---|---------------|
| 2014 Principal and Interest Requirements | \$ 43,321,763 |
| \$0.0553 Tax Rate at 99% Collection Produces | \$ 43,352,341 |
| Average Annual Principal and Interest Requirements, 2014 - 2034 | \$ 28,024,537 |
| \$0.0358 Tax Rate at 99% Collection Produces | \$ 28,065,349 |
| Maximum Principal and Interest Requirements, 2015 | \$ 46,019,292 |
| \$0.0588 Tax Rate at 99% Collection Produces | \$ 46,096,160 |

(1) For all tax supported indebtedness (limited and unlimited), including the Bonds. Excludes the Refunded Bonds. Preliminary, subject to change.

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.

| <u>Governmental Subdivision</u> | 2013/14 Taxable Assessed Value ⁽¹⁾ | 2013/14 Tax Rate | Total Funded Debt | Estimated % Applicable | District's Overlapping Funded Debt 4-1-14 |
|--|--|------------------------|-------------------------------|------------------------------|--|
| Collin County | \$ 79,186,696,846 | \$ 0.237500 | \$ 393,950,000 ⁽²⁾ | 100.00% | \$ 393,950,000 |
| <u>Special Districts</u> | | | | | |
| Collin County Community College District | \$ 75,070,158,023 | \$ 0.083600 | \$ 37,460,000 | 100.00% | \$ 37,460,000 |
| Seis Lagos Utility District | 116,628,822 | 0.469300 | 201,000 | 100.00% | 201,000 |
| Total Districts | | | | | \$ 37,661,000 |
| <u>Cities</u> | | | | | |
| Allen | \$ 8,381,352,574 | \$ 0.550000 | \$ 97,535,000 | 100.00% | \$ 97,535,000 |
| Anna | 431,258,729 | 0.650300 | 12,229,000 | 100.00% | 12,229,000 |
| Blue Ridge | 26,238,598 | 0.593400 | 1,086,000 | 100.00% | 1,086,000 |
| Celina | 509,226,019 | 0.645000 | 24,660,000 | 100.00% | 24,660,000 |
| Fairview | 1,244,555,384 | 0.360000 | 28,205,000 | 100.00% | 28,205,000 |
| Farmersville | 151,207,773 | 0.697500 | 5,440,000 | 100.00% | 5,440,000 |
| Josephine | 35,385,939 | 0.590000 | 359,000 | 95.60% | 343,204 |
| Lavon | 175,030,578 | 0.455700 | - | 100.00% | - |
| Lowry Crossing | 82,767,742 | 0.229780 | - | 100.00% | - |
| Lucas | 603,228,802 | 0.355600 | 10,700,000 | 100.00% | 10,700,000 |
| McKinney | 11,904,898,520 | 0.585500 | 216,310,000 | 100.00% | 216,310,000 |
| Melissa | 406,202,223 | 0.610000 | 27,200,000 | 100.00% | 27,200,000 |
| Murphy | 1,638,397,833 | 0.570000 | 40,360,000 | 100.00% | 40,360,000 |
| Nevada | 43,565,820 | 0.192880 | - | 100.00% | - |
| New Hope | 35,093,538 | 0.210000 | - | 100.00% | - |
| Parker | 548,739,132 | 0.357100 | 5,970,000 | 100.00% | 5,970,000 |
| Princeton | 301,605,545 | 0.739000 | 15,335,000 | 100.00% | 15,335,000 |
| Prosper | 1,447,466,215 | 0.520000 | 60,920,000 | 91.74% | 55,888,008 |
| St. Paul | 75,184,055 | 0.404910 | - | 100.00% | - |
| Weston | 146,893,008 | 0.360000 | - | 100.00% | - |
| Wylie | 2,418,173,253 | 0.883900 | 103,015,000 | 97.92% | 100,872,288 |
| <u>County-Line Cities</u> | | | | | |
| Carrollton | \$ 9,589,672,434 | \$ 0.617900 | \$ 141,295,000 | 0.53% | \$ 748,864 |
| Dallas | 84,731,367,860 | 0.797000 | 1,430,406,063 | 4.10% | 58,646,649 |
| Frisco | 15,922,401,858 | 0.461910 | 540,775,000 | 63.65% | 344,203,288 |
| Garland | 10,054,746,637 | 0.704600 | 439,651,258 | 0.20% | 879,303 |
| Plano | 25,260,977,455 | 0.488600 | 310,585,000 | 96.64% | 300,149,344 |
| Richardson | 10,752,208,703 | 0.635160 | 249,800,000 | 39.53% | 98,745,940 |
| Royse City | 477,369,504 | 0.698000 | 15,001,000 | 15.44% | 2,316,154 |
| Sachse | 1,272,209,207 | 0.770800 | 37,980,000 | 35.09% | 13,327,182 |
| Total Cities | | | | | \$ 1,461,150,223 |

(1) Tax Year 2013 Taxable Assessed Valuation.

(2) Includes the Bonds. Excludes the Refunded Bonds. Preliminary, subject to change.

| | 2013/14 Taxable Assessed Value ⁽¹⁾ | 2013/14 Tax Rate | Total Funded Debt | Estimated % Applicable | District's Overlapping Funded Debt 4-1-14 |
|---|--|------------------------|-------------------------|------------------------------|--|
| <u>School Districts</u> | | | | | |
| Allen ISD | \$ 7,856,846,598 | \$ 1.670000 | \$ 499,128,037 | 100.00% | \$ 499,128,037 |
| Anna ISD | 517,391,366 | 1.540000 | 91,970,024 | 100.00% | 91,970,024 |
| Farmersville ISD | 308,032,186 | 1.400000 | 12,672,459 | 100.00% | 12,672,459 |
| Lovejoy ISD | 1,374,068,213 | 1.535000 | 133,580,471 | 100.00% | 133,580,471 |
| McKinney ISD | 8,827,214,160 | 1.670000 | 465,965,000 | 100.00% | 465,965,000 |
| Melissa ISD | 442,477,719 | 1.540000 | 54,383,710 | 100.00% | 54,383,710 |
| Plano ISD | 33,089,436,438 | 1.453000 | 922,505,466 | 100.00% | 922,505,466 |
| Princeton ISD | 490,104,096 | 1.480000 | 78,365,068 | 100.00% | 78,365,068 |
| Wylie ISD | 3,301,878,002 | 1.640000 | 231,081,055 | 100.00% | 231,081,055 |
| <u>County-Line School Districts</u> | | | | | |
| Bland ISD | \$ 111,541,314 | \$ 1.510000 | \$ 14,097,894 | 9.11% | \$ 1,284,318 |
| Blue Ridge ISD | 127,043,059 | 1.616600 | 15,380,000 | 98.65% | 15,172,370 |
| Celina ISD | 631,156,529 | 1.640000 | 56,701,695 | 93.36% | 52,936,702 |
| Community ISD | 446,837,951 | 1.625000 | 28,616,540 | 98.69% | 28,241,663 |
| Frisco ISD | 19,767,032,614 | 1.460000 | 1,534,800,843 | 72.51% | 1,112,884,091 |
| Gunter ISD | 187,089,476 | 1.600000 | 15,150,000 | 0.85% | 128,775 |
| Leonard ISD | 139,747,894 | 1.273000 | 1,260,000 | 8.11% | 102,186 |
| Prosper ISD | 2,268,579,822 | 1.670000 | 230,601,557 | 93.10% | 214,690,049 |
| Rockwall ISD | 6,082,150,561 | 1.460000 | 347,903,257 | 0.01% | 34,790 |
| Royse City ISD | 1,027,437,117 | 1.670000 | 107,257,662 | 8.11% | 8,698,596 |
| Trenton ISD | 153,517,998 | 1.440000 | 7,779,000 | 4.17% | 324,384 |
| Van Alstyne ISD | 412,981,942 | 1.520000 | 31,918,488 | 9.96% | 3,179,081 |
| Whitewright ISD | 162,033,663 | 1.370000 | 7,523,158 | 2.94% | 221,181 |
| Total School Districts | | | | | \$ 3,927,549,479 |
| Total Direct and Overlapping Funded Debt | | | | | \$ 5,820,310,701 |
| Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation | | | | | 7.75% |
| Per Capita Overlapping Funded Debt | | | | | \$ 6,973 |

(1) Tax Year 2013 Taxable Assessed Valuation.

TABLE 9 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| Fiscal Year Ending 9/30 | Unlimited Tax Outstanding Debt ⁽¹⁾ | | Limited Tax Outstanding Debt ^{(1) (2)} | | The Unlimited Tax Bonds ⁽³⁾ | | The Limited Tax Bonds ⁽⁴⁾ | | Total Debt Service | % of Principal Retired |
|----------------------------------|--|---------------|--|---------------|--|---------------|--------------------------------------|--------------|--------------------------|------------------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | | |
| | 2014 | \$ 17,455,000 | \$ 11,431,653 | \$ 9,710,000 | \$ 4,725,110 | \$ - | \$ - | \$ - | | |
| 2015 | 18,600,000 | 10,248,690 | 9,550,000 | 3,733,510 | 895,000 | 1,185,688 | 545,000 | 1,261,404 | 46,019,292 | |
| 2016 | 18,020,000 | 9,529,938 | 8,650,000 | 3,368,547 | 980,000 | 978,750 | 1,615,000 | 1,049,750 | 44,191,985 | |
| 2017 | 18,805,000 | 8,808,238 | 9,040,000 | 3,044,108 | 1,015,000 | 941,344 | 1,595,000 | 993,425 | 44,242,114 | |
| 2018 | 18,440,000 | 8,040,638 | 9,475,000 | 2,710,279 | 1,055,000 | 902,531 | 1,670,000 | 920,406 | 43,213,854 | 34.93% |
| 2019 | 19,335,000 | 7,220,009 | 9,775,000 | 2,368,058 | 1,095,000 | 862,219 | 1,760,000 | 835,750 | 43,251,036 | |
| 2020 | 16,595,000 | 6,443,268 | 7,310,000 | 2,056,852 | 1,135,000 | 820,406 | 1,850,000 | 746,625 | 36,957,151 | |
| 2021 | 15,250,000 | 5,742,096 | 7,510,000 | 1,792,240 | 1,180,000 | 777,000 | 1,950,000 | 652,781 | 34,854,117 | |
| 2022 | 14,815,000 | 5,061,165 | 7,370,000 | 1,529,765 | 1,225,000 | 731,906 | 2,055,000 | 553,875 | 33,341,711 | |
| 2023 | 15,510,000 | 4,376,603 | 5,525,000 | 1,276,770 | 1,270,000 | 685,125 | 2,160,000 | 449,750 | 31,253,248 | 66.92% |
| 2024 | 16,220,000 | 3,692,310 | 5,775,000 | 1,027,247 | 1,320,000 | 636,563 | 2,275,000 | 340,156 | 31,286,276 | |
| 2025 | 13,565,000 | 3,055,641 | 5,165,000 | 783,772 | 1,370,000 | 586,125 | 2,400,000 | 224,625 | 27,150,163 | |
| 2026 | 13,230,000 | 2,442,700 | 2,785,000 | 592,310 | 1,425,000 | 533,719 | 2,525,000 | 102,906 | 23,636,635 | |
| 2027 | 12,670,000 | 1,836,850 | 2,910,000 | 436,106 | 1,475,000 | 479,344 | 120,000 | 38,250 | 19,965,550 | |
| 2028 | 9,460,000 | 1,324,898 | 2,850,000 | 277,365 | 1,535,000 | 422,906 | 125,000 | 33,656 | 16,028,825 | 90.47% |
| 2029 | 6,705,000 | 949,168 | 2,450,000 | 127,668 | 1,590,000 | 364,313 | 125,000 | 28,969 | 12,340,116 | |
| 2030 | 5,870,000 | 663,900 | 495,000 | 47,706 | 1,655,000 | 303,469 | 130,000 | 24,188 | 9,189,263 | |
| 2031 | 6,150,000 | 401,225 | 515,000 | 28,944 | 1,715,000 | 240,281 | 135,000 | 19,219 | 9,204,669 | |
| 2032 | 4,200,000 | 170,800 | 375,000 | 12,638 | 1,780,000 | 174,750 | 140,000 | 14,063 | 6,867,250 | |
| 2033 | 1,870,000 | 37,400 | 150,000 | 3,000 | 1,850,000 | 106,688 | 150,000 | 8,625 | 4,175,713 | 99.51% |
| 2034 | - | - | - | - | 1,920,000 | 36,000 | 155,000 | 2,906 | 2,113,906 | 100.00% |
| Totals | \$ 262,765,000 | \$ 91,477,187 | \$ 107,385,000 | \$ 29,941,995 | \$ 27,485,000 | \$ 11,769,125 | \$ 23,480,000 | \$ 8,301,329 | \$ 562,604,636 | |

DEBT INFORMATION

- (1) 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."
- (2) Excludes the Refunded Bonds. Preliminary, subject to change.
- (3) Average life of the issue – 11.419 years. Interest on the Unlimited Tax Bonds has been calculated at the average rate of 3.75% for purposes of illustration. Preliminary, subject to change.
- (4) Average life of the issue – 7.012 years. Interest on the Limited Tax Bonds has been calculated at the average rate of 2.42% for purposes of illustration. Preliminary, subject to change.

TABLE 10 - INTEREST AND SINKING FUND BUDGET PROJECTION

| | | | |
|---|--------------|---------------|----------------------|
| Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2014 | | \$ 43,321,763 | |
| Interest and Sinking Fund Balance, 9/30/2013 | \$ 9,957,971 | | |
| Budgeted Interest and Sinking Fund Tax Levy | 45,414,771 | | |
| Non-Tax Revenues | 52,050 | 55,424,792 | |
| Estimated Balance, 9/30/2014 | | | <u>\$ 12,103,029</u> |

TABLE 11 - AUTHORIZED BUT UNISSUED BONDS

| Purpose | Date Authorized | Amount Authorized | Amount Previously Issued | Amount Being Issued | Unissued Balance |
|--------------------------------|-----------------|-----------------------|--------------------------|----------------------|-----------------------|
| Park ⁽¹⁾ | 11/6/2007 | \$ 17,000,000 | \$ 10,200,000 | \$ 2,200,000 | \$ 4,600,000 |
| Road ⁽²⁾ | 11/6/2007 | 235,600,000 | 133,845,000 | 27,485,000 | 74,270,000 |
| Court Buildings ⁽¹⁾ | 11/6/2007 | 76,300,000 | 30,500,000 | - | 45,800,000 |
| | | <u>\$ 328,900,000</u> | <u>\$ 174,545,000</u> | <u>\$ 29,685,000</u> | <u>\$ 124,670,000</u> |

- (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, reserves or current year revenue sources. The current CIP covers fiscal years 2014 through 2019, and includes total capital expenditures of \$212.1 million, of which \$150.3 million are scheduled for fiscal year 2014. Most of the planned expenditures will be funded with proceeds of prior bond issues. As shown in Table 11, the County currently has \$163,400,000 of authorized but unissued bonds. The County anticipates issuing approximately \$29.7 million of such amount in fiscal year 2014 and the remaining bond authorization over the following three 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 September 30, 2013.

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 Chapter 841, Texas Government Code, as amended (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 an amount of 8.5% in 2013 which was an increase from the 7.7% in 2012 but still less than the 13.5% in 2011. This decrease from 2011 to 2012 was due to the County making a lump sum payment of \$40.5 million in 2012. This carried over into allowing a lower rate in 2013 of 8.5% and will allow lower contribution amounts for years to come. The actuarial required rate was 8.06% in 2013 and 7.64% in 2012. The contribution rate payable by the employee members for the calendar years of 2013 and 2012 was 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.

OTHER POST RETIREMENT BENEFITS . . . In February 2011, the Commissioners Court elected to discontinue a post-retirement health benefit plan for retired County employees that had been in existence since January 1, 2007. Under the prior post-retirement health benefit plan, the County paid a portion of the health insurance premiums (ranging from 25%-100%) of retired County employees beginning at age 65 based on the years of continuous service to the County. State law requires that counties provide retirees with a health insurance plan, but does not require counties to pay the cost of such coverage. As a result of the elimination of this post-retirement health benefit plan, the County does not currently offer any "other post-retirement benefits" ("OPEBs") for retired County employees.

FINANCIAL INFORMATION

TABLE 13 - CHANGES AND NET ASSETS ⁽¹⁾

| | Fiscal Year Ended September 30, | | | | |
|---|---------------------------------|-----------------------|------------------------|---------------------------|-----------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Revenues: | | | | | |
| Program Revenues: | | | | | |
| Charges for Services | \$ 43,375,449 | \$ 40,328,746 | \$ 39,499,797 | \$ 38,596,963 | \$ 42,048,000 |
| Operating Grants and Contributions | 14,384,010 | 14,516,234 | 17,903,172 | 14,336,973 | 16,374,000 |
| Capital Grants and Contributions | 930,653 | 1,059,413 | 387,681 | 631,454 | 1,064,000 |
| Total Program Revenues | \$ 58,690,112 | \$ 55,904,393 | \$ 57,790,650 | \$ 53,565,390 | \$ 59,486,000 |
| General Revenues: | | | | | |
| Taxes | \$ 183,016,167 | \$ 177,761,766 | \$ 173,193,625 | \$ 178,396,150 | \$ 176,960,000 |
| Unrestricted Investment Earnings | 1,336,534 | 2,314,418 | 1,977,093 | 2,300,812 | 3,690,000 |
| Gain (Loss) on Sale of Assets | - | - | - | - | - |
| Miscellaneous | 142,080 | 903,048 | 195,152 | 203,048 | 73,000 |
| Total General Revenues | \$ 184,494,781 | \$ 180,979,232 | \$ 175,365,870 | \$ 180,900,010 | \$ 180,723,000 |
| Total Revenues | \$ 243,184,893 | \$ 236,883,625 | \$ 233,156,520 | \$ 234,465,400 | \$ 240,209,000 |
| Expenses: | | | | | |
| General Administration | \$ 27,866,729 | \$ 29,244,085 | \$ 67,690,144 | \$ 36,468,596 | \$ 34,518,000 |
| Judicial | 16,427,358 | 16,068,834 | 14,109,924 | 17,436,080 | 17,195,000 |
| Financial Administration | 10,167,597 | 10,027,826 | 8,821,845 | 10,753,583 | 10,891,000 |
| Legal | 10,300,586 | 10,204,545 | 9,292,969 | 11,436,163 | 11,254,000 |
| Public Facilities | 21,949,602 | 18,700,897 | 17,040,033 | 16,981,488 | 18,129,000 |
| Equipment Services | 3,236,108 | 2,858,704 | 2,494,730 | 2,484,792 | 2,320,000 |
| Public Safety | 55,924,293 | 57,155,752 | 50,874,877 | 62,472,977 | 61,904,000 |
| Public Transportation | 42,392,813 | 45,514,784 | 70,789,320 | 87,756,972 ⁽²⁾ | 25,491,000 |
| Health and Welfare | 18,130,149 | 17,188,582 | 18,074,594 | 19,088,453 | 18,369,000 |
| Culture and Recreation | 3,333,334 | 1,591,047 | 1,521,696 | 1,622,389 | 1,720,000 |
| Conservation | 246,371 | 249,193 | 235,128 | 293,137 | 295,000 |
| Debt Service, Interest and Fiscal Charges | 21,846,718 | 22,193,212 | 17,588,985 | 17,078,488 | 19,267,000 |
| Total Expenses - Before Transfers | \$ 231,821,658 | \$ 230,997,461 | \$ 278,534,245 | \$ 283,873,118 | \$ 221,353,000 |
| Change in Net Assets | \$ 11,363,235 | \$ 5,886,164 | \$ (45,377,725) | \$ (49,407,718) | \$ 18,856,000 |
| Adjustments | - | 61,992 | (9) | - | - |
| Net Assets as of October 1 | 361,930,497 | 355,982,341 | 401,360,075 | 450,767,793 | 431,912,000 |
| Net Assets as of September 30 | \$ 373,293,732 | \$ 361,930,497 | \$ 355,982,341 | \$ 401,360,075 | \$ 450,768,000 |

(1) In accordance with GASB 34, the County's financial statements for the fiscal year ended September 30, 2013, 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. Government Activities only.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

| Revenues | Fiscal Year Ended September 30, | | | | |
|--|---------------------------------|-----------------------|----------------------------|-----------------------|-----------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Taxes | \$ 129,156,674 | \$ 126,555,655 | \$ 131,828,854 | \$ 130,271,143 | \$ 119,981,000 |
| License and Permits | 378,671 | 282,352 | - | - | - |
| Federal and State Funds | 5,033,417 | 7,042,027 | 6,379,302 | 3,908,666 | 3,993,000 |
| Fees and Charges for Services | 19,319,252 | 18,435,832 | 17,368,901 | 16,070,485 | 16,654,000 |
| Fines and Forfeitures | 2,142,678 | 2,191,532 | 1,992,671 | 1,821,451 | 2,270,000 |
| Other Local Government Funds | - | - | - | - | - |
| Rental Revenues | 254,430 | 222,540 | - | - | - |
| Interest | 485,868 | 1,133,435 | 2,117,949 | 2,189,100 | 3,484,000 |
| Miscellaneous | 1,269,903 | 811,304 | 932,685 | 598,633 | 817,000 |
| Total Revenues | \$ 158,040,893 | \$ 156,674,677 | \$ 160,620,362 | \$ 154,859,478 | \$ 147,199,000 |
| Expenditures | | | | | |
| General Administration | \$ 23,850,268 | \$ 24,948,893 | \$ 63,529,742 | \$ 28,875,085 | \$ 23,809,000 |
| Judicial | 14,598,191 | 14,551,857 | 14,954,776 | 14,141,857 | 13,846,000 |
| Financial Administration | 9,903,760 | 9,773,492 | 10,093,805 | 9,970,218 | 9,946,000 |
| Legal | 10,040,658 | 9,969,632 | 10,465,059 | 10,655,750 | 10,322,000 |
| Public Safety | 52,794,966 | 55,369,495 | 57,793,126 | 46,021,607 | 44,931,000 |
| Public Health and Welfare | 12,075,076 | 11,651,835 | 12,011,123 | 10,767,712 | 11,315,000 |
| Public Facilities | 10,575,698 | 10,457,208 | 10,159,746 | 9,652,871 | 10,172,000 |
| Culture and Recreation | 841,464 | 1,027,050 | 1,028,684 | 424,024 | 496,000 |
| Equipment Services | 2,164,730 | 2,208,379 | 2,094,787 | 1,940,815 | 1,919,000 |
| Capital Outlay | 3,964,567 | 4,010,412 | 11,600,278 | 1,990,979 | 2,315,000 |
| Conservation | 244,445 | 246,119 | 278,096 | 276,767 | 285,000 |
| Principal Retirement | - | - | - | - | 4,096,000 |
| Debt Service | - | - | - | - | - |
| Interest and Fiscal Charges | - | - | - | - | 414,000 |
| Total Expenditures | \$ 141,053,823 | \$ 144,214,372 | \$ 194,009,222 | \$ 134,717,685 | \$ 133,866,000 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 16,987,070 | \$ 12,460,305 | \$ (33,388,860) | \$ 20,141,793 | \$ 13,333,000 |
| Other Financing Sources (Uses) | | | | | |
| Sale of Capital and Non-Capital Assets | \$ 3,540,233 | \$ 42,885 | \$ 20,353 | \$ 109,520 | \$ 80,000 |
| Operating Transfers In | 79,505 | 125,958 | 25,557 | 110,829 | 162,000 |
| Operating Transfers Out | (515,900) | (346,348) | (1,001,263) | (8,581,000) | (9,462,000) |
| Total Other Financing Sources (Uses) | \$ 3,103,838 | \$ (177,505) | \$ (955,353) | \$ (8,360,651) | \$ (9,220,000) |
| Net Change in Fund Balances | \$ 20,090,908 | \$ 12,282,800 | \$ (34,344,213) | \$ 11,781,142 | \$ 4,113,000 |
| Beginning Fund Balance | 165,628,061 | 153,345,261 | 187,689,474 ⁽¹⁾ | 133,626,241 | 129,513,000 |
| Ending Fund Balance | \$ 185,718,969 | \$ 165,628,061 | \$ 153,345,261 | \$ 145,407,383 | \$ 133,626,000 |

(1) The governmental funds balance has been restated to reflect the requirements of GASB 54.

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 (including specifically Chapter 2256, Texas Government Code, as amended, the "PFIA") 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 the PFIA, 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 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 or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit that are issued by a state or national bank domiciled in the State of Texas, a savings bank domiciled in the State of Texas, or a state or federal credit union domiciled in the State and are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for County deposits, (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the FDIC or the National Credit Union share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for County deposits or a) where the funds are invested by an investing entity through: (i) a broker that has its main office or a branch office in this state and is selected from a list adopted by the County; or (ii) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity; (b) where the broker or the depository institution selected by the investing entity under (a) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints the depository institution selected by the investing entity under (a), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the United States Securities and Exchange Commission (the "SEC") and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the County; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the County, held in the County's name and deposited at the time the investment is made with the County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business

in the State; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-loan money market mutual funds registered with and regulated by the SEC 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 SEC 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 also is authorized by the PFIA to invest its funds in certificates of deposit issued by one or more federally insured depository institutions, wherever located, in accordance with procedures set forth in the PFIA.

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 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 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 May 1, 2014, the County's investable funds were invested in the following categories:

| <u>Description</u> | <u>Percent</u> | <u>Book Value</u> | <u>Market Value</u> |
|--|----------------|-----------------------|-----------------------|
| Local Government Investment Pools ⁽¹⁾ | 56.20% | \$ 235,359,249 | \$ 235,359,249 |
| U.S. Agency Securities | 13.10% | 54,856,534 | 54,748,618 |
| Certificates of Deposit | 20.57% | 86,161,499 | 86,161,499 |
| Municipal Bonds | 4.88% | 20,456,123 | 21,097,018 |
| Money Market | 5.24% | 21,942,833 | 21,942,833 |
| | <u>100.00%</u> | <u>\$ 418,776,238</u> | <u>\$ 419,309,217</u> |

As of such date, 61.44% of the County's investment portfolio is available upon demand. The market value of the investment portfolio was approximately 100.127% 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.

(1) 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. TexSTAR is operated in a manner consistent with Rule 2a-7, promulgated by the SEC under authority of the Investment Company Act of 1940, that governs mutual funds.

TAX MATTERS

TAX EXEMPTION . . . In the opinion of Bracewell & Giuliani LLP, Bond Counsel, (i) interest on the Bonds of each series 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 County 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 County, the County's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the County, the County's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report (the "Report") of Grant Thornton LLP, certified public accountants, regarding the mathematical accuracy of certain computations relating to the Bonds and the Refunded Bonds. If the County should fail to comply with the covenants in the Orders or if the foregoing representations or the 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, low and middle income taxpayers qualifying for the health insurance premium assistance credit, 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.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "Collateral Tax Consequences" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the County nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

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, 2014.

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 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 information 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.

DISCLOSURE EVENT NOTICES . . . The County shall notify the MSRB of any of the following events with respect to the Bonds, in a timely manner not in excess of ten Business Days after the occurrence of the event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the County; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material (neither the Bonds nor the Orders make any provision for debt service reserves or liquidity enhancement).

As used in clause 12 above, the phrase bankruptcy, insolvency, receivership or similar event means the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if jurisdiction has been assumed by leaving the Commissioners Court and official or officers of the County in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County. The term "Business Day" means a day other than 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.

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 certain 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 Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the County 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 . . . In connection with the County's outstanding unlimited tax and limited tax debt issuances, the County has entered into continuing disclosure undertakings to provide certain updated financial information and operating data within six-months of the end of the County's fiscal year along with notices of specified material events at required times. In addition, the County has agreed to provide audited financial statements within six-months of the end of the County's fiscal year if audited financial statements are available by such time. If audited financial statements are not available by the required time, the County has agreed to provide notice that audited financial statements are not available and to provide unaudited financial statements for the applicable fiscal year. The County has further agreed to provide audited financial statements when and if such audited financial statements become available.

During the previous five years, the County filed certain update financial information and operating data in the form of certain tables (the "Tables") identified in the official statements for each of the respective debt issuances within six-months (March 31) after the end of each fiscal year. The audited financial statements for the fiscal years ending September 30, 2012, September 30, 2011, September 30, 2010 and September 30, 2009 were not available within six months of the end of the respective fiscal years, but the Tables that were filed included certain unaudited financial statement information that was similar to the type included in the audited financial statements. The County filed audited financial statements for the fiscal year ended September 30, 2013 within six-months of the end of the fiscal year. The County filed audited financial statements of the County for the fiscal years ended September 30, 2012, September 30, 2011, September 30, 2010 and September 30, 2009 on May 15, 2013, April 30, 2012, May 20, 2011 and September 20, 2010, respectively. The County also filed an annual Rule 15c2-12 Filing Cover Sheet for each of the previous five fiscal years within six-months of the end of each respective fiscal year that indicated whether or not the "annual financial report or CAFR" (Comprehensive Annual Financial Report) was being filed along with the Table information. The County did not provide a separate notice with regard to the respective audited financial statements being "not available" during such periods. For the fiscal years identified above for which the audited financial statements were not available within six-months of the end of the respective fiscal year, the County filed an amended Rule 15c2-12 Filing Cover Sheet along with the audited financial statements that indicated that the "annual financial report or CAFR" was now being filed by the County. The Rule 15c2-12 Filing Cover Sheets did not affirmatively state that the audited financial statements for such fiscal years were "not available". The County now has procedures in place to file the required notice if the "annual financial report or CAFR" is not available.

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 PFIA, 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. Though they represent the Financial Advisor and Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by the County and only represents the County in connection with the issuance of the Bonds. 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 McCall, Parkhurst & Horton 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 \$_____ 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 \$_____ 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 Preliminary Official Statement: The Underwriters have reviewed the information in this Preliminary 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.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

The underwriters and their respective affiliates also may communicate independent investment recommendations, market advice, or trading ideas and/or publish or express independent research views in respect of such assets, securities or other financial instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and other financial instruments.

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 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 will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Bonds by the Underwriters.

Pricing Officer
Collin County, Texas

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SCHEDULE OF THE REFUNDED BONDS*

Limited Tax Permanent Improvement & Refunding Bonds, Series 2004

| <u>Original Dated Date</u> | <u>Stated Maturity</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding</u> | <u>Principal Amount Refunded</u> |
|--------------------------------|----------------------------|--------------------------|---|--|
| 3/15/2004 | 2/15/2015 | 4.000% | \$ 640,000 | \$ 640,000 |
| | | | \$ 640,000 | \$ 640,000 |

The 2015 maturity will be redeemed prior to their original maturity on August 29, 2014 at par.

Limited Tax Permanent Improvement & Refunding Bonds, Series 2005

| <u>Original Dated Date</u> | <u>Stated Maturity</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding</u> | <u>Principal Amount Refunded</u> |
|--------------------------------|----------------------------|--------------------------|---|--|
| 3/1/2005 | 2/15/2016 | 5.000% | \$ 1,680,000 | \$ 1,680,000 |
| | | | \$ 1,680,000 | \$ 1,680,000 |

The 2016 maturity will be redeemed prior to their original maturity on February 15, 2015 at par.

Limited Tax Permanent Improvement Bonds, Series 2006

| <u>Original Dated Date</u> | <u>Stated Maturity</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding</u> | <u>Principal Amount Refunded</u> |
|--------------------------------|----------------------------|--------------------------|---|--|
| 3/15/2006 | 2/15/2017 | 5.000% | \$ 1,690,000 | \$ 1,690,000 |
| | 2/15/2018 | 4.250% | 1,770,000 | 1,770,000 |
| | 2/15/2019 | 4.250% | 1,850,000 | 1,850,000 |
| | 2/15/2020 | 4.250% | 1,935,000 | 1,935,000 |
| | 2/15/2021 | 4.250% | 2,025,000 | 2,025,000 |
| | 2/15/2022 | 4.250% | 2,120,000 | 2,120,000 |
| | 2/15/2023 | 4.250% | 2,215,000 | 2,215,000 |
| | 2/15/2024 | 4.250% | 2,315,000 | 2,315,000 |
| | 2/15/2025 | 4.250% | 2,425,000 | 2,425,000 |
| | 2/15/2026 | 4.250% | 2,535,000 | 2,535,000 |
| | | | \$ 20,880,000 | \$ 20,880,000 |

The 2017 - 2026 maturities will be redeemed prior to their original maturity on February 15, 2016 at par.

* Preliminary, subject to change.

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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, at the 2010 census, 782,341, and the 2014 estimated population is 834,642.

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, telecommunication, computer technology, electronics, retail, the food industry, and insurance institutions. Some of the major employers in Collin County are as follows:

| <u>Company</u> | <u>Number of Employees</u> |
|-------------------------------------|----------------------------|
| Hp Enterprise Svc Llc | 10,000 |
| Plano Independent School District | 6,538 |
| Nortel Networks | 6,000 |
| Frisco Independent School District | 5,662 |
| Bank of America Home Loans | 4,646 |
| AT&T | 4,300 |
| J.C. Penney, Inc. | 3,800 |
| University of Texas at Dallas | 3,500 |
| Capital One | 3,500 |
| Blue Cross and Blue Shield of Texas | 3,100 |

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:

| | February | <u>Average Annual</u> | | | | |
|----------------------|-------------|-----------------------|-------------|-------------|-------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| Civilian Labor Force | 461,042 | 458,845 | 447,064 | 434,999 | 421,754 | 409,675 |
| Employed | 436,739 | 432,890 | 419,914 | 404,549 | 390,106 | 379,610 |
| Unemployed | 24,303 | 25,955 | 27,150 | 30,450 | 31,648 | 30,065 |
| Percent Unemployed | 5.27% | 5.66% | 6.07% | 7.00% | 7.50% | 7.34% |

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 United States Environmental Protection Agency ("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 the Texas Commission on Environmental Quality, "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.

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, 2013

The information contained in this Appendix consists of excerpts from the Collin County, Texas Annual Financial Report for the Year Ended September 30, 2013, 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
McKinney, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Collin County, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Collin County, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Collin County, Texas, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 24, the budgetary comparisons on pages 70 through 74, and the schedule of funding progress on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Collin County, Texas' basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Collin County, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
March 28, 2014

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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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, 2013. 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 (net position) by \$373.3 million on a government-wide basis at September 30, 2013, an increase of \$11.4 million from 2012.
- Fiscal year 2013 revenues of the County amounted to \$243.2 million. The main revenue sources were property (ad valorem) taxes (\$180.4 million), charges for services (\$43.4 million) and operating grants and contributions (\$14.4 million). These three revenue sources accounted for 74.2%, 17.8%, and 5.9%, respectively, or 97.9% of total governmental activity revenues.
- Total expenses were \$231.8 million. The functional areas with the largest expense amounts were public safety (\$55.9 million), public transportation (\$42.4 million), and general administration (\$27.9 million).
- Net capital assets were \$438.1 million as of September 30, 2013. Net depreciation expense attributable to assets of governmental activities amounted to \$22.0 million for 2013.

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 amounts for 2013 reflect the fund balance reporting requirements of GASB 54.

- The County's governmental funds reported an increase in fund balances of \$32.7 million for fiscal year 2013, as compared to an increase of \$33.9 million for fiscal year 2012.
- The General Fund reported a fund balance of \$185.7 million for September 30, 2013, an increase of \$20.1 million from September 30, 2012. General Fund revenues increased slightly by \$1.4 million. General Fund expenditures of \$141.1 million decreased by \$3.2 million from 2012. As a result General Fund revenues exceeded expenditures by \$17.0 million and an additional net \$3.1 million in net other financing sources, mostly consisting of the sale of assets, resulted in the \$20.1 million increase in fund balance.

General Financial Highlights

- In 2013, using a \$12 million state grant received at the end of 2011, the County continued its work on the Outer Loop, spending \$8.9 million through 2013 to construct access roads on the section connecting US Highway 75 to Texas Highway 121. Total contracts for construction awarded to date exceed \$9 million.

- 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 2013, the County transferred a net of \$21.0 million from Deferred Contributions for the completion of projects (primarily roads) that the County granted to other governmental entities. Although the County will not maintain or own 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 position provides information on all County assets and liabilities; the difference between the two is reported as net position. Over time, increases or decreases in net position 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 position of the County changed during the fiscal year presented herein. All changes in net position 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 payments on long-term debt.

The County created its first Enterprise Fund in 2009 to record the activity of the Collin County Toll Road Authority. The County Commissioners Court is also the Trustee for 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. In 2011, the county received a \$12 million grant from the state to assist in the construction of access roads for the first section of the Outer Loop from US 75 to State Highway 121.

The County operates an animal shelter that works with local cities and unincorporated areas of the County to handle the disposition of unwanted and abandoned animals. Each participating city, as well as the County, pays a pro rata share of the operating expenses and construction costs. The animal shelter is not considered an Enterprise Fund but operates as an Internal Service Fund since it provides services primarily to other governments and not 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 legally separate blended-component units: the Collin County Health Care Foundation and the Collin County Housing Finance Corporation. The County Commissioners act as the Board of Trustees for component units whose activities are blended with those of the primary government because it functions as part of 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 fund financial statements 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.

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for periods that begin after June 15, 2011. The objective of GASB 54 is to enhance the usefulness of fund balance information by 1) clarifying existing governmental fund type definitions, and 2) providing clearer fund balance classifications that can be more consistently applied. Collin County implemented the GASB 54 reporting as of September 30, 2011, in accordance with GASB requirements.

GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The classifications are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Restricted or committed specific revenue sources should comprise a *substantial portion of the fund's resources*.

GASB 54 requires fund balance to be reported by purpose or function of restriction, using one of the following five categories:

- **Nonspendable** - Generally means the asset is not expected to be converted to cash, such as inventories; the asset can also be related to monies legally or contractually required to be maintained intact, such as a debt service reserve fund.
- **Restricted** – Resources whose use is constrained by either externally imposed factors (i.e., creditors, contributors, grantors, or laws of other governments), or imposed by law through constitutional provisions of enabling legislation, such as authorization to assess, levy, charge, or otherwise mandate payment of resources. This includes a *legally enforceable* requirement that resources be used only for the specific purpose.

- **Committed** - Constraints imposed by formal action of the Collin County Commissioners Court to set aside, by court order, a commitment of specific use of resources. Constraints can only be removed or changed by taking the same type of action employed to commit those amounts.
- **Assigned** – An amount intended to be used for a specific purpose, but the amount is neither restricted nor committed. Intent may be expressed by the Commissioners Court or by an official or group to which the governing body has delegated the authority to assign amounts. Assigned fund balances include all remaining amounts reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, or committed. In governmental funds other than General Fund, assigned fund balance represents the amount intended to be used for the purpose of that fund. Collin County has no assigned fund balances in 2013.
- **Unassigned** - Residual amount for the General Fund; it is the fund balance that has not been restricted, committed, or assigned. The General Fund is the only fund that reports a positive unassigned fund balance amount. The only classification that can report a negative fund balance is the unassigned category.

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 Special Revenue Fund
- Health Care Foundation Special Revenue Fund
- Regional Toll Road – Wylie Grant Special Revenue Fund
- Regional Toll Road – Outer Loop Grant Special Revenue Fund
- Debt Service Fund
- 2007 Road Bond Capital Project Fund

Each of these funds is classified as a major fund for 2013. Financial results from the other governmental funds (non-major funds) are combined into a single, aggregated presentation and included in the total. Individual fund data for each of the non-major governmental funds is 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 schedule is provided for county governmental funds, where a budget is adopted, to demonstrate compliance with the approved budget. (The exceptions are Grant Funds and Capital Projects Funds, which are budgeted on a project life budget, with an assigned project number for tracking and recording each transaction by project and funds in which the budget authority is specifically not granted to Commissioners Court by law.) Budgetary comparison schedules for major governmental funds are presented as required or additional supplementary information. Budgetary comparison schedules for all governmental funds are included in the fund financial statements accompanying information.

Proprietary Funds

Currently, the County reports eight proprietary type funds – the Collin County Toll Road Authority Fund (enterprise fund) and seven Internal Service Funds (see list below). Internal Service Funds are used to accumulate and allocate costs internally among various county functions. The Internal Service Funds provide benefits to the County and to 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

Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements. Internal Service Funds are accounted for on the full-accrual method of accounting. 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 consist of 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 fines belong to the state. After collection, the monies owed to the other entities are remitted to those entities on a periodic basis. Agency funds are also used for recording receipts of funds by elected officials.

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

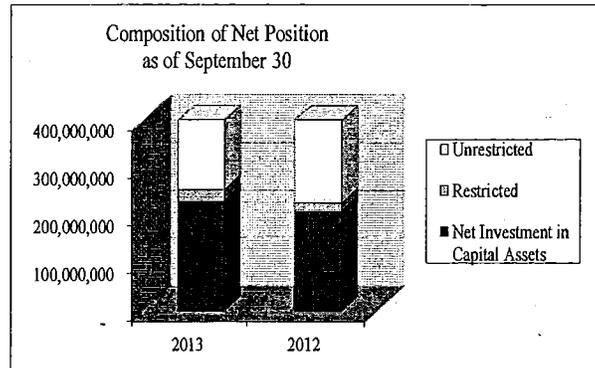
In addition to the basic financial statements and accompanying notes to those financial statements, certain required supplementary information schedules are also presented in this report with additional information regarding the results of the County's financial activities.

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 position of the County as of September 30, 2013 and 2012 is summarized and analyzed below:

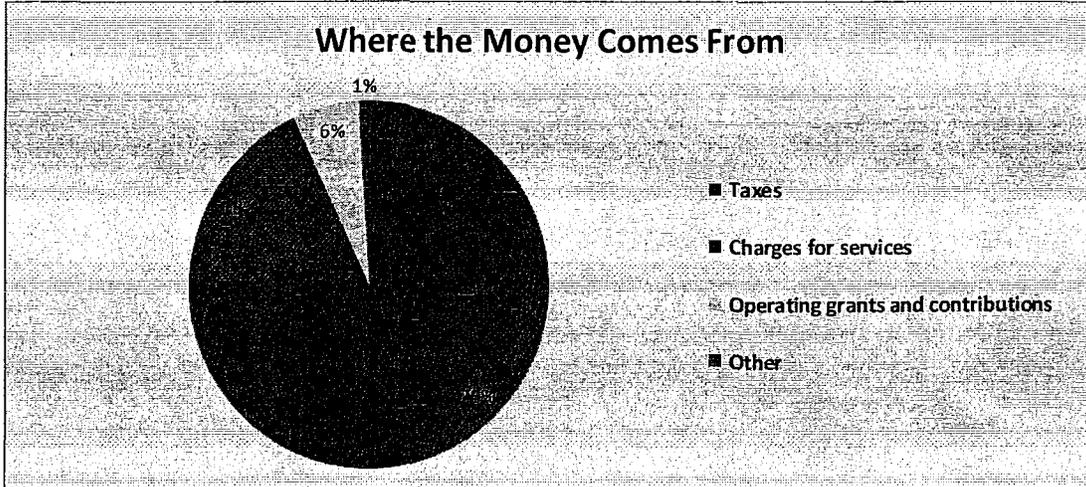


| Statement of Net Position As of September 30 (\$ in thousands) | | |
|---|-------------------|-------------------|
| | 2013 | 2012 |
| Assets: | | |
| Current and Other Assets | \$ 391,213 | \$ 361,489 |
| Capital Assets | 438,119 | 453,016 |
| Total Assets | 829,332 | 814,505 |
| Liabilities: | | |
| Current Liabilities | 22,236 | 22,921 |
| Long-term Liabilities | 433,803 | 429,654 |
| Total Liabilities | 456,039 | 452,575 |
| Net Position: | | |
| Net Investment in Capital Assets | 247,266 | 229,532 |
| Restricted | 25,366 | 21,164 |
| Unrestricted | 100,661 | 111,234 |
| Total Net Position | \$ 373,293 | \$ 361,930 |

- Net position serves as a useful indicator of financial position. Assets exceeded liabilities by \$373.3 million as of September 30, 2013, and by \$361.9 million as of September 30, 2012, a net increase of \$11.4 million.
- Net 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 Position (62.1%). 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 these other resources will be used to pay the debt.
- Restricted Net Position (6.8%) represents resources subject to external restrictions on their use. Of these restricted net assets, 39.3% of the restricted assets are to repay long-term debt, 33.5% are restricted to provide health care services, 27.2% are restricted for grant programs, and the balance is for the County’s Myers Park Foundation.

- The remaining portion of the County's net position (31.1%) is unrestricted and may be used to meet ongoing obligations.

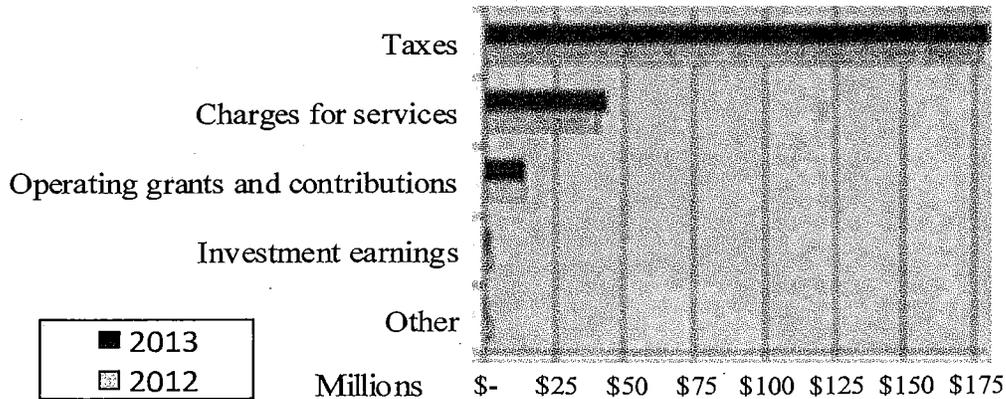
Reflected below is a comparison of Collin County revenues by source.

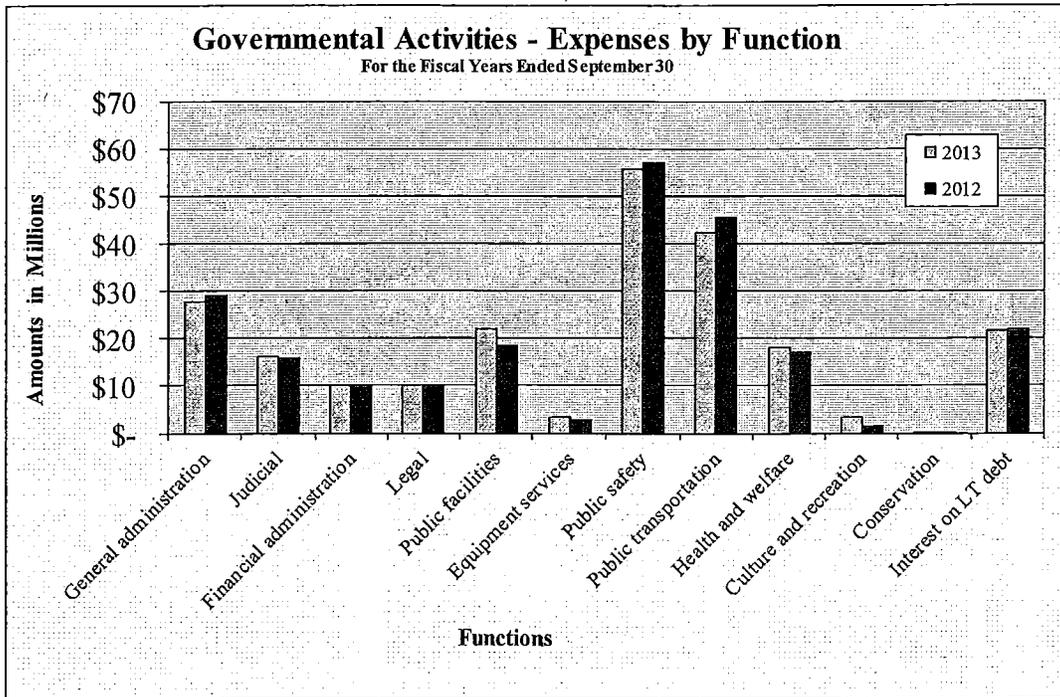


Overall government-wide revenues increased in 2013 over 2012 by \$6.2 million (2.6%), due primarily to higher taxes collected (\$5.1 million, or 2.9%) and more collected in charges for services (\$3.0 million, or 7.6%). A summary of the amounts and more detailed explanation is provided in the table below.

| Summary of Changes in Net Position | | |
|--|-------------------|-------------------|
| For the Fiscal Years Ended September 30 | | |
| (\$ in thousands) | | |
| | 2013 | 2012 |
| Revenues | | |
| <i>Program Revenues:</i> | | |
| Charges for services | \$ 43,375 | \$ 40,329 |
| Operating grants and contributions | 14,384 | 14,516 |
| Capital grants and contributions | 931 | 1,059 |
| Total Program Revenues | <u>58,690</u> | <u>55,904</u> |
| <i>General Revenues:</i> | | |
| Taxes | 183,016 | 177,762 |
| Investment earnings | 1,337 | 2,317 |
| Miscellaneous | 142 | 903 |
| Total General Revenues | <u>184,495</u> | <u>180,982</u> |
| Total Revenues | <u>243,185</u> | <u>236,886</u> |
| Expenses | | |
| General administration | 27,867 | 29,244 |
| Judicial | 16,427 | 16,069 |
| Financial administration | 10,168 | 10,028 |
| Legal | 10,301 | 10,204 |
| Public facilities | 21,950 | 18,701 |
| Equipment services | 3,236 | 2,859 |
| Public safety | 55,924 | 57,156 |
| Public transportation | 42,393 | 45,515 |
| Health and welfare | 18,130 | 17,189 |
| Culture and recreation | 3,333 | 1,591 |
| Conservation | 246 | 249 |
| Interest and fiscal charges | 21,847 | 22,193 |
| Total expenses | <u>231,822</u> | <u>230,998</u> |
| Change in Net Position | 11,363 | 5,888 |
| Net position at beginning of year | 361,930 | 356,042 |
| Net position at end of year | <u>\$ 373,293</u> | <u>\$ 361,930</u> |

Governmental Activities - Revenues by Source
For the Fiscal Years Ended September 30

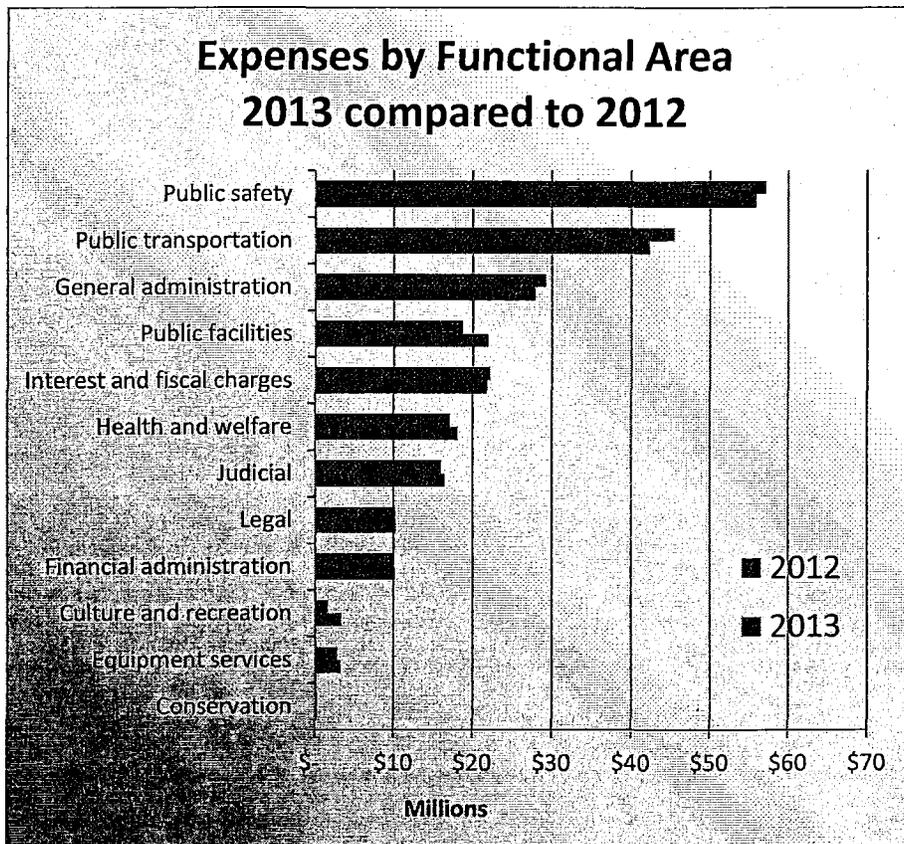




Summarized above are details of government-wide activities of the County for 2013 and 2012.

- Program revenues include 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 government-wide activities increased by \$2.8 million or 5%, mostly due to increased activity in land and vital recordings and vehicle titles.
- General revenues consist of taxes (property and mixed beverage tax paid to the County by the State of Texas) and interest, as well as miscellaneous transactions, not attributable or allocable to a specific program. Property taxes, substantially largest of the revenues, increased by \$4.7 million or 2.7%.
- Public transportation expense decreased by \$6.9 million or 3.1%. Many of the road construction projects are joint efforts with cities in the County, with each party contributing 50% of the cost. This activity tends to fluctuate from year to year due to a large number of ongoing projects.
- Public safety expenses decreased by \$1.2 million (2.1%) in a large part due to decreasing detention activity.
- General administration expense decreased from \$29.2 million to \$27.9 million (-4.7%), much of which can be accounted for due to decreased amounts paid to the county employee retirement program to reduce long-term unfunded liabilities from the prior year.
- Public Facility expense increased by 3.2 million (17.3%) mostly due to recording a book loss of \$3.4 million on the sale of the University Drive Courts Facility which was closed due to moving all the county and district courts into the expanded Courthouse.
- Culture and Recreation expenses increased by \$1.7 million (109.4%) due to an increase in bond activity to fund park projects mostly in conjunction with cities where the cities must provide half of the funding.

| Total Cost and Net Cost of Governmental Activities for Collin County For the Six Largest Functions by Expense For the Fiscal Years Ended September 30 (\$ in thousands) | | | | |
|--|------------------------|------------|----------------------|------------|
| Functions/Programs | Total Cost of Services | | Net Cost of Services | |
| | 2013 | 2012 | 2013 | 2012 |
| Public safety | \$ 55,924 | \$ 57,156 | \$ 42,223 | \$ 43,659 |
| Public transportation | 42,393 | 45,515 | 24,746 | 27,304 |
| General administration | 27,867 | 29,244 | 18,144 | 20,529 |
| Interest and fiscal charges | 21,847 | 22,193 | 21,547 | 21,880 |
| Public Facilities | 21,950 | 18,701 | 21,811 | 18,597 |
| Health and welfare | 18,130 | 17,189 | 11,131 | 11,547 |
| Other | 43,711 | 41,000 | 33,530 | 31,577 |
| Total | \$ 231,822 | \$ 230,998 | \$ 173,132 | \$ 175,093 |



Financial Analysis of the County's Funds

The County operates using a fund accounting system to ensure segregation of funds as needed or required. 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. Unassigned 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 \$372.8 million, an increase of \$32.7 million (9.6%) from the prior year.

As required by GASB 54, the classifications of fund balance have changed from previous years to reflect the nature of the expected use of the amounts included in the balance. In 2010 (pre-GASB 54), fund balance was classified as reserved and unreserved, with unreserved further divided into designated or undesignated. Beginning in 2011 fund balance was split into as many as five categories: nonspendable, restricted, committed, assigned, or unassigned. The County currently has no assigned fund balance.

A portion of fund balance (60.3%, or \$224.7 million) of the governmental funds has been designated as nonspendable, restricted, or committed. The remaining \$148.0 million is classified as unassigned and is available to meet current needs as determined by the Commissioners Court. The unassigned fund balance can only exist in the General Fund since all other funds by definition are restricted or committed.

| Governmental Funds - Total Fund Balance as of September 30, 2013 (in thousands) | | | |
|---|-------------------|---------------|---|
| Fund Balance: | | | Use |
| Nonspendable | \$ 20,543 | 5.5% | Inventories, Toll Road, Conservation District, Animal Shelter |
| Restricted | 180,328 | 48.4% | Housing Finance, Records, Road Construction, Debt Service, Special Revenues |
| Committed | 23,848 | 6.4% | Healthcare, Permanent Improvement, Capital Murder Cases, Special Elections, Utility Price Changes, Pre-trial Release, Jury, Myers Park, Code Inspection |
| Unassigned | <u>148,080</u> | <u>39.7%</u> | General Fund |
| | <u>\$ 372,799</u> | <u>100.0%</u> | |

Changes in Fund Balance – Major Funds

In 2013, the County is presenting seven major funds:

- General Fund
- General Road and Bridge Special Revenue Fund
- Health Care Foundation Special Revenue Fund
- RTR – Wylie Grant Special Revenue Fund
- RTR – Outer Loop Grant Special Revenue Fund
- Debt Service Fund
- 2007 Road Bond Capital Project Fund

Funds are required to be reported as major funds when revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds. Any other fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

General Fund

The General Fund is the chief operating fund of the County. 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, fines, fees, intergovernmental revenues and investment income.

Primary expenditures are for general administration, public safety, judicial, public welfare, health services and capital acquisition.

At the end of the current fiscal year, the unassigned fund balance of the General Fund is \$148.1 million. The total fund balance in the General Fund is \$185.7 million, an increase of \$20.1 million or 12.1% from 2012.

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

General Fund Revenue Highlights:

- Property tax revenues increased by \$2.6 million (2.0%) from the prior year.
- Federal and state funds decreased \$2.0 million primarily due to an accounting procedural change. Grant funds received from the State of Texas to help fund juvenile probation are reported in the Grants Special Revenue Fund in 2013 as opposed to the General Fund in 2012.
- Fees and Charges for Services increased by \$0.8 million (4.6%).
- Fines decreased by \$0.2 million (10.5%) due to decreased criminal cases in the court system.
- Investment earnings were down \$0.6 million due to low stagnant interest rates and maturing investments being reinvested at the low rates

General Fund Expenditures:

- General administration expenditures increased by \$1.1 million.
- Public safety expenditures were \$2.6 million lower than 2012.
- Capital Outlay expenditures remained virtually the same in 2013 as in 2012.

General Road and Bridge Fund

The General Road and Bridge Fund is the primary funding for maintenance of county roads. This 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.

In 2005, Collin County began a program to convert all rock roads to asphalt to reduce dust and to 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 25.21 miles in 2013. As of 09/30/13, the County had resurfaced 402 miles of roads, or an average of 44.6 miles per year.

At the end of 2013, the fund balance of the General Road and Bridge Fund was \$19.1 million, an increase of \$0.7 million (3.9%) from the prior year. General Road and Bridge Fund revenues include fees and permits, property taxes, and fines and forfeitures.

Highlights of financial activities in the General Road and Bridge Fund are as follows:

General Road and Bridge Revenue Highlights

- Property tax revenues increased \$64 thousand over the prior year (2.9%).
- Revenues from Fees and Charges for Services increased by \$1.7 million in 2013. The higher revenues are attributed to an increase in revenues from vehicle registrations.
- Fines increased \$153 thousand over the prior year (8.4%).

General Road and Bridge Expenditures Highlights

- Road construction and maintenance expenditures increased by \$3.2 million in 2013 over the prior year.
- Capital outlay expenditures of \$1.3 million decreased in 2013 by \$814 thousand (38.2%) from the prior year.

Health Care Foundation Special Revenue Fund

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

The Fund was created after the sale of the county hospital in 1983. The proceeds of the sale were used to purchase real estate office buildings in order 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 County departments and unrelated third parties. The rental revenue is a steady source of income that provided 43.7% of the funding for the Health Care Foundation Fund in 2013.

The fund balance is slightly higher (\$49 thousand, 0.6%) in 2013 than the prior year. Highlights of changes in fund balance in the Health Care Foundation Fund were:

Health Care Revenues

- Federal and state funds increased dramatically to \$1.2 million from \$64 thousand in the prior year due to the receipt of \$1.2 million for Medicaid 1115 Waiver funding.
- Fees and charges for service decreased \$72 thousand (20.5%).
- Rental revenues decreased \$19 thousand (1.7%).
- Investment revenue decreased \$39 thousand (60.0%) due to longer term investments maturing and being reinvested at the lower market rates.

Health Care Expenditures Highlights

- Expenditures increased \$146 thousand (5.5%) from 2012.

RTR – Wylie Grant Special Revenue Fund

The Regional Toll Road – Wylie (FM 1378) Special Revenue Fund is used to account for a grant from the State of Texas funded with Regional Toll Revenue (RTR) which is related to the sale of roads to the North Texas Toll Road Authority. These funds will be used to rebuild FM 1378 within the city limits of the City of Wylie, Texas. The liabilities of the fund met the major fund requirement. All activity to date has been in project accounts related to construction-in-progress on the road. The City of Wylie is managing the project and the County serves as a pass-through agency from the state. Revenues are deferred until expenditures are recognized, which results in zero dollars in fund balance. There were no revenues or expenditures recognized in 2013.

RTR – Outer Loop Grant Special Revenue Fund

The Regional Toll Revenue – Outer Loop Phase 3 Special Revenue Fund is used to account for a grant from the State of Texas funded with Regional Toll Revenue. These funds will be used to construct a portion of an Outer Loop around the Dallas – Fort Worth metroplex and through Collin County. The liabilities of the fund met the major fund requirement. All activity to date has been in project accounts related to construction-in-progress on the road. Revenues are deferred until expenditures are recognized, which results in zero dollars in fund balance.

RTR – Outer Loop Revenue Highlight

- State funds recognized in 2013 were \$956 million.

RTR – Outer Loop Expenditure Highlight

- Expenditures for construction in 2013 were \$956 million.

Debt Service Fund

The Debt Service Fund is used to account for property tax revenues restricted to be used to meet Collin County's debt obligations. Expenditures for payments of principal and interest on the outstanding debt are paid from this fund, as are the expenditures for fiscal agent fees.

Fund balance increased in 2013 by \$3.8 million over the 2012 ending balance. Since it is funded by property taxes, a change in the tax rate allocation has a direct impact on funds available for debt service. As part of the budgeting process, the County must determine the funding needed to meet the principal and interest payments for each issue of debt, as well as the expected fiscal agent fees to be paid annually.

Each year during the budget process, a portion of the tax rate is set aside for funding debt service; taxes collected are restricted specifically for that purpose. Debt service expenditures are based on debt service requirements and other debt-related expenditures. The County sets aside a portion of property taxes to meet its debt service requirements.

Key factors in the change in fund balance in the Debt Service Fund were:

Debt Service Fund Revenues Highlights

- In 2013, property taxes allocated for debt service were \$49.1 million, or about \$2.4 million higher than 2012.

- Interest earned was about \$287 thousand, \$168 thousand lower than the prior year due to decreased interest rates.

Debt Service Fund Expenditures Highlights

- Debt service expenditures for 2013 debt service and fees were \$49.4 million of which \$4.2 million was part of bond refunding transactions. The amount paid was \$2.2 million higher than 2012.

2007 Road Bond Capital Project Fund

The 2007 Road Bond Capital Project Fund is used to account for road bond proceeds for road bonds authorized by voters on November 6, 2007. Total authorized for roads and highways is \$235,600,000. Only a portion of the bonds have been issued to-date (in six series), beginning in 2008 and ending in 2013. The remainder of the bonds will be sold as needed. The total issued through September 30, 2013, is \$126,200,000:

- Series 2008: \$25,020,000 issued July 14, 2008
- Series 2009: \$10,070,000 issued September 29, 2009
- Series 2009B: \$ 5,590,000 issued September 29, 2009
- Series 2011: \$28,490,000 issued June 16, 2011
- Series 2012: \$31,365,000 issued June 14, 2012
- Series 2013A: \$25,665,000 issued June 1, 2013

In 2013 fund balance increased \$14.1 million; key factors in the change in fund balance are:

2007 Road Bond Capital Project Fund Revenues/ Other Financing Sources

- Investment earnings increased \$65 thousand (27.6%) due to having more funds to invest from an additional bond issue.
- An amount of \$235,615 was received from an insurance settlement.
- Received bond proceeds and premiums of \$28 million.

2007 Road Bond Capital Project Fund Expenditures

- Capital outlay for road projects in 2013 was \$14.4 million, which is \$4.5 million more than in 2012.

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;
- Training and travel;
- Maintenance and operating; and
- Capital outlay.

The final amended budget for the General Fund expenditure appropriation was \$161.5 million, or \$130 thousand lower than the original adopted budget of \$161.6 million (excluding transfers). Actual expenditures for 2013 were \$141.1 million, or 12.7% less than the final amended budget.

General Fund revenue estimates for 2013 were more than the estimate by \$2.7 million, and broken down as follows:

- Taxes – \$1.4 million higher
- Federal and state funds - \$1.2 million higher
- Fees and Charges for Services - \$36 thousand higher
- Fines and forfeitures - \$181 thousand higher
- Interest – \$855 thousand lower
- Miscellaneous revenues - \$613 thousand higher

The General Fund is the primary source for expenditures related to the overall operation and administration of the County. In 2013, there were departments that contributed to actual expenditures being \$20.4 million lower than budgeted expenditures. They include:

- General administration was less than budget by \$7.6 million. Highlights about this budget variance are as follows:
 - Actual expenditures for the County Clerk were \$1.6 million less than budgeted expenditures in the Maintenance and Operating Category due to a revised budget being established for archive and restoration (restricted funds) that was not utilized.
 - Actual expenses for the Non-Departmental were under budget by \$1.2 million in the salary and benefit category due to unused budget for temporary workers.
 - Actual expenditures were \$3.2 million under budget for Non-Departmental in the maintenance and operating category primarily because of unused contingency funds and maintenance contracts coming in well under budget.
 - Actual expenses for Information Technology were \$364 thousand under budget in the maintenance and operating category.
 - Actual expenses for Telecommunications in the maintenance and operating category were under budget by \$565 thousand.
- Judicial actual expenditures were less than budget by \$861 thousand. Highlights regarding this budget variance are as follows:
 - The County Courts-at-Law utilized all but \$107 thousand of their \$2.9 million budget.
 - The County Court-at-Law Clerks had \$97 thousand remaining in their \$1.6 million salary and benefit budget at year end.
 - The County Clerks – Probate/Mental Department left \$82 thousand in their maintenance and operating budget at year end.
 - The District Courts had \$123 thousand unspent in their combined budgets at year end.
 - The Jury Services – District Clerk Department had \$242 thousand remaining of their \$647 thousand budget at year end in maintenance and operating.
- Financial administration actual expenditures were less than budget by \$701 thousand. Highlights of this budget variance are as follows:
 - Salaries and benefits came in under budget as follows:
 - County Auditor: \$130 thousand under budget,
 - County Court-at-Law Clerks Collections \$111 thousand under budget,
 - Tax Assessor-Collector \$229 thousand under budget, and
 - Purchasing Department \$122 thousand under budget.

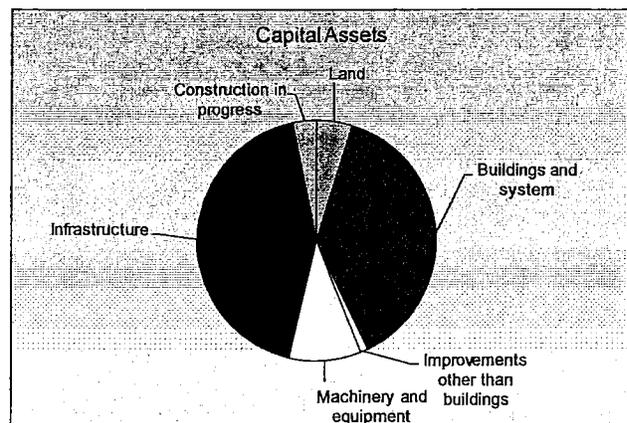
- Legal actual expenditures for the District Attorney's Office were less than budget by \$517 thousand under budget. This is broken down as follows:
 - Salaries and benefits were lower than budgeted by \$420 thousand,
 - Maintenance and operating was \$96 thousand less than budget at year end, and
 - Travel and training was \$1.4 thousand less than budget.
- Public facilities expenditures were less than budget by \$1.0 million, primarily due to maintenance and operating expenditures being under budget.
- Equipment services expenditures were lower than budget by \$570 thousand primarily due to the maintenance and operating category coming in under budget.
- Public safety expenditures were lower than budget by \$2.4 million. Highlights of this budget variance are as follows:
 - The Sheriff's Office was \$399 thousand less than budget of which \$308 thousand was payroll related.
 - The Jail Operations Department was under budget by \$644 thousand in the maintenance and operating category of which \$543 thousand was left over at year end in the food supplies account.
 - The Minimum Security Operations maintenance and operating category were \$159 thousand under budget.
 - The 911 Addressing Department was \$95 thousand under budget in the maintenance and operating category.
 - The Holding Facility Department was \$143 thousand under budget in the salary and benefit category.
 - Homeland Security was \$280 thousand under budget in the salaries and benefit category.
 - Juvenile Probation was \$188 thousand under budget in the salaries and benefits category.
- Health and welfare expenses were \$468 thousand under budget of which most was due to inmate health coming in under budget.
- Capital outlay, which is presented separately from functional activities, was \$6.2 million under budget of which \$3.2 million was for facility projects, \$678 thousand was for Equipment Services Department, \$1.5 million was for Information Technology and \$547 thousand was for Telecommunications.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for governmental activities (including business-type activities), net of accumulated depreciation at September 30, 2013, was \$438.1 million, a decrease of \$14.9 million under 2012.

Graphically, the contribution of each type of asset is shown on the chart above.



Details by type of activity are summarized below:

Major changes for 2013 are:

- Added right of way for planned road construction to land: \$244 thousand.
- Sold University Drive Courts Facility building, reduced buildings by \$12.2 million.
- Added purchases of \$4.4 million to Machinery and Equipment; purchases were offset by \$714 thousand in items written off when sold as surplus or traded in.
- Infrastructure increased by \$5.2 million, primarily for road construction.
- Construction in Progress increased by a net of \$2.1 million (\$3.7 million increase for new projects less a \$1.6 million decrease for completed projects.)
- Accumulated depreciation had a net increase of \$15.9 million.

| Capital Assets | | |
|-----------------------------------|-------------------|-------------------|
| As of September 30 | | |
| (\$ in thousands) | | |
| | 2013 | 2012 |
| Land | \$ 32,712 | \$ 31,549 |
| Buildings and system | 257,187 | 268,132 |
| Improvements other than buildings | 6,607 | 6,865 |
| Machinery and equipment | 66,162 | 62,442 |
| Infrastructure | 291,663 | 286,476 |
| Construction in progress | 21,457 | 19,341 |
| Total capital assets | 675,788 | 674,805 |
| Less: Accumulated Depreciation | (237,669) | (221,789) |
| Total capital assets | <u>\$ 438,119</u> | <u>\$ 453,016</u> |

Long-term Debt

At September 30, 2013, the County had \$393.35 million in outstanding debt, a slight increase of \$140 thousand (0.3%).

In 2013, the County:

- Issued \$2.2 million for park/open space projects
- Issued \$31.365 million for road and bridge projects
- New issues refunded \$49.785 million in existing debt to take advantage of savings due to lower interest rates.
- Paid \$28,035 thousand in debt service principal and \$16.8 million in interest costs to service debt.

| Long-Term Debt by Intended Use of Proceeds | | |
|---|-------------------|-------------------|
| As of September 30 | | |
| (\$ in thousands) | | |
| | 2013 | 2012 |
| Road and Bridge Projects | \$ 262,765 | \$ 253,745 |
| Technology/Equipment | - | 2,490 |
| Public Facilities/Park Projects | 130,585 | 136,975 |
| Total Long-Term Debt | <u>\$ 393,350</u> | <u>\$ 393,210</u> |

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 Obligations." Detailed notes on capital assets can be found in "Section IV. Detailed Notes on All Funds, 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 2013 General Fund and other budgets:

- The percentage increase in real property assessed value for 2013 was 3.0% (2012 increase was 2.4%).
- The average unemployment rate in Collin County for 2013 was 5.5% (5.7% in 2012).

Collin County has consistently had increases in its taxable assessed value since the Great Recession of 2009 when the County experienced a slight decrease. In 2013 the County experienced a 3% increase in which 1.7% was new construction and 1.3% was an increase in existing property values. After experiencing an unemployment rate recent-year high of 7.8% in 2009 the rate has consistently decreased each year to its current rate of 5.5%. The County is experiencing the fast growing increase in population it has been accustomed to in the past two decades. This year the County added over 21,000 residents, an average of 58 people per day. The County continues to aggressively invest in road and bridge projects across the County to meet the transportation needs of its residents and business to make the County an attractive place to live, to work and to do business.

During 2013 there were 21,509 people added to the County's population. This growth rate is expected to increase over the next couple of years due to large corporate projects moving into the County. State Farm is currently building a facility in Richardson, fully within the County, that is expected to employ 10,000 people and bring another 40,000 people to the area. Federal Express is planning to construct a facility in Frisco that will bring in another 1,500 jobs. Collin County is poised to be one of the fastest growing counties in the nation in upcoming years just as the County has been in recent years. In the last ten years the County added 206,216 people, an increase of 32.8%. The rate of and absolute numbers of growth continue to provide challenges in keeping up with roads and other infrastructure needs.

The 2010 Census showed the County population at 782,341 as of April 1, 2011. The 2010 Census is a 196% increase over the 1990 census of 264,036, and a 59% increase over the 2000 census of 491,772. The estimated population as of September 30, 2013 is 834,642 according to the Bureau of Economic Analysis which is an increase of 52,301 or 6.7% over the 2010 Census. Collin County is currently the 6th most populous county of the 254 counties in the State of Texas.

The County is a member of the North Central Texas Council of Governments, along with 15 other counties in the area. The Council is a voluntary association established to assist local governments in planning for common needs, cooperating for mutual benefit, and coordinating for sound regional development. For example, Mobility 2035 is a master transportation plan updated annually by the association members to address the needs of both rural and urban counties in the area.

The Dallas North Tollway, built and operated by the North Texas Tollway Authority (NTTA), opened a six-lane divided toll road between State Highway 121 and U.S. Highway 380 in 2009; frontage roads for the extension of the Tollway north to the county line have been built. The Dallas North Tollway, when completed, will provide a major highway from Grayson County to the north through Collin County to Dallas. Extensive commercial development continues along the North Dallas Tollway, and provides a major source of employment for Collin County residents.

Sam Rayburn Tollway is the primary link between McKinney, the county seat of Collin County, and Dallas-Fort Worth International Airport. Construction on expanding this two-lane road to relieve traffic congestion began in 2005 by building frontage roads and grade separations. The County sold the rights in 2009 to toll State Highway 121 to the North Texas Toll Authority, which also operates the Dallas North Tollway. The Sam Rayburn Tollway was dedicated in 2011 and now provides easy access to the DFW International Airport, Fort Worth and points west.

In 2009, the County created the Collin County Toll Road Authority (CCTRA) for the purpose of building and operating a 56-mile toll road along the northern and eastern boundaries of the County. The toll road is planned to connect Interstate 35 with Interstate 30 and allow traffic to loop around the Dallas-Fort Worth metroplex. The toll road is to be built in six phases, with completion of the final phase expected in 2030. Now open as a two lane access road is the portion of the toll road connecting U.S. Highway 75 and State Highway 121. This area of the County is experiencing rapid growth. Frontage roads are being built first, with main lanes expected to be completed at a later time. CCTRA has also begun construction on the frontage roads to connect the Dallas North Tollway and State Highway 289 (Preston Road). The next phase will continue the toll road past State Highway 289 to U.S. Highway 75. Planning and purchases of land for right of way are on-going for the remaining phases.

Conversion of State Highway 121 to a toll road that is operated and managed by NTTA will continue to fund road construction for years to come. The State of Texas and the Regional Transportation Council (RTC) have identified various road and bridge projects across the Dallas – Fort Worth metroplex to fund with the transfer of the Sam Rayburn Tollway to the NTTA. A significant number of these projects (over \$900 million) are planned or under construction in Collin County.

Revenue estimates in 2014 are \$279.8 million, an increase of 7.3% over the 2013 adopted budget estimates of \$260.7 million. Property taxes of \$187.6 million account for 67.0% of the County's revenue estimates.

The County's expenditure budget for 2014, which includes expenditures and transfers out, totals \$279.8 million. The General Fund expenditure budget in 2014 is \$170.4 million, or 60.9% of the total adopted budget. An amount of is \$41.3 million (14.7% of the total) is budgeted for debt services.

There are several significant events expected to have an impact in 2014 and beyond:

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 2013 have helped the county to provide preventative and minor medical care in cities where the indigent population is located. Increasing medical costs for medical care have contributed to the increasing demands on County resources to provide the same level of services offered in prior years. 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. Medicaid 1115 plans are being put in place, with the County as the anchor county in a new state regional provider.

As of September 30, 2013, the unassigned fund balance for the General Fund was \$148.1 million which is 86.9% of the General Fund expenditure budget for 2014 or 317 operating days. The County has eliminated all long-term unfunded liabilities from employee retirement and health care benefits by changing policies and using excess reserves to pay down the liabilities. As such, the County is in excellent shape to endure any future economic downturn; however, the economy of the County continues to thrive despite a sluggish national economy. The County will continue to closely monitor its expenditures to ensure that taxpayer dollars are spent wisely and in accordance with sound fiscal management policies.

In June of 2013 the County issued bonds of \$2.2 million for park and open space projects as well as \$25.665 million for road and bridge projects. The County partners with cities that reside within the county to enhance parks and transportation for citizens across the County. There are additional bond issues planned in upcoming years that have been approved by voters.

The County has now completed implementation of a performance-based pay system for employees. This project will generate long-term benefits by compensating employees according to performance of assigned goals.

The County began in 2006 a partnership with 11 other large counties to customize and implement a new case management software system. This is a multi-year project, with specific groups being implemented over a five year period. The sheriff's office and jail administration were completed in December 2011. In 2013 the County was awarded a \$436 thousand grant by the Texas Indigent Defense Commission (TIDC) to continue to enhance this software to improve the processes for appointing and tracking information for providing attorneys to indigents.

- Probate court implemented in February 2007
- Civil courts came on-line in March 2008
- Justice of the peace courts implemented in July 2009
- Configuration testing in process for criminal courts module, sheriff's office and jail administration
- District attorney implemented in 2010
- Constables implemented in 2011
- Sheriff's office, jail administration and community supervision implemented in December 2011

The property tax rate for 2014 was lowered to \$0.2375 per \$100 from \$0.24 per \$100 of valuation in 2013. Property owners continue to benefit from one of the lowest county tax rates in the state. The expected growth of the County and related increases in property values should be sufficient for the time being to fund County operations. Collin County is in excellent fiscal condition to endure any future revenue shortfalls, should they occur; however, significant revenue shortfalls are unlikely due to the vibrant economic activity occurring within the County. Future fiscal pressures from rising health care costs along with changing health care laws, demand for constituent services, and costs of road construction could place pressure on the low tax rate in future years.

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.

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**BASIC
FINANCIAL STATEMENTS**

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COLLIN COUNTY, TEXAS

Statement of Net Position

September 30, 2013

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|----------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets: | | | | |
| Cash | \$ 25,279,308 | \$ 58,322 | \$ 25,337,630 | \$ 140,074 |
| Investments | 353,204,996 | 1,728,673 | 354,933,669 | - |
| Receivables (net of allowance for uncollectibles) | 7,924,899 | - | 7,924,899 | - |
| Internal balances | 17,095,325 | (17,095,325) | - | - |
| Inventories | 2,633,036 | - | 2,633,036 | - |
| Deferred contributions | 383,793 | - | 383,793 | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 23,608,661 | 9,102,732 | 32,711,393 | - |
| Buildings and system | 174,688,425 | - | 174,688,425 | - |
| Improvements other than buildings | 3,766,663 | - | 3,766,663 | - |
| Machinery and equipment | 21,846,363 | - | 21,846,363 | - |
| Infrastructure | 183,649,040 | - | 183,649,040 | - |
| Construction in progress | 15,188,184 | 6,269,352 | 21,457,536 | - |
| Total assets | \$ 829,268,693 | \$ 63,754 | \$ 829,332,447 | \$ 140,074 |
| Liabilities: | | | | |
| Accounts payable and other current liabilities | \$ 14,681,428 | \$ - | \$ 14,681,428 | \$ 140,074 |
| Due to other governments | 197,568 | - | 197,568 | - |
| Unearned revenue | 7,356,981 | - | 7,356,981 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 34,296,465 | - | 34,296,465 | - |
| Due in more than one year | 399,506,273 | - | 399,506,273 | - |
| Total liabilities | 456,038,715 | - | 456,038,715 | 140,074 |
| Net position: | | | | |
| Net investment in capital assets | 231,894,333 | 15,372,084 | 247,266,417 | - |
| Restricted for: | | | | |
| Debt service | 9,957,971 | - | 9,957,971 | - |
| Health Care Foundation | 8,486,389 | - | 8,486,389 | - |
| Myers Park Foundation | 15,350 | - | 15,350 | - |
| Grant programs | 6,906,263 | - | 6,906,263 | - |
| Unrestricted (deficit) | 115,969,672 | (15,308,330) | 100,661,342 | - |
| Total net position | \$ 373,229,978 | \$ 63,754 | \$ 373,293,732 | \$ - |

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 Year Ended September 30, 2013

| Fuctions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|---|--------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|-------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-type Activities | | |
| Primary Government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General administration | \$ 27,866,729 | \$ 9,189,297 | \$ 388,802 | \$ 145,112 | \$(18,143,518) | \$ - | \$(18,143,518) | |
| Judicial | 16,427,358 | 4,889,281 | 846,486 | - | (10,691,591) | - | (10,691,591) | |
| Financial administration | 10,167,597 | 3,075,027 | 178,896 | - | (6,913,674) | - | (6,913,674) | |
| Legal | 10,300,586 | 310,396 | 169,564 | - | (9,820,626) | - | (9,820,626) | |
| Public facilities | 21,949,602 | - | 138,181 | - | (21,811,421) | - | (21,811,421) | |
| Equipment services | 3,236,108 | - | 3,838 | 477,240 | (2,755,030) | - | (2,755,030) | |
| Public safety | 55,924,293 | 9,831,511 | 3,664,559 | 205,432 | (42,222,791) | - | (42,222,791) | |
| Public transportation | 42,392,813 | 15,767,626 | 1,776,197 | 102,869 | (24,746,121) | - | (24,746,121) | |
| Health and welfare | 18,130,149 | 310,934 | 6,687,977 | - | (11,131,238) | - | (11,131,238) | |
| Culture and recreation | 3,333,334 | 1,377 | 229,457 | - | (3,102,500) | - | (3,102,500) | |
| Conservation | 246,371 | - | - | - | (246,371) | - | (246,371) | |
| Interest and fiscal charges | 21,846,718 | - | 300,053 | - | (21,546,665) | - | (21,546,665) | |
| Total governmental activities | 231,821,658 | 43,375,449 | 14,384,010 | 930,653 | (173,131,546) | - | (173,131,546) | |
| Business-type activities: | | | | | | | | |
| Toll Road Authority | - | - | - | - | - | - | - | |
| Total business-type activities | - | - | - | - | - | - | - | |
| Total primary government | 231,821,658 | 43,375,449 | 14,384,010 | 930,653 | (173,131,546) | - | (173,131,546) | |
| Component unit: | | | | | | | | |
| Health and welfare | 45,677 | - | 42,638 | - | - | - | - | (3,039) |
| Total component unit | \$ 45,677 | \$ - | \$ 42,638 | \$ - | - | - | - | \$(3,039) |
| General revenues | | | | | | | | |
| Property taxes | | | | | 180,402,943 | - | 180,402,943 | - |
| Mixed beverage tax | | | | | 2,613,224 | - | 2,613,224 | - |
| Investment earnings | | | | | 1,334,777 | 1,757 | 1,336,534 | 41 |
| Miscellaneous | | | | | 142,080 | - | 142,080 | - |
| Total general revenues | | | | | 184,493,024 | 1,757 | 184,494,781 | 41 |
| Change in net position | | | | | 11,361,478 | 1,757 | 11,363,235 | (2,998) |
| Net position - beginning of year | | | | | 361,868,500 | 61,997 | 361,930,497 | 2,998 |
| Net position - end of year | | | | | \$ 373,229,978 | \$ 63,754 | \$ 373,293,732 | \$ - |

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

COLLIN COUNTY, TEXAS

Balance Sheet

Governmental Funds

September 30, 2013

| Assets | <u>General Fund</u> | <u>General Road and Bridge</u> | <u>Health Care Foundation</u> | <u>RTR - Wylie</u> |
|---|-----------------------|--|-----------------------------------|---------------------|
| Cash | \$ 18,208,118 | \$ 2,052,871 | \$ 1,541,332 | \$ 446 |
| Investments | 155,188,855 | 15,202,250 | 7,146,917 | 4,217,217 |
| Receivables: | | | | |
| Taxes (net of allowance for uncollectibles) | 1,951,489 | 44,268 | - | - |
| Fines and fees | 1,223,612 | 753,144 | - | - |
| Due from other governments | 1,309,507 | 113,094 | - | - |
| Due from other funds | 1,953,002 | - | - | - |
| Advance to other funds | 16,269,485 | - | - | - |
| Interest | 248,657 | - | 10,125 | - |
| Miscellaneous | 320,842 | 169,576 | - | - |
| Inventories | 583,318 | 2,049,718 | - | - |
| | <u>\$ 197,256,885</u> | <u>\$ 20,384,921</u> | <u>\$ 8,698,374</u> | <u>\$ 4,217,663</u> |
| Total assets | | | | |
| | <u>\$ 197,256,885</u> | <u>\$ 20,384,921</u> | <u>\$ 8,698,374</u> | <u>\$ 4,217,663</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 3,289,482 | \$ 360,399 | \$ 48,144 | \$ - |
| Payroll related costs payable | 4,934,039 | 123,258 | 43,940 | - |
| Lease deposits payable | - | - | 119,901 | - |
| Due to other governments | 196,677 | - | - | - |
| Due to other funds | - | - | - | - |
| Deferred revenue | 1,223,612 | 753,144 | - | 4,217,663 |
| Deferred tax revenue | 1,894,106 | 50,505 | - | - |
| | <u>11,537,916</u> | <u>1,287,306</u> | <u>211,985</u> | <u>4,217,663</u> |
| Total liabilities | | | | |
| | <u>11,537,916</u> | <u>1,287,306</u> | <u>211,985</u> | <u>4,217,663</u> |
| Fund Balances: | | | | |
| Nonspendable | 17,137,803 | 2,049,718 | - | - |
| Restricted | 5,139,168 | 17,047,897 | - | - |
| Committed | 15,361,692 | - | 8,486,389 | - |
| Unassigned | 148,080,306 | - | - | - |
| | <u>185,718,969</u> | <u>19,097,615</u> | <u>8,486,389</u> | <u>-</u> |
| Total fund balances | | | | |
| | <u>185,718,969</u> | <u>19,097,615</u> | <u>8,486,389</u> | <u>-</u> |
| Total liabilities and fund balances | | | | |
| | <u>\$ 197,256,885</u> | <u>\$ 20,384,921</u> | <u>\$ 8,698,374</u> | <u>\$ 4,217,663</u> |

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

| RTR - Outer Loop | Debt Service | 2007 Road Bond | Other Governmental Funds | Total |
|-----------------------------|----------------------|---------------------------|---|-----------------------|
| \$ 3,911 | \$ 14,844 | \$ 227,739 | \$ 841,842 | \$ 22,891,103 |
| 3,364,416 | 9,882,304 | 89,760,855 | 59,504,140 | 344,266,954 |
| - | 632,656 | - | - | 2,628,413 |
| - | - | - | - | 1,976,756 |
| - | - | - | 983,723 | 2,406,324 |
| - | - | - | - | 1,953,002 |
| - | - | 37,598 | 1,355,057 | 17,662,140 |
| - | - | - | - | 258,782 |
| - | 43,681 | - | 118,563 | 652,662 |
| - | - | - | - | 2,633,036 |
| <u>\$ 3,368,327</u> | <u>\$ 10,573,485</u> | <u>\$ 90,026,192</u> | <u>\$ 62,803,325</u> | <u>\$ 397,329,172</u> |
| \$ 203,434 | \$ 1,990 | \$ 162,085 | \$ 1,075,466 | \$ 5,141,000 |
| - | - | - | 57,243 | 5,158,480 |
| - | - | - | - | 119,901 |
| - | - | - | 891 | 197,568 |
| - | - | - | 1,793,002 | 1,793,002 |
| 3,164,893 | - | - | 88,467 | 9,447,779 |
| - | 613,524 | - | 114,042 | 2,672,177 |
| <u>3,368,327</u> | <u>615,514</u> | <u>162,085</u> | <u>3,129,111</u> | <u>24,529,907</u> |
| - | - | - | 1,355,057 | 20,542,578 |
| - | 9,957,971 | 89,864,107 | 58,319,157 | 180,328,300 |
| - | - | - | - | 23,848,081 |
| - | - | - | - | 148,080,306 |
| - | 9,957,971 | 89,864,107 | 59,674,214 | 372,799,265 |
| <u>\$ 3,368,327</u> | <u>\$ 10,573,485</u> | <u>\$ 90,026,192</u> | <u>\$ 62,803,325</u> | <u>\$ 397,329,172</u> |

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COLLIN COUNTY, TEXAS

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position

September 30, 2013

| | | |
|---|----------------------|-----------------------|
| Total fund balances – governmental funds | | \$ 372,799,265 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital project construction payments made to construct assets owned by other local governments. | | 383,793 |
| 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 | \$ 23,608,661 | |
| Buildings and systems | 172,528,867 | |
| Improvements other than buildings | 3,766,663 | |
| Machinery equipment | 21,780,075 | |
| Infrastructure | 183,649,040 | |
| Construction in progress | <u>15,188,184</u> | |
| Total capital assets | | 420,521,490 |
| 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. | \$ 114,042 | |
| 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. | 1,976,756 | |
| 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. | <u>2,672,177</u> | |
| Total deferred revenues | | 4,762,975 |
| 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 position. | | |
| | | 7,619,037 |
| 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 | (4,191,799) | |
| Bonds, notes and loans payable | (393,350,000) | |
| Compensated absences | (6,564,264) | |
| Unamortized bond premiums | <u>(28,750,519)</u> | |
| Total liabilities | | <u>(432,856,582)</u> |
| Net position of governmental activities | | <u>\$ 373,229,978</u> |

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, 2013

| | <u>General</u> | <u>General Road and Bridge</u> | <u>Health Care Foundation</u> | <u>RTR - Wylie</u> |
|--|-----------------------|------------------------------------|-----------------------------------|--------------------|
| Revenues: | | | | |
| Taxes: | | | | |
| Property | \$ 129,156,674 | \$ 2,254,403 | \$ - | \$ - |
| Licenses and permits | 378,671 | 3,780 | - | - |
| Federal and state funds | 5,033,417 | - | 1,270,265 | - |
| Fees and charges for services | 19,319,252 | 15,580,069 | 277,491 | - |
| Fines and forfeitures | 2,142,678 | 1,966,217 | - | - |
| Other local government funds | - | 89,186 | - | - |
| Rental revenues | 254,430 | - | 1,095,368 | - |
| Interest | 485,868 | 85,864 | 26,099 | - |
| Miscellaneous | 1,269,903 | 200,127 | 31,311 | - |
| Total revenues | <u>158,040,893</u> | <u>20,179,646</u> | <u>2,700,534</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General administration | 23,850,268 | - | - | - |
| Judicial | 14,598,191 | - | - | - |
| Financial administration | 9,903,760 | - | - | - |
| Legal | 10,040,658 | - | - | - |
| Public facilities | 10,575,698 | - | 82,011 | - |
| Equipment services | 2,164,730 | - | - | - |
| Public safety | 52,794,966 | - | - | - |
| Public transportation | - | 18,299,851 | - | - |
| Health and welfare | 12,075,076 | - | 2,569,180 | - |
| Culture and recreation | 841,464 | - | - | - |
| Conservation | 244,445 | - | - | - |
| Capital outlay: | 3,964,567 | 1,315,273 | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Advance refunding escrow | - | - | - | - |
| Total expenditures | <u>141,053,823</u> | <u>19,615,124</u> | <u>2,651,191</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>16,987,070</u> | <u>564,522</u> | <u>49,343</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 79,505 | - | - | - |
| Transfers out | (515,900) | - | - | - |
| Sale of assets | 3,540,233 | 159,381 | - | - |
| Debt issuance | - | - | - | - |
| Refunding escrow payments | - | - | - | - |
| Premium (discount) on sale of bonds | - | - | - | - |
| Total other financing sources (uses) | <u>3,103,838</u> | <u>159,381</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 20,090,908 | 723,903 | 49,343 | - |
| Fund balances – beginning | 165,628,061 | 18,373,712 | 8,437,046 | - |
| Fund balances – ending | <u>\$ 185,718,969</u> | <u>\$ 19,097,615</u> | <u>\$ 8,486,389</u> | <u>\$ -</u> |

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

| <u>RTR - Outer Loop</u> | <u>Debt Service</u> | <u>2007 Road Bond</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------------|---|-----------------------|
| \$ - | \$ 49,098,644 | \$ - | \$ - | \$ 180,509,721 |
| - | - | - | - | 382,451 |
| 956,145 | 300,053 | - | 6,820,890 | 14,380,770 |
| - | - | - | 3,680,974 | 38,857,786 |
| - | - | - | 213,204 | 4,322,099 |
| - | - | - | 84,200 | 173,386 |
| - | - | - | - | 1,349,798 |
| - | 286,702 | 302,306 | 133,751 | 1,320,590 |
| - | - | 235,615 | 162,474 | 1,899,430 |
| <u>956,145</u> | <u>49,685,399</u> | <u>537,921</u> | <u>11,095,493</u> | <u>243,196,031</u> |
| - | - | - | 934,707 | 24,784,975 |
| - | - | - | 1,689,053 | 16,287,244 |
| - | - | - | 1,912 | 9,905,672 |
| - | - | - | 148,095 | 10,188,753 |
| - | - | - | 34,369 | 10,692,078 |
| - | - | - | 474,640 | 2,639,370 |
| - | - | - | 2,659,151 | 55,454,117 |
| - | - | - | 346,876 | 18,646,727 |
| - | - | - | 3,111,590 | 17,755,846 |
| - | - | - | - | 841,464 |
| - | - | - | - | 244,445 |
| 956,145 | - | 14,430,776 | 10,498,226 | 31,164,987 |
| - | 28,035,000 | - | - | 28,035,000 |
| - | 16,803,031 | - | - | 16,803,031 |
| - | 339,472 | - | - | 339,472 |
| - | 4,180,537 | - | - | 4,180,537 |
| <u>956,145</u> | <u>49,358,040</u> | <u>14,430,776</u> | <u>19,898,619</u> | <u>247,963,718</u> |
| - | 327,359 | (13,892,855) | (8,803,126) | (4,767,687) |
| - | - | - | 538,323 | 617,828 |
| - | - | - | (101,928) | (617,828) |
| - | - | 37,598 | 44,609 | 3,781,821 |
| - | 46,320,000 | 25,665,000 | 2,200,000 | 74,185,000 |
| - | (46,010,000) | - | - | (46,010,000) |
| - | 3,142,016 | 2,335,000 | - | 5,477,016 |
| - | 3,452,016 | 28,037,598 | 2,681,004 | 37,433,837 |
| - | 3,779,375 | 14,144,743 | (6,122,122) | 32,666,150 |
| - | 6,178,596 | 75,719,364 | 65,796,336 | 340,133,115 |
| <u>\$ -</u> | <u>\$ 9,957,971</u> | <u>\$ 89,864,107</u> | <u>\$ 59,674,214</u> | <u>\$ 372,799,265</u> |

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, 2013

Net change in fund balances – governmental funds \$ 32,666,150

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 | \$ 14,523,793 | |
| Capital assets decreases | (7,121,621) | |
| Depreciation expense | <u>(21,911,091)</u> | |
| Total change in capital assets activity | | (14,508,919) |

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 increase long-term debt in statement of net position | (74,185,000) | |
| Debt repayment is an expenditure in governmental funds, but reduces long-term liabilities in the statement of net position. | 74,045,000 | |
| Bond premiums and bond discounts require the use of current financial resources but are amortized over the life of the bond in the statement of activities. | <u>(3,602,312)</u> | |
| Total long-term debt | | (3,742,312) |

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 are reported with the governmental activities. (511,418)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds. The changes in these revenues are as follows:

| | | |
|----------------------------------|-------------------|-------------------|
| Property taxes | (106,778) | |
| Fines and forfeitures | <u>(158,296)</u> | |
| Total changes in revenues | | (265,074) |

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 changes in these expenditures are as follows:

| | | |
|---|----------------|---------------------|
| Interest owed but not yet paid | (2,398,382) | |
| Compensated absences | <u>121,433</u> | |
| Total changes in long-term liabilities | | (2,276,949) |

Change in net position of governmental activities \$ 11,361,478

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

COLLIN COUNTY, TEXAS

Statement of Net Position

Proprietary Funds

September 30, 2013

| | <u>Business-type Activities – Collin County Toll Road Authority</u> | <u>Governmental Activities – Internal Service Funds</u> |
|---|---|---|
| Assets: | | |
| Current assets: | | |
| Cash | \$ 58,322 | \$ 2,388,203 |
| Investments | 1,728,673 | 8,938,042 |
| Receivables: | | |
| Miscellaneous receivables | - | 1,960 |
| Total current assets | <u>1,786,995</u> | <u>11,328,205</u> |
| Capital assets (net of accumulated depreciation): | | |
| Land | 9,102,732 | - |
| Buildings and systems | - | 2,159,558 |
| Machinery and equipment | - | 66,288 |
| Construction in progress | 6,269,352 | - |
| Total capital assets | <u>15,372,084</u> | <u>2,225,846</u> |
| Total assets | <u>17,159,079</u> | <u>13,554,051</u> |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | - | 3,250,308 |
| Payroll payable | - | 18,502 |
| Claims payable | - | 1,939,389 |
| Due to other funds | - | 160,000 |
| Total current liabilities | <u>-</u> | <u>5,368,199</u> |
| Noncurrent liabilities: | | |
| Advance from other funds | 17,095,325 | 566,815 |
| Total noncurrent liabilities | <u>17,095,325</u> | <u>566,815</u> |
| Total liabilities | <u>17,095,325</u> | <u>5,935,014</u> |
| Net position: | | |
| Net investment in capital assets | 15,372,084 | 2,225,846 |
| Unrestricted (deficit) | (15,308,330) | 5,393,191 |
| Total net position | <u>\$ 63,754</u> | <u>\$ 7,619,037</u> |

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, 2013

| | <u>Business-type Activities – Collin County Toll Road Authority</u> | <u>Governmental Activities – Internal Service Funds</u> |
|---|---|---|
| Cash flows from operating activities: | | |
| Receipts from customers and users | \$ - | \$ 26,059,351 |
| Insurance recovery | - | 1,557,008 |
| Administration costs | - | (4,057,212) |
| Benefits paid | - | (23,487,017) |
| Net cash provided by operating activities | <u>-</u> | <u>72,130</u> |
| Cash flows from capital financing activities: | | |
| Purchases of capital assets | (98,525) | - |
| Net cash used by capital financing activities | <u>(98,525)</u> | <u>-</u> |
| Cash flows from investing activities: | | |
| Sale (purchase) of investments | 353,342 | 1,474,183 |
| Advance from other funds | 55,959 | - |
| Interest income | <u>1,757</u> | <u>14,187</u> |
| Net cash provided by investing activities | <u>411,058</u> | <u>1,488,370</u> |
| Net increase (decrease) in cash and cash equivalents | 312,533 | 1,560,500 |
| Cash and cash equivalents – October 1, 2012 | <u>(254,211)</u> | <u>827,703</u> |
| Cash and cash equivalents – September 30, 2013 | <u>\$ 58,322</u> | <u>\$ 2,388,203</u> |
| Reconciliation of operating loss to net cash provided (used) by operating activities: | | |
| Operating loss | \$ - | \$ (525,605) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | |
| Depreciation expense | - | 105,514 |
| Other nonoperating expenses | - | (7,920) |
| Change in intergovernmental receivable | - | 81,882 |
| Change in accounts payable | - | 537,263 |
| Change in payroll payable | - | 4,403 |
| Change in due to other funds | - | 160,000 |
| Change in advance from other funds | - | (283,407) |
| Total adjustments | <u>-</u> | <u>597,735</u> |
| Net cash used in operating activities | <u>\$ -</u> | <u>\$ 72,130</u> |

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

COLLIN COUNTY, TEXAS
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
September 30, 2013

| Assets | |
|----------------------------------|----------------------|
| Cash | \$ 23,641,581 |
| Investments | 17,603,352 |
| Assets held as security deposits | 3,337,904 |
| Receivables: | |
| Miscellaneous receivables | <u>79,493</u> |
| Total assets | <u>\$ 44,662,330</u> |
| Liabilities | |
| Due to other governments | \$ 8,429,837 |
| Due to others/vouchers payable | 33,473,194 |
| Cash bonds outstanding | 2,734,394 |
| Cash deposits outstanding | <u>24,905</u> |
| Total liabilities | <u>\$ 44,662,330</u> |

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

**NOTES TO THE
FINANCIAL STATEMENTS**

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COLLIN COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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. 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.

In 2012, the County implemented GASB Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The 2013 financial reports continue to reflect these changes. GASB Statement Number 54 is intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The implementation of this statement resulted in the County reclassifying fund balances of its governmental funds.

(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, road 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), the Collin County Toll Road Authority (CCTRA) and the Collin County Health Care Foundation (HCF) qualify as blended component units. The Commissioners Court sits as the governing board of the HFC, CCTRA 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. The CCTRA was created to finance the future outer loop within the County with future toll revenues once the construction is complete.

Complete financial statements for the Health Care Foundation 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.

Discretely presented component unit

The Child Protective Services Board is the County's only discretely presented component unit. Child Protective Services Board provides additional assistance to foster children in the care of the State. The Board is appointed by the Commissioners Court but functions independent of County influence other than a limited amount of County budgeted funding which is supplemented with grant funds. The Board proposed a budget for funding and the Commissioners Court authorized the budget as part of the County's annual adopted budget.

(b) Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position 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 inter-fund transfers has been removed from these statements but continues to be reflected on the fund statements. Inter-fund services provided and used are not eliminated in the process of consolidation. Governmental activities' primary support is derived from taxes, fees, and federal and state funding.

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, the General Road and Bridge Special Revenue Fund, the RTR – Wylie Special Revenue Fund, the RTR – Outer Loop Special Revenue Fund, the Debt Service Fund and the 2007 Road Bond Capital Project Fund meet the criteria or have been selected by management as *major governmental funds*. The Health Care Foundation Special Revenue Fund is being reported as a major fund even though it did not meet the requirement criteria because it serves a major function of the County, indigent health care. Each major fund is reported in separate columns in the fund financial statements. Nonmajor funds include other Special Revenue 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.

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 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, 2012, that were due October 1, 2012, have been assessed to finance the budget of the fiscal year beginning October 1, 2012. In accordance with the modified accrual basis of accounting, the balances outstanding at November 30, 2012, 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 government reports the following major governmental funds:

The General Fund is the general operating fund of the County. 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, intergovernmental revenues, fines and investment income. Primary expenditures are for general administration, public safety, and judicial, state prosecution, and capital outlay.

The 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 in part by a designated part of the annual property tax levy, court fines and fees associated with vehicle registration.

The Health Care Foundation Special Revenue Fund is used to account for receipts restricted for indigent health care and related expenditures as administered by the Collin County Health Care Foundation.

The RTR – Wylie (FM 1378) Special Revenue Fund is used to account for a grant from the State of Texas funded with Regional Toll Revenue (RTR) which is related to the sale of roads to the North Texas Toll Road Authority. These funds will be used to rebuild FM 1378 within the city limits of the City of Wylie, Texas.

The Regional Toll Revenue – Outer Loop Phase 3 Special Revenue Fund is used to account for a grant from the State of Texas funded with Regional Toll Revenue. These funds will be used to construct a portion of the Outer Loop project.

The Debt Service Fund is used to account for property tax revenues restricted to be used to meet Collin County's debt obligations.

The 2007 Road Bond Capital Project Fund is to account for road bond proceeds for road bonds authorized by voters on November 6, 2007. Total authorized for roads and highways is \$235,600,000. Only a portion of the bonds have been issued to-date in five series, beginning 2008 and ending 2013. The remainder of the bonds will be sold as needed. The total sold through September 30, 2013 is \$100,535,000.

Series 2008 - \$25,020,000 issued July 14, 2008
Series 2009 - \$10,070,000 issued September 29, 2009
Series 2009B - \$5,590,000 issued September 29, 2009
Series 2012 - \$28,490,000 issued June 16, 2012
Series 2012 - \$31,365,000 issued June 14, 2012

Additionally, the government reports the following non-major funds:

Special Revenue Funds are used to account for specific revenue sources (other than debt proceeds) that are restricted from an outside source to be used for specified purposes.

Capital Project Funds are used to account for debt proceeds to be used for the acquisition or construction of major capital assets and infrastructure.

Internal Service Funds are used to account for financing activities internally for the County or a combination of other governments including the County on a cost-reimbursement basis. This includes activities for employee health care, workers' compensation insurance, liability insurance, and optional payroll deductions as well as an animal shelter that services the County as well as other cities within Collin County.

Enterprise Fund is used to account for business-type activities. The County's only enterprise fund is the Collin County Toll Road Authority Fund (CCTRA). Commissioners Court authorized the creation of the CCTRA enterprise fund in 2009. 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 road construction. It is the intention of Commissioners Court to eventually generate toll revenues to support this activity.

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 and the State 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.

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.

The County's fund balance policy indicates that the County will typically use restricted, committed, and/or assigned fund balances, in that order, prior to using unassigned resources, but the County reserves the right to deviate from this general strategy.

(d) Assets, Liabilities, and Net position or Equity

(1) Cash and Investments

Financial statements reporting cash include cash on hand and demand deposits. In accordance with State of Texas statutes and the County's Investment Policy idle funds are invested 2a-7 pools, in obligations of the U. S. Agencies, municipal bonds, certificate of deposit and other bank accounts that are collateralized with eligible investments.

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. 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 nonspendable fund balance in the applicable governmental funds to indicate that they are not available for appropriation. Inter-fund 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.

(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 expenditure at the time the inventory items are used. Reported inventories are offset by nonspendable 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 normally recorded as prepaid items in both government-wide and fund financial statements. There were no prepaid items to record in 2013.

(4) Restricted Net Position

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 position has an administrator who is responsible for monitoring the revenues and expenditures 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 in the equipment category are defined as equipment with an acquisition value 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.

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------------|--------------|
| 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 fulltime 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 that 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, fulltime employees accrue 7.39 hours of paid time off (PTO) 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 PTO 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.

(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 deferred gain or loss on re-funding of debt are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the year the bonds are issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs in the current year. The face amount of debt issued is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources (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.

(9) Fund Equity

In the fund financial statements, governmental funds report fund balances that are not available for appropriation or are legally restricted by outside parties for a specific purpose. As required by GASB Statement Number 54, these fund balance amounts are reported as nonspendable, restricted, committed or unassigned. Collin County has no assigned fund balances.

1. Nonspendable Fund Balance

The nonspendable fund balance is in a form that is not available for use. Collin County has two types of nonspendable fund balances, advances to others and inventories as shown below:

| | |
|---|-----------------------------|
| Fund Balances: | |
| Nonspendable: | |
| General Fund: | |
| Advances: | |
| Collin County Toll Road Authority | \$ 15,702,670 |
| North Texas Groundwater Conservation District | 285,000 |
| Animal Shelter | 566,815 |
| Inventories | <u>583,318</u> |
| Total General Fund | \$ <u>17,137,803</u> |
| General Road and Bridge Fund: | |
| Inventories | <u>2,049,718</u> |
| Other Governmental Funds: | |
| Advances: | |
| Collin County Toll Road Authority | <u>1,355,057</u> |
| Total Nonspendable | <u><u>\$ 20,542,578</u></u> |

2. Restricted Fund Balance

Limitations are imposed on a portion of fund balance by creditors, grantors, contributors, or laws and regulations of the state or federal governments. These funds are classified as restricted funds. Restricted fund balance reported in the governmental fund statements are as follows:

Fund Balances:

Restricted

General Fund:

| | | |
|-----------------------------------|----------------|---------------------|
| Housing Finance Corporation | \$ 1,080,128 | |
| Records Archive | 3,809,823 | |
| District Court Records Technology | <u>249,217</u> | |
| Total General Fund | | \$ <u>5,139,168</u> |

General Road and Bridge:

| | | |
|-----------------------|--|-------------------|
| Public transportation | | <u>17,047,897</u> |
|-----------------------|--|-------------------|

Debt Service Funds:

| | | |
|-----------------------|--|------------------|
| Debt service activity | | <u>9,957,971</u> |
|-----------------------|--|------------------|

2007 Road Bond:

| | | |
|--------------------------|--|-------------------|
| Road and bridge projects | | <u>89,864,107</u> |
|--------------------------|--|-------------------|

Other Governmental Funds:

| | | |
|--------------------------------|------------------|-----------------------|
| General administration | (18,052,393) | |
| Judicial | 6,453,054 | |
| Financial administration | 2 | |
| Legal | 455,699 | |
| Public facilities | 2,141,528 | |
| Equipment services | 8,896 | |
| Public safety | 1,836,968 | |
| Public transportation | 20,265,887 | |
| Health and welfare | 58,319 | |
| Culture and recreation | <u>9,046,411</u> | |
| Total Other Governmental Funds | | <u>58,319,157</u> |
| Total Restricted | | \$ <u>180,328,300</u> |

3. Committed Fund Balance

Fund balances that have self-imposed limitations placed by the Commissioners Court. The Commissioners Court ordered these restrictions with a Commissioners Court Order and in some cases adopted in the annual budget in separate funds for management which are rolled into the general fund for reporting. Committed fund balances are reported in the governmental fund statements as follows:

Fund Balances:

Committed

General Fund:

| | | |
|------------------------|-------------------|----------------------|
| Capital murder cases | \$ 2,000,000 | |
| Special elections | 200,000 | |
| Utilities price spikes | 500,000 | |
| Permanent Improvement | <u>12,661,692</u> | |
| Total General Fund | | \$ <u>15,361,692</u> |

Healthcare Foundation:

| | | |
|---------------------|--|----------------------|
| Indigent healthcare | | <u>8,486,389</u> |
| Total Committed | | \$ <u>23,848,081</u> |

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(a) Budgetary Information

Annual budgets are adopted for all governmental funds with the exception of capital project funds and the following special revenue funds: RTR – Wylie Fund, RTR – Outer Loop Phase 3 Fund, Tax Assessor/Collector Motor Vehicle Tax Fund, LEOSE Education Fund, District Attorney Service Fee Fund, Juvenile Case Manager Fund, District Attorney Pretrial Intervention Program Fund, SCAAP Fund, District Attorney Apportionment Fund, and the Grants Fund. The budget for capital project funds is adopted by project on a project-life term at the time debt is issued, and the budget is carried over from year to year until the funding is exhausted. All grant fund budgets are adopted at the grantor level and adoption is administrative by Commissioners Court. All governmental fund annual appropriations lapse at 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 requests 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 1st.

The appropriated budget is adopted annually by fund, department, and activity at the legal level of budgetary control. The categories of salary and benefits, training and travel, 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 the County. Encumbrances (i.e., outstanding purchase orders, contracts) outstanding at year end are reported as restrictions or commitments of fund balance and do not constitute expenditures or liabilities because the expenditures are not recognized until the goods or services have been received. The encumbrances at year-end are carried forward to the next year and the budget is increased to accommodate the additional expenditures.

III. 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 group of funds. In addition, it includes an "Investment Strategy Statement" that specifically addresses each fund group's investment options and describes the priorities of preservation and safety of principal, liquidity, marketability, diversification, and yield.

The County Investment Officers, the County Auditor and the Budget Director, 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.

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 it's agencies and Instrumentalities;
2. Direct obligations of this state 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 principle and interest on which are unconditionally guaranteed 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;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
6. Certificates of deposit issued by a state or national bank, a savings and loan association domiciled in this state, or a state or federal credit union domiciled in this state and is:
 - a. Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor,
 - b. Secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by section 2256.009(b),
 - c. Secured in any other manner and amount provided by law for deposits of the investing entity, and
 - d. Solicited by bid orally, in writing, electronically, or any combination of these methods outlined under Texas Government Code 2256.005(c).
7. Fully collateralized repurchase agreements, as defined in the Public Funds Investment Act, Government Code Section 2256.011(a)(14), (b), (c), and (d), are authorized investments if the repurchase agreement:
 - a. Has a defined termination date,
 - b. Is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act,
 - c. Requires 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. Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the state of Texas.

The County participates in three Local Government Investment Pools: TexPool, TexSTAR and Texas Class. 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. Texas Class operates under a board of trustees that is made up of five participants of the pool.

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. TexPool and TexSTAR are rated AAAM and must maintain a weighted average maturity not to exceed 60 days. The County considers the holdings in these funds to have a one day weighted average maturity 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.

The portfolio balances of all investments including cash equivalents for all funds at September 30, 2013, are as follows:

| Type of Investment | |
|-----------------------------------|----------------------|
| Local government investment pools | \$160,334,354 |
| Federal agency bonds | 53,080,784 |
| Municipal bonds | 21,038,736 |
| Certificates of deposits | 102,271,965 |
| CDARS | 14,508,412 |
| Money Market | <u>21,302,770</u> |
| Total investments | <u>\$372,537,020</u> |

The risk exposures for governmental individual major funds, non-major 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 fund-group categories: General Operating Fund Group; Debt Service Fund Group; Capital Project Bond Fund Group; and Other Funds Group.

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 which the County transacts, sufficient collateralization, portfolio diversification, and limiting maturities.

Credit Risk

The County's portfolio does not contain any investments in commercial paper or Corporate bonds. As of September 30, 2013, the local government pools (43% of the portfolio) were rated AAAM by Standard and Poor's. The federal agency bonds (14% of the portfolio) was rated AA+ by Standards and Poor's. The Municipal Bonds (6% of the portfolio) were rated AA or better by Standard and Pools. The Certificates of Deposits (27% of the portfolio) were fully collateralized in Collin County's name at the Federal Home Loan Bank of Dallas. CDARS and the money market (10% of the portfolio) are fully insured by the FDIC.

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 five years for all investment types. The weighted average maturity for all securities was 1.08 years. All investments are normally held to maturity or until called.

(c) Deposits

The September 30, 2013 carrying amount of deposits was as follows:

| | <u>Bank Deposits</u> |
|------------------------|----------------------|
| Governmental funds | \$22,861,355 |
| Proprietary type funds | 1,746,861 |
| Fiduciary type funds | <u>22,587,859</u> |
| Total | <u>\$47,196,075</u> |

All bank accounts were either insured by the FDIC 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, 2013.

(d) Property Taxes and Other Receivables

Property taxes attach 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;
3. Seis Lago's Utility District 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, General Road and Bridge Fund, and Debt Service Fund 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 increase 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 year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Taxes:

| | |
|------------------------------|------------------|
| General Fund | \$ 1,894,106 |
| Debt Service Fund | 613,524 |
| General Road and Bridge Fund | 50,505 |
| Other Special Revenue | <u>114,042</u> |
| | <u>2,672,177</u> |

Fines and Fees:

| | |
|------------------------------|------------------|
| General Fund | 1,223,612 |
| General Road and Bridge Fund | <u>753,144</u> |
| | <u>1,976,756</u> |

Unearned Grant Revenues:

| | |
|---------------------------------|------------------|
| RTR-Wylie Special Revenue Fund | 4,217,663 |
| RTR-Outer Loop Fund | 3,164,893 |
| Non-major special revenue funds | <u>88,467</u> |
| | <u>7,471,023</u> |

Total deferred revenue \$ 12,119,956

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.

(e) *Receivables*

Receivables as of year end for the government'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 Fund | General Road and Bridge Special Revenue Fund | Health Care Foundation Special Revenue Fund | Debt Service Fund | 2007 Road Bond | Non-Major Funds |
|----------------------------------|---------------------|--|---|-------------------|------------------|--------------------|
| Receivables: | | | | | | |
| Taxes | \$ 2,045,632 | \$ 46,404 | \$ - | \$ 663,176 | \$ - | \$ - |
| Fines and Fees | 4,225,257 | 2,600,683 | - | - | - | - |
| Dur from other governments | 1,309,507 | 113,094 | - | - | - | 983,723 |
| Due from other funds | 1,953,002 | - | - | - | - | - |
| Advance to other funds | 16,269,485 | - | - | - | 37,598 | 1,355,057 |
| Interest | 248,657 | - | 10,125 | - | - | - |
| Miscellaneous | 320,842 | 169,576 | - | 43,681 | - | 118,563 |
| Gross receivables | 26,372,382 | 2,929,757 | 10,125 | 706,857 | 37,598 | 2,457,343 |
| Less allowance for uncollectible | 3,095,788 | 1,849,675 | - | 30,520 | - | - |
| Net receivables | <u>\$23,276,594</u> | <u>\$ 1,080,082</u> | <u>\$ 10,125</u> | <u>\$ 676,337</u> | <u>\$ 37,598</u> | <u>\$2,457,343</u> |

(f) *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. The capitalization threshold for equipment is five thousand dollars. 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.

Many road projects and technology improvement projects have been ongoing in 2013. A summary of changes in capital assets follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|-----------------------|-----------------------|-----------------------|--------------------|-----------------------|
| Governmental activities: | | | | | |
| Capital assets, not depreciated: | | | | | |
| Land | \$ 22,470,327 | \$ 1,201,942 | \$ (45,248) | \$ (18,360) | \$ 23,608,661 |
| Construction in progress | 13,141,992 | 3,632,920 | (1,586,728) | - | 15,188,184 |
| Historical treasures | 89,760 | - | - | - | 89,760 |
| Total capital assets, not depreciated: | <u>35,702,079</u> | <u>4,834,862</u> | <u>(1,631,976)</u> | <u>(18,360)</u> | <u>38,886,605</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 268,131,698 | 1,262,994 | (12,207,869) | - | 257,186,823 |
| Improvements other than buildings | 6,865,180 | - | (258,217) | - | 6,606,963 |
| Machinery and equipment | 62,351,972 | 4,435,221 | (714,476) | - | 66,072,717 |
| Infrastructure | 286,475,888 | 5,224,426 | - | (37,598) | 291,662,716 |
| Total assets being depreciated | <u>623,824,738</u> | <u>10,922,641</u> | <u>(13,180,562)</u> | <u>(37,598)</u> | <u>621,529,219</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (79,754,739) | (8,048,467) | 5,304,808 | - | (82,498,398) |
| Improvements other than buildings | (2,739,274) | (305,970) | 204,944 | - | (2,840,300) |
| Machinery and equipment | (39,696,019) | (5,247,636) | 627,541 | - | (44,316,114) |
| Infrastructure | (99,599,144) | (8,414,532) | - | - | (108,013,676) |
| Total accumulated depreciataion | <u>(221,789,176)</u> | <u>(22,016,605)</u> | <u>6,137,293</u> | <u>-</u> | <u>(237,668,488)</u> |
| Net capital assets, being depreciated | <u>402,035,562</u> | <u>(11,093,964)</u> | <u>(7,043,269)</u> | <u>(37,598)</u> | <u>383,860,731</u> |
| Governmental activities, capital assets | <u>\$ 437,737,641</u> | <u>\$(6,259,102)</u> | <u>\$(8,675,245)</u> | <u>\$(55,958)</u> | <u>\$ 422,747,336</u> |
| Business-type activities: | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 9,079,292 | \$ 5,080 | \$ - | \$ 18,360 | \$ 9,102,732 |
| Construction in progress | 6,199,416 | 34,633 | (2,295) | 37,598 | 6,269,352 |
| Total capital assets, not depreciated | <u>15,278,708</u> | <u>39,713</u> | <u>(2,295)</u> | <u>55,958</u> | <u>15,372,084</u> |
| Business-type activities, capital assets | <u>\$ 15,278,708</u> | <u>\$ 39,713</u> | <u>\$(2,295)</u> | <u>\$ 55,958</u> | <u>\$ 15,372,084</u> |

Depreciation expense for FY 2013 was charged to functions/programs of the primary government as follows:

Depreciation:

Governmental activities:

| | |
|--------------------------|----------------|
| General administration | \$ 2,386,100 |
| Judicial | 42,804 |
| Financial administration | 153,781 |
| Public facilities | 7,805,020 |
| Equipment services | 574,213 |
| Public safety | 763,906 |
| Public transportation | 9,518,135 |
| Health and welfare | 150,743 |
| Culture and recreation | <u>516,389</u> |

Total depreciation expense - governmental activities: \$ 21,911,091

Internal Service Fund Activities:

| | |
|-------------------|---------------|
| Public facilities | 94,898 |
| Public safety | <u>10,616</u> |

Total depreciation expense: \$ 22,016,605

Construction Commitments

Collin County has active construction projects as of September 30, 2013. The projects include road and bridge construction and new facility construction. At year-end the County's outstanding commitments with contractors are as follows (in thousands):

Construction Commitments:

| <u>Project Type</u> | <u>Remaining Commitment</u> |
|-----------------------|---------------------------------|
| Public transportation | \$ 21,997,273 |
| Public facilities | <u>732,026</u> |
| Total | <u>\$ 22,729,299</u> |

(g) Long-term Debt

New Bond Issues

Collin County issues general obligation bonds and tax notes to finance major capital projects. The original issue amounts of outstanding general obligation bonds and tax notes was \$555,070,800. The County issued four new bond series. The Limited Tax Refunding and Permanent Improvement Bonds, Series 2013A was issued in an amount of \$2,200,000 to provide funding for park and open space projects. The Unlimited Tax Road and Refunding Bonds, Series 2013A issued in a total amount of \$40,295,000 of which \$25,665,000 to fund new road projects and \$14,630,000 to take advantage of bond refunding opportunities. The Limited Tax Refunding Bonds, Series 2013B in an issued amount of \$15,700,000 and Unlimited Tax Refunding Bonds, Series 2013B in an issued amount of \$15,970,000 were issued to take advantage of savings from bond refunding opportunities.

The following are general obligation bonds outstanding at September 30, 2013, and are for governmental activities only:

| Bond Issue | Interest Rates | Year Issued | Maturity | Due as of September 30, 2013 |
|--|------------------|-------------|----------|------------------------------|
| Limited Tax Permanent Improvement and Refunding Bond 2004 | 2.250% to 4.500% | 2004 | 2024 | 1,400,000 |
| Limited Tax Permanent Improvement and Refunding Bond 2005 | 3.000% to 5.000% | 2005 | 2025 | 9,490,000 |
| Limited Tax Permanent Improvement Bond 2006 | 4.000% to 5.000% | 2006 | 2026 | 25,520,000 |
| Limited Tax Permanent Improvement Bond 2007 | 4.250% to 5.000% | 2007 | 2027 | 1,760,000 |
| Limited Tax Refunding and Permanent Improvement Bond 2008 | 3.625% to 5.000% | 2008 | 2028 | 9,975,000 |
| Limited Tax Refunding and Permanent Improvement Bond 2009 | 2.000% to 5.000% | 2009 | 2025 | 25,765,000 |
| Limited Tax Permanent Improvement Build America Bond 2009B | 2.000% to 5.000% | 2009 | 2029 | 9,990,000 |
| Limited Tax Refunding Bond 2010 | 2.000% to 4.000% | 2010 | 2017 | 6,125,000 |
| Limited Tax Permanent Improvement Bonds 2011 | 3.000% to 4.250% | 2011 | 2031 | 1,985,000 |
| Limited Tax Refunding and Permanent Improvement Bonds 2012 | 2.000% to 5.000% | 2012 | 2025 | 20,655,000 |
| Limited Tax Permanent Improvement Bond 2013A | 2.500% to 4.000% | 2013 | 2033 | 2,200,000 |
| Limited Tax Refunding Bonds 2013B | 0.450% to 3.189% | 2013 | 2025 | 15,720,000 |
| Unlimited Tax Road and Refunding Bond 2004 | 2.000% to 5.000% | 2004 | 2024 | 3,025,000 |
| Unlimited Tax Road and Refunding Bond 2005 | 3.000% to 5.000% | 2005 | 2025 | 6,160,000 |
| Unlimited Tax Road Bond 2006 | 4.000% to 5.000% | 2006 | 2026 | 2,980,000 |
| Unlimited Tax Road and Refunding Bond 2007 | 4.000% to 5.000% | 2007 | 2027 | 54,375,000 |
| Unlimited Tax Road Bond 2008 | 4.000% to 5.500% | 2008 | 2028 | 34,145,000 |
| Unlimited Tax Road and Refunding Bond 2009 | 2.000% to 5.000% | 2009 | 2025 | 12,260,000 |
| Unlimited Tax Road Build America Bond 2009B | 4.600% to 6.300% | 2009 | 2029 | 5,590,000 |
| Unlimited Tax Refunding Bond 2010 | 2.000% to 5.000% | 2010 | 2020 | 10,830,000 |
| Unlimited Tax Road Bonds 2011 | 2.000% to 4.000% | 2011 | 2029 | 26,945,000 |
| Unlimited Tax Road and Refunding Bonds 2012 | 2.000% to 5.000% | 2012 | 2032 | 50,190,000 |
| Unlimited Tax Road and Refunding Bonds 2013A | 1.000% to 5.000% | 2013 | 2033 | 40,295,000 |
| Unlimited Tax Refunding Bonds 2013B | 0.650% to 4.000% | 2013 | 2025 | 15,970,000 |
| | | | | <u>\$ 393,350,000</u> |

Limited Tax Permanent Improvement and Refunding Bonds, Series 2004

(new issue authorized by voters on November 4, 2003, issued April 27, 2004)

\$14,165,000 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 \$555,000 to \$825,000. Interest payments occur semi-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 rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$11,450,000 – New issue
2,715,000 – Refunding
\$14,165,000 – Total to be paid to bondholders
\$ 1,400,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement and Refunding Bonds, Series 2005

(new issue authorized by voters on November 4, 2003, issued April 5, 2005)

\$53,865,000 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 15th, 2006 with installments ranging from \$435,000 to \$4,000,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 3.0 to 5.0%. The final principal and interest payment is due on February 15th, 2025. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$37,350,000 – New issue
\$16,515,000 – Refunding
\$53,865,000 – Total to be paid to bondholders
\$ 9,490,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement Bonds, Series 2006

(new issue authorized by voters on November 4, 2003, issued May 3, 2006)

\$33,800,000 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; (iii) pay cost of issuance associated with the sale of the Limited Tax Bonds. Principal maturities will occur annually beginning on February 15th, 2006 with installments ranging from \$680,000 to \$2,535,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.0 to 5.0%. The final principal and interest payment is due on February 15th, 2026. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$33,800,000 – New issue
\$25,520,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement Bonds, Series 2007

(new issue authorized by voters on November 4, 2003, issued March 20, 2007)

\$2,190,000 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 15th, 2008 with installments ranging from \$20,000 to \$130,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.0 to 4.35%. The final principal and interest payment is due on February 15th, 2022. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$ 2,190,000 – New issue
\$ 1,760,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement and Refunding Bonds, Series 2008

(new issue authorized by voters on November 4, 2003 and November 6, 2007, issued July 14, 2008)

\$16,715,000 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 there for; (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 occur annually beginning on February 15th, 2009 with installments ranging from \$270,000 to \$2,710,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 3.5 to 5.0%. The final principal and interest payment is due on February 15th, 2028. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$ 2,200,000 – New issue (2003 Bond Election)
4,500,000 – New issue (2007 Bond Election)
10,015,000 – Refunding
\$16,715,000 – Total to be paid to bondholders
\$ 9,975,000 – Liability as of September 30, 2013

Limited Tax Refunding and Permanent Improvement Bonds, Series 2009

(new issue authorized by voters on November 6, 2007, issued September 29, 2009)

\$30,080,000 Limited Tax Refunding and Permanent Improvement Bonds, Series 2009 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 there for; (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 15th, 2009 with installments ranging from \$1,055,000 to \$3,780,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.0 to 5.0%. The final principal and interest payment is due on February 15th, 2025. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$17,420,000 – New issue
12,660,000 – Refunding
\$30,080,000 – Total to be paid to bondholders
\$25,765,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement Bonds, Taxable Series 2009B

(new issue authorized by voters on November 6, 2007, issued September 29, 2009)

\$9,990,000 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 there for; and (iii) pay the cost of issuance associated with the sale of the these bonds. A principal amount of \$2,560 matures on February 15th, 2019, and the remaining principal amount of \$7,430,000 matures on February 15th, 2029. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.6 to 6.3%. The final principal and interest payment is due on February 15th, 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.

\$ 9,990,000 – New issue
\$ 9,990,000 – Liability as of September 30, 2013

Limited Tax Refunding Bonds, Series 2010

(authorized by Commissioners Court and issued on November 17, 2010)

\$8,120,000 Limited Tax Refunding Bonds, Series 2010 were issued to (i) refund a portion of the County's outstanding limited tax debt for debt service savings and (ii) pay costs of issuance associated with the sale of Limited Tax Bonds. Principal maturities will occur annually beginning February, 2012, with installments ranging from \$110,000 to \$1,660,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.0% to 4.0%. The final principal and interest payment is due on February 15th, 2017. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$ 8,120,000 – Refunding
\$ 6,125,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement Bonds, Series 2011

(new issue authorized by voters on November 6, 2007, issued June 16, 2012)

\$2,100,000 Limited Tax Permanent Improvement Bonds, Series 2012 were to (i) acquire and improve land for park and open space purposes, including joint county-city projects and (ii) pay the cost of issuance associated with the sale of the these bonds. Principal maturities occur annually beginning on February 15th, 2012 with installments ranging from \$45,000 to \$155,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 3.0 to 4.25%. The final principal and interest payment is due on February 15th, 2031. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$ 2,100,000 – New issue
\$ 1,985,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement Bonds, Series 2012

(new issue authorized by voters on November 6, 2007, issued May 1, 2012)

\$20,735,000 Limited Tax Permanent Improvement Bonds, Series 2012 were to (i) acquire and improve land for park and open space purposes, including joint county-city projects and (ii) pay the cost of issuance associated with the sale of the these bonds. Principal maturities will occur annually beginning on February 15th, 2013 with installments ranging from \$80,000 to \$2,535,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.0 to 5.0%. The final principal and interest payment is due on February 15th, 2032. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$ 3,270,000 – New issue
17,465,000 – Refunding
\$20,735,000 – Total to be paid to bondholders
\$20,655,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement Bonds, Series 2013A

(new issue authorized by voters on November 6, 2007, issued June 1, 2013)

\$2,200,000 Limited Tax Permanent Improvement Bonds, Series 2013A were to (i) acquire and improve land for park and open space purposes, including joint county-city projects and (ii) pay the cost of issuance associated with the sale of the these bonds. Principal maturities occur annually beginning on February 15th, 2014 with installments ranging from \$70,000 to \$150,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.5 to 4.0%. The final principal and interest payment is due on February 15th, 2033. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$ 2,200,000 – New issue

\$ 2,200,000 – Liability as of September 30, 2013

Limited Tax Refunding Bonds, Series 2013B

(authorized by Commissioners Court and issued on June 1, 2013)

\$15,720,000 Limited Tax Refunding Bonds, Series 2013B were issued to (i) refund a portion of the County's outstanding limited tax debt for debt service savings and (ii) pay costs of issuance associated with the sale of Limited Tax Bonds. Principal maturities will occur annually beginning February, 2014, with installments ranging from \$240,000 to \$1,925,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 0.45% to 3.189%. The final principal and interest payment is due on February 15th, 2025. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$15,720,000 – Refunding

\$15,720,000 – Liability as of September 30, 2013

Unlimited Tax Road & Refunding, Series 2004

(new issue authorized by voters on November 4, 2003, issued April 27, 2004)

\$54,910,000 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 \$1,440,000 to \$4,050,000. Interest payments fall on February 15th and August 15th of each year and 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 rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$44,550,000 – New issue

10,360,000 – Refunding

\$54,910,000 – Total to be paid to bondholders

\$ 3,025,000 – Liability as of September 30, 2013

Unlimited Tax Road and Refunding Bonds, Series 2005

(new issue authorized by voters on November 4, 2003, issued April 5, 2005)

\$43,175,000 Unlimited Tax Road and Refunding Bonds, Series 2005 were issued for the purpose of (i) constructing roads and highways throughout the County and (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, 2006 with installments ranging from \$200,000 to \$3,850,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 3.0 to 5.0%. The final principal and interest payment is due on February 15th, 2025. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$17,360,000 – New issue
25,815,000 – Refunding
\$43,175,000 – Total to be paid to bondholders
\$ 6,160,000 – Liability as of September 30, 2013

Unlimited Tax Road Bonds, Series 2006

(new issue authorized by voters on November 4, 2003, issued May 3, 2006)

\$15,920,000 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, 2007 with installments ranging from \$320,000 to \$1,195,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.0 to 5.0%. The final principal and interest payment is due on February 15th, 2026. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$15,920,000 – New issue
\$ 2,980,000 – Liability as of September 30, 2013

Unlimited Tax Road and Refunding Bonds, Series 2007

(new issue authorized by voters on November 4, 2003, issued March 20, 2007)

\$63,375,000 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, 2008 with installments ranging from \$380,000 to \$6,070,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.0 to 5.0%. The final principal and interest payment is due on February 15th, 2027. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$48,190,000 – New issue
15,185,000 – Refunding
\$63,375,000 – Total to be paid to bondholders
\$54,375,000 – Liability as of September 30, 2013

Unlimited Tax Road, Series 2008

(new issue authorized by voters on November 4, 2003 and November 6, 2007, issued July 14, 2008)

\$41,000,000 Unlimited Tax Road, Series 2008 was issued 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, 2009 with installments ranging from \$955,000 to \$3,045,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.0 to 5.5%. The final principal and interest payment is due on February 15th, 2028. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$15,980,000 – New issue (2003 Bond Election)
25,020,000 – New issue (2007 Bond Election)
\$41,000,000 – Total to be paid to bondholders
\$34,145,000 – Liability as of September 30, 2013

Unlimited Tax Road and Refunding Bonds, Series 2009

(new issue authorized by voters on November 6, 2007, issued September 29, 2009)

\$21,805,000 Unlimited Tax Road and Refunding Bonds, Series 2009 was issued 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 15th, 2010, in installments ranging from \$770,000 to \$2,485,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.0 to 5.0%. The final principal and interest payment is due on February 15th, 2025. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$10,070,000 – New issue
11,735,000 – Refunding
\$21,805,000 – Total to be paid to bondholders
\$12,260,000 – Liability as of September 30, 2013

Unlimited Tax Road Bonds, Taxable Series 2009B

(new issue authorized by voters on November 6, 2007, issued September 29, 2009)

\$5,590,000 Unlimited Tax Road Bonds, Taxable Series 2009B was issued 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 \$1,470,000 matures on February 15th, 2019, and the remaining principal amount of \$4,120,000 matures on February 15th, 2029. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.6 to 6.3%. The final principal and interest payment is due on February 15th, 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.

\$5,590,000 – New issue
\$5,590,000 – Liability as of September 30, 2013

Unlimited Tax Refunding Bonds, Series 2010

(authorized by Commissioners Court and issued on November 17, 2010)

\$14,810,000 Unlimited Tax Refunding Bonds, Series 2010 was issued to (i) refund a portion of the County's outstanding unlimited tax debt for debt service savings and (ii) pay costs of issuance associated with the sale of Unlimited Tax Bonds. Principal maturities will occur annually beginning February, 2012, with installments ranging from \$200,000 to \$2,110,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.0% to 5.0%. The final principal and interest payment is due on February 15th, 2020. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$14,810,000 – Refunding

\$10,830,000 – Liability as of September 30, 2013

Unlimited Tax Road, Series 2011

(new issue authorized by voters on November 6, 2007, issued June 16, 2011)

\$28,490,000 Unlimited Tax Road, Series 2012 was issued 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, 2012 with installments ranging from \$595,000 to \$1,950,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 0.4% to 4.0%. The final principal and interest payment is due on February 15th, 2031. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$28,490,000 – New issue

\$26,945,000 – Liability as of September 30, 2013

Unlimited Tax Road and Refunding Bonds, Series 2012

(new issue authorized by voters on November 6, 2007, issued May 1, 2012)

\$50,800,000 Unlimited Tax Road, Series 2012 was issued 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 of 2012 with installments ranging from \$610,000 to \$4,720,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.0% to 5.0%. The final principal and interest payment is due on February 15th, 2032. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$31,365,000 – New issue

19,435,000 – Refunding

\$50,800,000 – Total to be paid to bondholders

\$50,190,000 – Liability as of September 30, 2013

Unlimited Tax Road and Refunding Bonds, Series 2013A

(new issue authorized by voters on November 6, 2007, issued June 1, 2013)

\$40,295,000 Unlimited Tax Road, Series 2013A was issued 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 of 2014 with installments ranging from \$655,000 to \$2,760,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 1.0% to 5.0%. The final principal and interest payment is due on February 15th, 2028. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$25,665,000 – New issue
14,630,000 – Refunding
\$40,295,000 – Total to be paid to bondholders
\$40,295,000 – Liability as of September 30, 2013

Unlimited Tax Refunding Bonds, Series 2013B

(authorized by Commissioners Court and issued on June 1, 2013)

\$15,970,000 Unlimited Tax Refunding Bonds, Series 2013B was issued to (i) refund a portion of the County's outstanding unlimited tax debt for debt service savings and (ii) pay costs of issuance associated with the sale of Unlimited Tax Bonds. Principal maturities will occur annually beginning February, 2015, with installments ranging from \$495,000 to \$2,245,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 0.65% to 4.0%. The final principal and interest payment is due on February 15th, 2025. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$15,970,000 – Refunding
\$15,970,000 – Liability as of September 30, 2013

Defeased Bonds

The county defeased certain general obligation bonds in 2013 and prior years by placing the proceeds of new bonds into irrevocable trust to provide for all future debt service payments on the old bonds as well as calling certain bonds before the maturity date. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the County's financial statements. As of September 30, 2013, \$48.9 million is available in irrevocable trust funds to service defeased bond debt.

In 2013 the County issued bonds for refunding existing debt. The three issues are as follows:

- 1) The Limited Tax Refunding Bonds, Series 2013B on June 1, 2013, refunded portions of the Limited Tax Permanent Improvement and Refunding Bonds, Series 2004 and Limited Tax Permanent Improvement and Refunding Bond, Series 2005. The refunding was used to defease \$14,585,000 of existing debt by issuing \$15,720,000 of new debt.
- 2) The Unlimited Tax Road and Refunding Bonds, Series 2013A, refunded portions of the Unlimited Tax Road and Refunding Bond, Series 2004; the Unlimited Tax Road and Refunding Bond, Series 2005; and the Unlimited Tax Road Bond 2006. The refunding was used to defease \$15,230,000 of existing debt by issuing \$14,630,000 of new debt.
- 3) The Unlimited Tax Refunding Bonds, Series 2013B, refunded portions of the Unlimited Tax Road and Refunding Bond, Series 2004; the Unlimited Tax Road and Refunding Bond, Series 2005. The refunding was used to defease \$16,195,000 of existing debt by issuing \$15,970,000 of new debt.

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 currently has no cumulative rebate.

Changes in Noncurrent Liabilities

Noncurrent liabilities for the year ended September 30, 2013, were as follows (in thousands):

| Governmental activities: | Beginning | Additions | Deductions | Ending | Due within one year |
|--------------------------|----------------|---------------|---------------|----------------|------------------------|
| | Balance | | | Balance | |
| General obligation | 393,210 | 74,185 | 74,045 | 393,350 | 26,510 |
| Compensated absences | 6,686 | 8,126 | 8,248 | 6,564 | 4,500 |
| Claims and judgements | 4,610 | 7,570 | 7,042 | 5,138 | 2,975 |
| Unamortized bond premium | 25,148 | 5,477 | 1,874 | 28,751 | 311 |
| Total | <u>429,654</u> | <u>95,358</u> | <u>91,209</u> | <u>433,803</u> | <u>34,296</u> |

Compensated absences are liquidated in the funds that have employees (i.e., General Fund, General Road and Bridge Fund, Health Care Foundation Fund, etc.). The County has no other post-employment benefits due to Commissioners Court eliminating the benefit that was creating the liability in 2010.

Contractual Maturities

The annual debt service for general obligation bonds is as follows (in thousands):

| Year ending September 30: | Governmental Activities | |
|---------------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2014 | \$ 27,165 | \$ 16,662 |
| 2015 | 28,790 | 14,979 |
| 2016 | 28,350 | 13,841 |
| 2017 | 29,535 | 12,710 |
| 2018 | 29,685 | 11,529 |
| 2019-2023 | 129,140 | 40,530 |
| 2024-2028 | 91,905 | 15,942 |
| 2029-2033 | 28,780 | 2,442 |
| | <u>\$ 393,350</u> | <u>\$ 128,635</u> |

The Debt Service Fund has \$10.0 million available to service the general long-term bond retirement as of September 30, 2013. There are a number of limitations and restrictions contained in the various bond indentures. The County is in compliance with all limitations and restrictions and continues to monitor the debt proceed uses to ensure compliance.

Conduit Debt

The Housing Finance Corporation issues single-family revenue bonds to provide financial assistance to qualified homeowners. As of September 30, 2013, there are 6 series of single-family and multi-family revenue bonds outstanding, with an aggregate liability of \$613 thousand. 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.

(h) 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 year end are referred to as "Due to/from other funds." The composition of inter-fund balances as of September 30, 2013, is as follows:

| | <u>Due from</u> | <u>Due to</u> |
|--------------------------|---------------------|---------------------|
| Due to/from other funds: | | |
| Governmental Funds: | | |
| General Fund | \$ 1,953,002 | \$ - |
| Nonmajor Funds | <u>-</u> | <u>1,793,002</u> |
| Total Governmental Funds | <u>1,953,002</u> | <u>1,793,002</u> |
| Proprietary Type Funds: | | |
| Animal Safety Fund | <u>-</u> | <u>160,000</u> |
| Total | <u>\$ 1,953,002</u> | <u>\$ 1,953,002</u> |

The activity between the General Fund and other funds represent additional funding for special activities, and local matching of grants.

Interfund advance activity is as follows:

| | <u>Advance to</u> | <u>Advance from</u> |
|--|----------------------|----------------------|
| General Fund | \$ 16,269,485 | \$ - |
| 2007 Road Bond Capital Project Fund | 37,598 | - |
| Non-Major Funds | 1,355,057 | - |
| Animal Safety Internal Service Fund | - | 566,815 |
| Collin County Toll Road Authority Fund | <u>-</u> | <u>17,095,325</u> |
| Total | <u>\$ 17,662,140</u> | <u>\$ 17,662,140</u> |

These balances are a result of funding for two separate activities. The first is a \$566,815 balance to fund the Animal Shelter in the Animal Safety fund. This was planned to be financed over a ten-year period of which two years remain. The second advance activity of \$17,095,325 is financing the Collin County Toll Road Authority Fund to build the Outer Loop through Collin County. These advances are planned to be paid back in the future with toll revenues generated from this project.

All transfers are reported under other financing sources (uses). The accumulated total of interfund transfers for the fiscal year ending September 30, 2013, is as follows:

| | <u>Transfer In</u> | <u>Transfer Out</u> |
|---------------------|--------------------|---------------------|
| Governmental Funds: | | |
| General Fund | \$ 79,505 | \$ 515,900 |
| Nonmajor Funds | <u>538,323</u> | <u>101,928</u> |
| Total | <u>\$ 617,828</u> | <u>\$ 617,828</u> |

Transfers in to the General Fund (\$79,505) are made up of \$17,867 for salary supplement activity funding from special revenue funds for the District Attorney's Office and \$61,639 to close the Pre-Trial Intervention Fund. The transfer out activity from the General Fund is made up of \$215,900 of grant match funding and a \$300,000 transfer to the Courthouse Security Fund to help pay for security. The non-major fund activity includes the activity mentioned above plus an additional \$45,846 for grant match funding.

(i) Capital Contributions

Assets were transferred to the Collin County Toll Road Authority Enterprise Fund from the General Fund (\$18,361) and the 2007 Road Bond Fund (\$37,598) that were related to the Outer Loop project. A corresponding receivable (advance to other funds) was established so that the funds could be reimbursed in the future when the Outer Loop begins generating revenues.

(j) Leases

As lessor, the Health Care Foundation has a number of non-cancelable operating leases with minimum future rental revenues in aggregate of \$3,353,661. The buildings are carried at a book value of \$6,423,011 with accumulated depreciation of \$4,720,141. Future minimum rental payments applicable to the operating leases are as follows:

| Fiscal year: | HCF Contractual Future Rental Revenues |
|--------------|---|
| 2014 | \$ 1,065,648 |
| 2015 | 1,005,577 |
| 2016 | 491,607 |
| 2017 | 341,429 |
| 2018 | 198,638 |
| 2019 | 66,870 |
| 2020 | 66,870 |
| 2021 | 66,870 |
| 2022 | 50,153 |
| Total | <u>\$ 3,353,662</u> |

Collin County leases office space under operating leases that expire over periods of up to ten years. Most of the leases are non-cancelable and renewal options are available. The aggregate total of these lease obligations is \$3,508,558 for the year ended September 30, 2013. At September 30, 2013, future minimum rental payments applicable to the operating leases are as follows:

| Fiscal year: | <u>Contractual Future Rental Obligations</u> |
|--------------|--|
| 2014 | \$ 1,061,817 |
| 2015 | 994,520 |
| 2016 | 529,925 |
| 2017 | 451,465 |
| 2018 | 220,068 |
| 2019 | 66,870 |
| 2020 | 66,870 |
| 2021 | 66,870 |
| 2022 | <u>50,153</u> |
| Total | <u>\$ 3,508,558</u> |

(k) Restricted and Committed Encumbrances

Encumbrances at year end are reported as restricted or committed fund balance. Total encumbrances in governmental funds as of September 30, 2013 were \$39,901,136. These encumbrances by fund are as follows:

| | |
|--|----------------------|
| General Fund | \$ 7,216,142 |
| General Road and Bridge Special Revenue Fund | 4,814,037 |
| Health Care Foundation Special Revenue Fund | 851,268 |
| RTR - Wylie Grant Special Revenue Fund | - |
| RTR - Outer Loop Grant Special Revenue Fund | 440,186 |
| Debt Service Fund | - |
| 2007 Road Bond Capital Project Fund | 16,251,636 |
| Non-major funds | <u>\$ 10,327,867</u> |
| Total Encumbrances | <u>\$ 39,901,136</u> |

Significant encumbrances of these funds are as follows:

- **General Fund**
 - \$2.6 million is encumbered for facilities projects;
 - \$1.8 million is encumbered for the Information Technology and Telecommunications Departments, most of which is for capital project activity;
 - \$1.4 million is encumbered in the Non-Departmental Department of which \$831 thousand is for temporary workers, \$197 thousand is for consulting work, \$334 is for maintenance contracts;
 - \$575 thousand is encumbered in Equipment Services of which most of which is for the purchase of new vehicles and heavy equipment;
- **General Road and Bridge Special Revenue Fund**
 - Of the \$4.8 million encumbered in the General Road and Bridge Special Revenue Fund, an amount of \$3.4 million is for road materials and \$1.2 million is for capital equipment;

- **Health Care Foundation Special Revenue Fund**
 - Of the \$851 thousand encumbered in the Health Care Foundation Special Revenue Fund an amount of \$289 thousand is for Project Access, \$139 thousand is for consulting work, \$270 thousand is for grant awards, and \$121 thousand is for software maintenance;
- **RTR – Outer Loop Grant Special Revenue Fund**
 - The \$440 thousand encumbered in the RTR – Outer Loop Grant Special Revenue Fund is for a road construction contract;
- **2007 Road Bond Capital Project Fund**
 - The \$16.3 million encumbered in the 2007 Road Bond Capital Project Fund for road engineering and construction contracts;
- **Non-major funds**
 - \$5.1 million is encumbered for road and bridge engineering and construction contracts;
 - \$1.2 million is encumbered for technology projects;
 - \$3.6 million is encumbered for facilities and parks projects.

IV. 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 Healthcare, administers the County plan. During the year ended September 30, 2013, the County paid \$800 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. Individual stop-loss deductible is \$100 per person.

Collin County had an increase of \$955 thousand (5.3%) in health insurance benefit expenditures in 2013. The net position decreased \$1.1 million from the prior year to a level of \$1.8 million. Premiums remained almost the same in 2013 as in 2012. Management continues to monitor the claims and has made changes to coverage to help keep costs down.

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 \$275,000. 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.

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 the other funds they service. 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 2013 and 2012 follow (in thousands):

| | <u>Liability</u> | <u>Estimates</u> | <u>Payments</u> | <u>Liability</u> |
|----------------------------|------------------|------------------|-----------------|------------------|
| 2013 Employee Medical | \$ 855 | \$ 18,773 | \$ 18,773 | \$ 855 |
| 2012 Employee Medical | 855 | 17,818 | 17,818 | 855 |
| 2013 Workers' Compensation | 638 | 411 | 411 | 638 |
| 2012 Workers' Compensation | 638 | 596 | 596 | 638 |
| 2013 Claims Liability | 447 | 994 | 994 | 447 |
| 2012 Claims Liability | 447 | 939 | 939 | 447 |

(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.

(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. There is no liability as of September 30, 2013, because the full longevity payment has been recorded in the governmental fund statements as a current expenditure since the liability was paid as part of the last payroll in 2013.

(d) Post-Retirement Health Benefits

Plan Description

The County's post-employment benefit plan is a single-employer defined benefit plan. Effective February of 2013 the County offers health benefits at actuarial cost and no longer offers supplements. 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 Medicare upon eligibility for Medicare coverage. No post-employment liability exists since retirees are paying the full cost of this benefit.

(e) Retirement Commitments

(1) Plan Description

The County provides retirement, disability and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (the 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 655 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 or can be viewed at www.tcdrs.org.

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 an amount of 8.5% in 2013 which was an increase from the 7.7% in 2012 but still less than the 13.5% in 2011. This decrease from 2011 to 2012 was due to the County making a lump sum payment of \$40.5 million in 2012. This carried over into allowing a lower rate in 2013 of 8.5% and will allow lower contribution amounts for years to come. The actuarial required rate was 8.06% in 2013 and 7.64% in 2012. The contribution rate payable by the employee members for the calendar years of 2013 and 2012 was 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.

(e) Retirement Commitments

(3) Annual Pension Cost

For the accounting year ended September 30, 2013, the employer paid pension expenditures for the County to the TCDRS plan were \$6,687,112 and the required contributions were \$6,510,287. The actual contributions were actuarially determined as a percentage of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actual actuarial valuations as of December 31, of 2010, 2011 and 2012, the basis for assessing the adequacy of the financing arrangement beginning with the contribution rates for calendar years 2010 and ending with 2012. As of December 31, 2012, the County's retirement plan was 99.10% funded. The December 31, 2012 actuarial valuation is the most recent valuation and provided the following information:

Actuarial Valuation Information

| | | | |
|-------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Actuarial valuation date | 12/31/2010 | 12/31/2011 | 12/31/2012 |
| Actuarial cost method | entry age | entry age | entry age |
| Amortization method | level percent of payroll, closed | level percent of payroll, closed | level percent of payroll, closed |
| Amortization period in years | 20.0 | 2.3 | 2.8 |
| Asset valuation method | | | |
| Subdivision Accumulation Fund | 10-yr smoothed value | 10-yr smoothed value | 10-yr smoothed value |
| Employees Saving Fund | Fund value | Fund value | Fund value |
| Assumptions: | | | |
| Investment return – includes | | | |
| Inflation at the stated rate | 8.0% | 8.0% | 8.0% |
| Projected salary increases – | | | |
| Includes inflation at the | | | |
| stated rate | 5.4% | 5.4% | 5.4% |
| Inflation | 3.5% | 3.5% | 3.5% |
| Cost-of-living adjustments | 0.0% | 0.0% | 0.0% |

Schedule of Funding Information

| | | | |
|---|---------------|---------------|---------------|
| Actuarial valuation date | 12/31/2010 | 12/31/2011 | 12/31/2012 |
| Actuarial value of assets | \$242,207,446 | \$292,341,994 | \$307,712,427 |
| Actuarial accrued liability (AAL) | \$277,377,627 | \$294,809,845 | \$310,506,865 |
| Unfunded or (overfunded) actuarial accrued liability [UAAL or (OAAL)] | \$ 35,170,181 | \$ 2,467,861 | \$ 2,794,438 |
| Funded ratio | 87.32% | 99.16% | 99.10% |
| Annual covered payroll (actuarial) | \$85,291,381 | \$85,213,179 | \$84,306,943 |
| UAAL or (OAAL) as percentage of covered payroll | 41.24% | 2.90% | 3.31% |

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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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, 2013

| | <u>Budget</u> | | <u>Actual</u> | Variance with Final Budget positive (negative) |
|---|-----------------------|-----------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property | \$ 127,714,748 | \$ 127,714,748 | \$ 129,156,674 | \$ 1,441,926 |
| Licenses and permits | 279,000 | 279,000 | 378,671 | 99,671 |
| Federal and state funds | 3,825,422 | 3,825,422 | 5,033,417 | 1,207,995 |
| Fees and charges for services | 19,282,520 | 19,282,520 | 19,319,252 | 36,732 |
| Fines and forfeitures | 1,962,155 | 1,962,155 | 2,142,678 | 180,523 |
| Rental revenues | 236,481 | 236,481 | 254,430 | 17,949 |
| Interest | 1,341,100 | 1,341,100 | 485,868 | (855,232) |
| Miscellaneous | 526,000 | 656,746 | 1,269,903 | 613,157 |
| Total revenues | <u>155,167,426</u> | <u>155,298,172</u> | <u>158,040,893</u> | <u>2,742,721</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General administration | 32,623,530 | 31,455,340 | 23,850,268 | 7,605,072 |
| Judicial | 15,387,816 | 15,459,309 | 14,598,191 | 861,118 |
| Financial administration | 10,587,260 | 10,604,355 | 9,903,760 | 700,595 |
| Legal | 10,557,924 | 10,557,924 | 10,040,658 | 517,266 |
| Public facilities | 11,543,639 | 11,621,462 | 10,575,698 | 1,045,764 |
| Equipment services | 2,735,184 | 2,735,184 | 2,164,730 | 570,454 |
| Public safety | 54,993,353 | 55,191,907 | 52,794,966 | 2,396,941 |
| Health and welfare | 11,801,758 | 12,543,308 | 12,075,076 | 468,232 |
| Culture and recreation | 878,353 | 878,353 | 841,464 | 36,889 |
| Conservation | 262,787 | 262,787 | 244,445 | 18,342 |
| Capital outlay | <u>10,250,112</u> | <u>10,181,977</u> | <u>3,964,567</u> | <u>6,217,410</u> |
| Total expenditures | <u>161,621,716</u> | <u>161,491,906</u> | <u>141,053,823</u> | <u>20,438,083</u> |
| Excess of revenues over expenditures | <u>(6,454,290)</u> | <u>(6,193,734)</u> | <u>16,987,070</u> | <u>23,180,804</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | 79,505 | 79,505 | - |
| Transfers out | (300,000) | (553,735) | (515,900) | 37,835 |
| Sale of assets | - | 3,521,872 | 3,540,233 | 18,361 |
| Total other financing sources (uses) | <u>(300,000)</u> | <u>3,047,642</u> | <u>3,103,838</u> | <u>56,196</u> |
| Net change in fund balance | <u>(6,754,290)</u> | <u>(3,146,092)</u> | <u>20,090,908</u> | <u>23,237,000</u> |
| Fund balance – beginning | <u>165,628,061</u> | <u>165,628,061</u> | <u>165,628,061</u> | <u>-</u> |
| Fund balance – ending | <u>\$ 158,873,771</u> | <u>\$ 162,481,969</u> | <u>\$ 185,718,969</u> | <u>\$ 23,237,000</u> |

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, 2013

| | Budget | | Actual | Variance with Final Budget positive (negative) |
|--------------------------------------|--------------|--------------|--------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property | \$ 2,231,084 | \$ 2,231,084 | \$ 2,254,403 | \$ 23,319 |
| Licenses and permits | - | 3,780 | 3,780 | - |
| Fees & charges for services: | | | | |
| Road mileage fees | 7,760,445 | 7,760,445 | 7,537,817 | (222,628) |
| Vehicle title fees | 734,645 | 734,645 | 888,080 | 153,435 |
| Road & bridge fees | 6,419,201 | 6,419,201 | 7,154,172 | 734,971 |
| Total fees & charges for services | 14,914,291 | 14,914,291 | 15,580,069 | 665,778 |
| Fines and forfeitures: | | | | |
| County clerk | 1,235,184 | 1,235,184 | 1,461,111 | 225,927 |
| District clerk | 472,028 | 472,028 | 505,106 | 33,078 |
| Total fines and forfeitures | 1,707,212 | 1,707,212 | 1,966,217 | 259,005 |
| Other local government funds | - | 89,186 | 89,186 | - |
| Interest | 140,000 | 140,000 | 85,864 | (54,136) |
| Miscellaneous: | | | | |
| Sale of road and bridge materials | 91,900 | 91,900 | 182,941 | 91,041 |
| Other and grants | 6,430 | 6,430 | 17,186 | 10,756 |
| Total miscellaneous | 98,330 | 98,330 | 200,127 | 101,797 |
| Total revenues | 19,090,917 | 19,183,883 | 20,179,646 | 995,763 |
| Expenditures: | | | | |
| Current: | | | | |
| Public Transportation: | | | | |
| Road and Bridge Maintenance: | | | | |
| Salaries and benefits | 5,222,533 | 5,222,533 | 4,881,583 | 340,950 |
| Training and travel | 11,616 | 11,616 | 7,511 | 4,105 |
| Maintenance and operating | 16,642,538 | 16,642,538 | 12,064,572 | 4,577,966 |
| Total Road and Bridge Maintenance | 21,876,687 | 21,876,687 | 16,953,666 | 4,923,021 |
| Engineering: | | | | |
| Salaries and benefits | 407,516 | 407,516 | 403,721 | 3,795 |
| Training and travel | 12,985 | 12,985 | 6,648 | 6,337 |
| Maintenance and operating | 6,608 | 6,608 | 2,687 | 3,921 |
| Total Engineering | 427,109 | 427,109 | 413,056 | 14,053 |

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, 2013

| | Budget | | Actual | Variance with Final Budget positive (negative) |
|--|---------------|---------------|---------------|---|
| | Original | Final | | |
| Services and Operations: | | | | |
| Salaries and benefits | \$ 451,319 | \$ 451,319 | \$ 426,138 | \$ 25,181 |
| Training and travel | 10,493 | 10,493 | 135 | 10,358 |
| Maintenance and operating | 4,229 | 4,229 | 2,093 | 2,136 |
| Total Services and Operations | 466,041 | 466,041 | 428,366 | 37,675 |
| Soil Conservation: | | | | |
| Maintenance and operating | 61,407 | 61,407 | 53,473 | 7,934 |
| Special Projects: | | | | |
| Salaries and benefits | 211,278 | 211,278 | 177,575 | 33,703 |
| Training and travel | 1,425 | 1,425 | - | 1,425 |
| Maintenance and operating | 600 | 600 | 279 | 321 |
| Total Special Projects | 213,303 | 213,303 | 177,854 | 35,449 |
| Non-departmental: | | | | |
| Maintenance and operating | 400,100 | 400,100 | 273,436 | 126,664 |
| Total public transportation | 23,444,647 | 23,444,647 | 18,299,851 | 5,144,796 |
| Capital Outlay: | | | | |
| Public Transportation: | | | | |
| Road and Bridge Maintenance | 2,693,217 | 2,693,217 | 1,315,273 | 1,377,944 |
| Total Capital Outlay | 2,693,217 | 2,693,217 | 1,315,273 | 1,377,944 |
| Total expenditures | 26,137,864 | 26,137,864 | 19,615,124 | 6,522,740 |
| Excess (deficiency) of revenues over (under) expenditures | (7,046,947) | (6,953,981) | 564,522 | 7,518,503 |
| Other financing sources (uses): | | | | |
| Sale of assets | - | 159,380 | 159,381 | 1 |
| Total other financing sources (uses) | - | 159,380 | 159,381 | 1 |
| Net change in fund balance | (7,046,947) | (6,794,601) | 723,903 | 7,518,504 |
| Fund balance – beginning | 18,373,712 | 18,373,712 | 18,373,712 | - |
| Fund balance – ending | \$ 11,326,765 | \$ 11,579,111 | \$ 19,097,615 | \$ 7,518,504 |

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, 2013

| | <u>Budget</u> | | <u>Actual</u> | Variance with |
|--|---------------------|---------------------|---------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | Final Budget |
| | | | | positive |
| | | | | (negative) |
| Revenues: | | | | |
| Federal and state funds | \$ 50,000 | \$ 1,269,042 | \$ 1,270,265 | \$ 1,223 |
| Fees and charges for services | 1,332,400 | 332,400 | 277,491 | (54,909) |
| Rental revenues | 1,123,552 | 1,123,552 | 1,095,368 | (28,184) |
| Interest | 50,000 | 50,000 | 26,099 | (23,901) |
| Miscellaneous | 15,000 | 15,000 | 31,311 | 16,311 |
| Total revenues | <u>2,570,952</u> | <u>2,789,994</u> | <u>2,700,534</u> | <u>(89,460)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Health and Welfare: | | | | |
| Salaries and benefits | 1,466,468 | 1,467,503 | 1,462,371 | 5,132 |
| Training and travel | 18,000 | 18,000 | 5,884 | 12,116 |
| Maintenance and operating | 3,143,629 | 3,347,892 | 1,100,925 | 2,246,967 |
| Total health and welfare | <u>4,628,097</u> | <u>4,833,395</u> | <u>2,569,180</u> | <u>2,264,215</u> |
| Public Facilities: | | | | |
| Maintenance and operating | 183,789 | 183,789 | 82,011 | 101,778 |
| Total public facilities | <u>183,789</u> | <u>183,789</u> | <u>82,011</u> | <u>101,778</u> |
| Capital Outlay: | | | | |
| Health and Welfare | 12,553 | 12,553 | - | 12,553 |
| Total Capital Outlay | <u>12,553</u> | <u>12,553</u> | <u>-</u> | <u>12,553</u> |
| Total expenditures | <u>4,824,439</u> | <u>5,029,737</u> | <u>2,651,191</u> | <u>2,378,546</u> |
| Excess (deficiency) of revenues over (under) expenditures | (2,253,487) | (2,239,743) | 49,343 | 2,289,086 |
| Fund balance – beginning | 8,437,046 | 8,437,046 | 8,437,046 | - |
| Fund balance -- ending | <u>\$ 6,183,559</u> | <u>\$ 6,197,303</u> | <u>\$ 8,486,389</u> | <u>\$ 2,289,086</u> |

COLLIN COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2013

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(a) Budgetary Information

Annual budgets are adopted for all governmental funds with the exception of capital project funds and the following special revenue funds: RTR – Wylie Fund, RTR – Outer Loop Phase 3 Fund, Tax Assessor/Collector Motor Vehicle Tax Fund, LEOSE Education Fund, District Attorney Service Fee Fund, Juvenile Case Manager Fund, District Attorney Pretrial Intervention Program Fund, SCAAP Fund, District Attorney Apportionment Fund, and the Grants Fund. The budget for capital project funds is adopted by project on a project-life term at the time debt is issued, and the budget is carried over from year to year until the funding is exhausted. All grant fund budgets are adopted at the grantor level and adoption is administrative by Commissioners Court. All governmental fund annual appropriations lapse at 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 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 1st or as soon as possible thereafter the budget and the tax rate are adopted with tax notices mailed on or after October 1st.

The appropriated budget is adopted annually by fund, department, and activity at the legal level of budgetary control. The categories of salary and benefits, training and travel, 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 the County. Encumbrances (i.e. outstanding purchase orders, contracts) outstanding at year end are reported as restrictions or commitments of fund balance and do not constitute expenditures or liabilities because the expenditures are not recognized until the goods or services have been received. The encumbrances at year-end are carried forward to the next year and the budget is increased to accommodate the additional expenditures.

**Employees Retirement System Schedule of Funding Progress
(thousands)**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | (Unfunded) Assets in Excess of AAL (a-b) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|-----------------------------|--|---|--|--------------------------|-------------------------------------|---|
| December 31,2010 | \$ 242,207 | \$ 277,378 | \$(35,171) | 87.32% | \$ 85,291 | 41.24% |
| December 31,2011 | 292,342 | 294,810 | (2,468) | 99.16% | 85,213 | 2.90% |
| December 31,2012 | 307,712 | 310,507 | (2,795) | 99.10% | 84,307 | 3.32% |

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Texas
New York
Washington, DC
Connecticut
Seattle
Dubai
London

Bracewell & Giuliani LLP
1445 Ross Avenue
Suite 3800
Dallas, Texas
75202-2711

[CLOSING DATE]

\$ _____
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS,
SERIES 2014

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 ROAD BONDS, SERIES 2014, dated June 15, 2014.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the orders adopted by the Commissioners Court of the Issuer authorizing their issuance and ratifying and confirming their issuance (collectively, the "Order").

WE HAVE represented the Issuer as its bond counsel for the 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, on which we have relied in giving our opinion. The transcript contains 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. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, United States Department of the Treasury Regulations and published 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; and
- (B) 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 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 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 advisor and the underwriters of the Bonds with respect to matters solely within the knowledge of the Issuer, the Issuer's financial advisor 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. If such 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.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, 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, low and middle income taxpayers qualifying for the health insurance premium assistance credit, 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).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may

hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the 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.

Texas
New York
Washington, DC
Connecticut
Seattle
Dubai
London

Bracewell & Giuliani LLP
1445 Ross Avenue
Suite 3800
Dallas, Texas
75202-2711

[CLOSING DATE]

§ _____
COLLIN COUNTY, TEXAS
LIMITED TAX PERMANENT IMPROVEMENT AND REFUNDING BONDS,
SERIES 2014

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 PERMANENT IMPROVEMENT AND REFUNDING BONDS, SERIES 2014, dated June 15, 2014.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the orders adopted by the Commissioners Court of the Issuer authorizing their issuance and ratifying and confirming their issuance (collectively, the "Order").

WE HAVE represented the Issuer as its bond counsel for the 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, on which we have relied in giving our opinion. The transcript 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 acquired with the proceeds of the Bonds; 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 also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, United States Department of the Treasury Regulations and published 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 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 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 advisor and the underwriters of the Bonds with respect to matters solely within the knowledge of the Issuer, the Issuer's financial advisor 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 ownership of, receipt of interest on, 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, low and middle income taxpayers qualifying for the health insurance premium assistance credit, 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).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the 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.

Financial Advisory Services
Provided By

FirstSouthwest 

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes 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 NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS



\$25,045,000
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS, SERIES 2014

Dated Date: June 15, 2014

Accrues from Delivery Date

Due: February 15, as shown below

PAYMENT TERMS . . . Interest on the \$25,045,000 Collin County, Texas Unlimited Tax Road Bonds, Series 2014 (the "Unlimited Tax Bonds") will accrue from the date of initial delivery (the "Delivery Date") to the initial purchasers shown below (the "Underwriters"), and will be payable February 15, 2015, and on each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Unlimited Tax Bonds 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, particularly Article III, Section 52 of the Texas Constitution, as amended, Chapters 1371 and 1471, Texas Government Code, as amended, a County-wide election held on November 6, 2007, and a bond order (the "Unlimited Tax Order") adopted by the Commissioners Court of the County on July 7, 2014, in which the Commissioners Court delegated pricing of the Unlimited Tax Bonds and certain other matters to the County Judge who approved and executed an "Unlimited Tax Pricing Certificate" dated July 8, 2014, which completed the sale of the Unlimited Tax Bonds (the Unlimited Tax Order and the Unlimited Tax Pricing Certificate are jointly referred to as the "Unlimited Tax Bond Order." The Unlimited Tax Bonds are direct obligations of Collin County, Texas (the "County"), payable from a continuing direct ad valorem tax levied on a taxable property within the County, without legal limit as to rate or amount, as provided by 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) construct, maintain and operate macadamized, graveled or paved roads and turnpikes, or in aid thereof, throughout the County, including participation in joint city-county projects; and (ii) pay costs of issuance associated with the sale of the Unlimited Tax Bonds.

MATURITY SCHEDULE

CUSIP Prefix: 194740 ⁽¹⁾

| Amount | (2-15) Maturity | Interest Rate | Initial Yield | CUSIP Suffix ⁽¹⁾ | Amount | (2-15) Maturity | Interest Rate | Initial Yield | CUSIP Suffix ⁽¹⁾ |
|------------|--------------------|------------------|------------------|--------------------------------|--------------|--------------------|------------------|----------------------|--------------------------------|
| \$ 785,000 | 2015 | 2.00% | 0.20% | GA8 | \$ 1,240,000 | 2025 | 5.00% | 2.62% ⁽²⁾ | GL4 |
| 845,000 | 2016 | 3.00% | 0.28% | GB6 | 1,305,000 | 2026 | 5.00% | 2.73% ⁽²⁾ | GM2 |
| 875,000 | 2017 | 3.00% | 0.59% | GC4 | 1,370,000 | 2027 | 5.00% | 2.82% ⁽²⁾ | GN0 |
| 895,000 | 2018 | 2.00% | 0.95% | GD2 | 1,440,000 | 2028 | 5.00% | 2.92% ⁽²⁾ | GP5 |
| 925,000 | 2019 | 5.00% | 1.30% | GE0 | 1,505,000 | 2029 | 4.00% | 3.28% ⁽²⁾ | GQ3 |
| 970,000 | 2020 | 4.00% | 1.62% | GF7 | 1,570,000 | 2030 | 4.00% | 3.36% ⁽²⁾ | GR1 |
| 1,015,000 | 2021 | 5.00% | 1.89% | GG5 | 1,630,000 | 2031 | 4.00% | 3.42% ⁽²⁾ | GS9 |
| 1,065,000 | 2022 | 5.00% | 2.15% | GH3 | 1,700,000 | 2032 | 4.00% | 3.48% ⁽²⁾ | GT7 |
| 1,120,000 | 2023 | 5.00% | 2.35% | GJ9 | 1,770,000 | 2033 | 4.00% | 3.54% ⁽²⁾ | GU4 |
| 1,180,000 | 2024 | 5.00% | 2.49% | GK6 | 1,840,000 | 2034 | 4.00% | 3.59% ⁽²⁾ | GV2 |

(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.

(2) Priced to the February 15, 2024 optional redemption date at a price of par.

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Unlimited Tax Bonds having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

SEPARATE ISSUES . . . The Unlimited Tax Bonds are being offered by the County concurrently with its Limited Tax Refunding and Improvement Bonds, Series 2014 (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 Bracewell & Giuliani LLP, Bond Counsel, Dallas, Texas (see Appendix C - "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton 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 July 31, 2014 (the "Delivery Date").

CITIGROUP

ESTRADA HINOJOSA & COMPANY, INC.

STEPHENS INC.

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NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes 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 NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS



**\$23,380,000
COLLIN COUNTY, TEXAS
LIMITED TAX REFUNDING AND IMPROVEMENT BONDS, SERIES 2014**

Dated Date: June 15, 2014
Accrues from Delivery Date

Due: February 15, as shown below

PAYMENT TERMS . . . Interest on the \$23,380,000 Collin County, Texas, Limited Tax Refunding and Improvement Bonds, Series 2014 (the "Limited Tax Bonds") will accrue from the date of initial delivery (the "Delivery Date") to the initial purchasers shown below (the "Underwriters"), and will be payable February 15, 2015, and on each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Limited Tax Bonds 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 being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 1207 and 1371, Texas Government Code, as amended and Chapter 331, Texas Local Government Code, as amended, a County-wide election held on November 6, 2007, and a bond order (the "Limited Tax Order") adopted by the Commissioners Court of the County on July 7, 2014, in which the Commissioners Court delegated pricing of the Limited Tax Bonds and certain other matters to the County Judge who approved and executed a "Limited Tax Pricing Certificate" dated July 8, 2014, which completed the sale of the Limited Tax Bonds (the Limited Tax Order and the Limited Tax Pricing Certificate are jointly referred to as the "Limited Tax Bond Order." The Limited Tax Bonds are direct obligations of Collin County, Texas (the "County"), payable from a continuing direct ad valorem tax levied on a taxable property within the County, within the limits prescribed law, as provided by the Limited Tax Bond Order (see "The Bonds - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Limited Tax Bonds will be used for: (i) acquiring and improving land for park and open space purposes, including joint city-county projects, (ii) refund a portion of the County's outstanding limited tax bonds described in Schedule I (the "Refunded Bonds") for debt service savings; and (iii) paying the costs of issuance associated with the sale of the Limited Tax Bonds.

MATURITY SCHEDULE

CUSIP Prefix: 194740⁽¹⁾

| Amount | (2-15) Maturity | Interest Rate | Initial Yield | CUSIP Suffix ⁽¹⁾ | Amount | (2-15) Maturity | Interest Rate | Initial Yield | CUSIP Suffix ⁽¹⁾ |
|------------|--------------------|------------------|------------------|--------------------------------|--------------|--------------------|------------------|----------------------|--------------------------------|
| \$ 555,000 | 2015 | 2.000% | 0.20% | FJ0 | \$ 2,150,000 | 2023 | 5.000% | 2.37% | FS0 |
| 1,615,000 | 2016 | 3.000% | 0.29% | FK7 | 2,260,000 | 2024 | 5.000% | 2.51% | FT8 |
| 1,595,000 | 2017 | 4.000% | 0.60% | FL5 | 2,385,000 | 2025 | 5.000% | 2.64% ⁽²⁾ | FU5 |
| 1,670,000 | 2018 | 5.000% | 0.97% | FM3 | 2,515,000 | 2026 | 5.000% | 2.75% ⁽²⁾ | FV3 |
| 1,760,000 | 2019 | 5.000% | 1.30% | FN1 | 115,000 | 2027 | 3.000% | 3.18% | FW1 |
| 1,845,000 | 2020 | 4.000% | 1.65% | FP6 | 120,000 | 2028 | 3.125% | 3.31% | FX9 |
| 1,935,000 | 2021 | 5.000% | 1.93% | FQ4 | 125,000 | 2029 | 3.250% | 3.39% | FY7 |
| 2,040,000 | 2022 | 5.000% | 2.17% | FR2 | | | | | |

\$695,000 3.625% TERM BOND DUE FEBRUARY 15, 2034 PRICED TO YIELD 3.74% CUSIP #194740FZ4

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(2) Priced to the February 15, 2024 optional redemption date at a price of par.

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Limited Tax Bonds having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption"). In addition, the Limited Tax Bonds maturing February 15, 2034 are subject to mandatory sinking fund redemption, as further described herein. (See "THE BONDS - Optional Redemption" and "THE BONDS - Mandatory Redemption" herein.)

SEPARATE ISSUES . . . The Limited Tax Bonds are being offered by the County concurrently with its Unlimited Tax Road Bonds, Series 2014 (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 Bracewell & Giuliani LLP, Bond Counsel, Dallas, Texas (see Appendix C - "Forms of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton 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 July 31, 2014 (the "Delivery Date").

CITIGROUP

ESTRADA HINOJOSA & COMPANY, INC.

STEPHENS INC.

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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 \$25,045,000 Unlimited Tax Road Bonds, Series 2014 (the "Unlimited Tax Bonds"). The Unlimited Tax Bonds mature serially on February 15 in each of the years 2015 through 2034 (see "The Bonds - Description of the Bonds").
- THE LIMITED TAX BONDS** The Limited Tax Bonds are issued as \$23,380,000 Limited Tax Refunding and Improvement Bonds, Series 2014 (the "Limited Tax Bonds"). The Limited Tax Bonds mature serially on February 15 in each of the years 2015 through 2029, and as Term Bonds maturing on February 15, 2034 (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 the Delivery Date, and is payable February 15, 2015, and each August 15 and February 15 thereafter until maturity or prior redemption (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, Article III, Section 52 of the Texas Constitution, as amended, Chapters 1371 and 1471, Texas Government Code, as amended, a County-wide election held on November 6, 2007, and a bond order (the "Limited Tax Order") adopted by the Commissioners Court of the County on July 7, 2014, in which the Commissioners Court delegated pricing of the Unlimited Tax Bonds and certain other matters to the County Judge who approved and executed an "Unlimited Tax Pricing Certificate" dated July 8, 2014, which completed the sale of the Unlimited Tax Bonds (the Unlimited Tax Order and the Unlimited Tax Pricing Certificate are jointly referred to as the Unlimited Tax Bond Order (see "The Bonds - Authority for Issuance").
- The Limited Tax Bonds are issued pursuant to the Constitution and general laws of the State, particularly, Chapters 1207 and 1371, Texas Government Code, as amended and Chapter 331, Texas Local Government Code, as amended, a County-wide election held on November 6, 2007, and a bond order (the "Limited Tax Order") adopted by the Commissioners Court of the County on July 7, 2014, in which the Commissioners Court delegated pricing of the Limited Tax Pricing Certificate" dated July 8, 2014, which completed the sale of the Limited Tax Bonds (the Limited Tax Order and the Limited Tax Pricing Certificate are jointly referred to as the "Limited Tax Bond Order" (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-Unlimited 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 located within the County (see "The Bonds - Security and Source of Payment-Limited Tax Bonds").
- REDEMPTION** The County reserves the right, at its option, to redeem Bonds of either series, having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption"). In addition, the Limited Tax Bonds maturing on February 15, 2034 are subject to mandatory sinking fund redemption, as further described herein. (See "The Bonds - Optional Redemption" and "The Bonds - Mandatory Redemption" herein.)
- TAX EXEMPTION** In the opinion of Bond Counsel, under existing law, the interest on the Bonds will be excludable from gross income for federal income tax purposes 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) construct, maintain and operate macadamized, graveled or paved roads and turnpikes, or in aid thereof, throughout the County, including participation in joint city-county projects; 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 for (i) acquiring and improving land for park and open space purposes, including joint city-county projects, (ii) refunding a portion of the County's outstanding limited tax debt described in Schedule I (the "Refunded Bonds") for debt service savings; and (iii) paying 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 | Ratio Funded | % of Total Tax Collections |
|------------------------|-----------------------------|---|---------------------------------------|----------------------------|-----------------|----------------------------|----------------------------|
| | | | | | Funded Tax Debt | Taxable Assessed Valuation | |
| 2010 | 782,341 ⁽²⁾ | \$ 72,388,951,258 | \$ 92,529 | \$ 383,805,000 | \$ 491 | 0.53% | 102.79% |
| 2011 | 801,865 ⁽³⁾ | 71,277,687,478 | 88,890 | 347,725,000 | 434 | 0.49% | 102.79% |
| 2012 | 804,390 ⁽³⁾ | 72,462,518,559 | 90,084 | 393,210,000 | 489 | 0.54% | 103.08% |
| 2013 | 813,133 ⁽³⁾ | 74,640,404,493 | 91,794 | 393,350,000 | 484 | 0.53% | 102.52% |
| 2014 | 834,642 ⁽⁴⁾ | 79,186,696,846 | 94,875 | 391,410,000 ⁽⁵⁾ | 469 | 0.49% | 100.20% ⁽⁶⁾ |

- (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) Source: U.S. Census Bureau
- (3) Source: Texas Workforce Commission
- (4) Source: County Officials
- (5) Projected; includes all limited tax and unlimited tax debt of the County and the Bonds. Excludes the Refunded Bonds.
- (6) Collections through April 30, 2014.

COUNTY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

| <u>Commissioners Court</u> | <u>Term Expires</u> |
|---|---------------------|
| Keith Self County Judge | 12/31/2014 |
| Mark Reid Commissioner, Precinct No. 1 | 12/31/2014 |
| Cheryl Williams Commissioner, Precinct No. 2 | 12/31/2014 |
| Chris Hill Commissioner, Precinct No. 3 | 12/31/2016 |
| Duncan Webb Commissioner, Precinct No. 4 | 12/31/2014 |

OTHER ELECTED AND APPOINTED OFFICIALS

| <u>Name</u> | <u>Position</u> | <u>Term Expires</u> |
|-----------------|------------------------|---|
| Bill Bilyeu | County Administrator | Appointed by Commissioners Court |
| Jeff May | County Auditor | Appointed by District Judges 9/30/2015 |
| Monika Arris | Budget Director | Appointed by Commissioners Court |
| Stacey Kemp | County Clerk | 12/31/2014 |
| Kenneth L. Maun | Tax Assessor-Collector | 12/31/2016 |

CONSULTANTS AND ADVISORS

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

Bond Counsel Bracewell & Giuliani LLP
Dallas, Texas

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

For additional information regarding the County, please contact:

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

OFFICIAL STATEMENT

RELATING TO

COLLIN COUNTY, TEXAS

\$25,045,000

UNLIMITED TAX ROAD BONDS, SERIES 2014

\$23,380,000

**LIMITED TAX REFUNDING AND
IMPROVEMENT BONDS, SERIES 2014**

INTRODUCTION

This Official Statement, which includes the Appendices and Schedule I hereto, provides certain information regarding the issuance of \$25,045,000 Collin County, Texas Unlimited Tax Road Bonds, Series 2014 (the "Unlimited Tax Bonds") and \$23,380,000 Collin County, Texas Limited Tax Refunding and Improvement Bonds, Series 2014 (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 the separate Unlimited Tax Order and Limited Tax Order adopted by the Commissioners Court of the County on July 7, 2014, in which the Commissioners Court delegated pricing of the respective Bonds and certain other matters to the County Judge who approved and executed the separate Unlimited Tax Pricing Certificate and Limited Tax Pricing Certificate each dated July 8, 2014 which completed the sale of the respective Unlimited Tax Bonds and Limited Tax Bonds. The Unlimited Tax Order and the Unlimited Tax Pricing Certificate are jointly referred to as the "Unlimited Tax Bond Order," the Limited Tax Order and the Limited Tax Pricing Certificate are jointly referred to as the "Limited Tax Bond Order" and the Unlimited Tax Bond Order and the Limited Tax Bond Order are jointly referred to as the "Orders."

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 "Other Information –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 (the "State") 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) construct, maintain and operate macadamized, graveled or paved roads and turnpikes, or in aid thereof, throughout the County, including participation in joint city-county projects; and (iii) 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 for (i) acquiring and improving land for park and open space purposes, including joint city-county projects, (ii) refunding a portion of the County's outstanding limited tax debt described in Schedule I (the "Refunded Bonds") for debt service savings; and (iii) paying the costs of issuance associated with the sale of the Limited Tax Bonds.

REFUNDED BONDS . . . The principal of and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and redemption dates for the Refunded bonds as shown on Schedule I hereto, from funds to be deposited pursuant to an Escrow Agreement 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 provides that a portion of the proceeds from the sale of the Limited Tax Bonds, together with other available funds of the County, in an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds will be deposited with the Escrow Agent pursuant to the Escrow Agreement for deposit to special escrow funds (the "Escrow Fund") established under the Escrow Agreement for the payment of the Refunded Bonds. Amounts on deposit in the Escrow Fund will be used to purchase obligations authorized by Chapter 1207, Texas Government Code, as amended (the "Securities"). Under the Escrow Agreement, the Escrow Fund is 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 to the Underwriters the mathematical accuracy of the schedules that demonstrate the Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. (see "Other Information – Verification of Arithmetical and Mathematical Computations").

By the deposit of the 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 Tax 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.

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

| | <u>Unlimited Tax Bonds</u> | <u>Limited Tax Bonds</u> |
|--|----------------------------|--------------------------|
| <u>Sources of Funds</u> | | |
| Par Amount of Bonds | \$ 25,045,000.00 | \$ 23,380,000.00 |
| Reoffering Premium | 2,716,593.60 | 3,555,578.45 |
| Transfer from Prior Issue Debt Service Funds | - | 504,837.50 |
| Total Sources of Funds | <u>\$ 27,761,593.60</u> | <u>\$ 27,440,415.95</u> |
| <u>Uses of Funds</u> | | |
| Deposit to Escrow Fund | \$ - | \$ 24,991,904.87 |
| Deposit to Construction Fund | 27,485,000.00 | 2,200,000.00 |
| Costs of Issuance ⁽¹⁾ | 276,593.60 | 248,511.08 |
| Total Uses of Funds | <u>\$ 27,761,593.60</u> | <u>\$ 27,440,415.95</u> |

(1) Includes the Underwriters' Discount.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated June 15, 2014 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on the cover page (with respect to the Unlimited Tax Bonds) and page 3 (with respect to the Limited Tax Bonds) hereof. Interest will accrue on the Bonds from the Delivery Date to the Underwriters and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15, 2015, and on each August 15 and February 15 thereafter until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment 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 issued pursuant to the Constitution and general laws of the State, particularly Article III, Section 52 of the Texas Constitution, as amended, Chapters 1371 and 1471, Texas Government Code, as amended, a County-wide election held on November 6, 2007, and the Unlimited Tax Bond Order.

The Limited Tax Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapters 1207 and 1371, Texas Government Code, as amended and Chapter 331, Texas Local Government Code, as amended, a County-wide election held on November 6, 2007 and the Limited Tax Bond Order.

SECURITY AND SOURCES OF PAYMENT . . .

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.

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: Bonds, Time Warrants, Certificate of Obligation, and Contractual Obligations" below.

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, Tax Notes and Contractual Obligations...Article VIII, Section 9 of the Texas Constitution imposes a limit of \$0.80 per \$100 of assessed valuation for general fund, 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 Article VIII, Section 9 of the Texas Constitution, for the further maintenance of county roads. This additional tax may be established by the Commissioners Court only upon approval by a majority of participating voters in an election held to approve such additional tax. The additional tax may not be used for debt service. **The voters of the County have 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.

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem the Bonds of either series having stated maturities on and after February 15, 2025 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the County may select the maturities of Bonds, as the case may be, to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date. The County reserves the right, in the case of an optional redemption to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in

an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the County retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the County delivers a certificate of the County to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the County to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

MANDATORY REDEMPTION . . . The Limited Tax Bonds maturing on February 15, 2034 (the "Limited Tax Term Bonds") are subject to mandatory redemption in part prior to their schedule maturities, and will be redeemed by the County at a redemption price equal to the principal amount of the Limited Tax Term Bonds or portions thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

| Limited Tax Bonds Due | Principal |
|--------------------------|---------------|
| <u>February 15, 2034</u> | <u>Amount</u> |
| February 15, 2030 | \$ 130,000 |
| February 15, 2031 | 135,000 |
| February 15, 2032 | 140,000 |
| February 15, 2033 | 140,000 |
| February 15, 2034* | 150,000 |

* Stated maturity.

The Paying Agent/Registrar shall select by lot or other customary method of random selection the Limited Tax Term Bonds to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund for the Limited Tax Term Bonds. Any Limited Tax Term Bond not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Limited Tax Term Bonds of a stated maturity required to be redeemed on a mandatory redemption date shall be reduced, at the option and direction of the County, by the principal amount of Limited Tax Term Bonds of like stated maturity which, (1) at least 45 days prior to the mandatory redemption date, shall have been acquired by the County at a price not exceeding the principal amount of such Limited Tax Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the County shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds of either series to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF A BOND (OR ANY PORTION OF ITS PRINCIPAL SUM) SHALL HAVE BEEN DULY CALLED FOR REDEMPTION AND NOTICE OF SUCH REDEMPTION DULY GIVEN, THEN UPON THE REDEMPTION DATE SUCH BOND (OR THE PORTION OF ITS PRINCIPAL SUM TO BE REDEEMED) SHALL BECOME DUE AND PAYABLE, AND, IF MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR AND ALL OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST SHALL CEASE TO ACCRUE AND BE PAYABLE FROM AND AFTER THE REDEMPTION DATE ON THE PRINCIPAL AMOUNT REDEEMED.

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 State 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; provided, however, that the right to call such Bonds for redemption is not 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 The Depository Trust Company ("DTC"), New York, New York, 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the 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 the Bonds. The Bonds of each series 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 will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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. Payments on the Bonds 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 Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to 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 are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM. In the event that the Book-Entry-Only System is discontinued, printed certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In each of 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 are duly paid and any successor Paying Agent/Registrar shall be a bank or trust company 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.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will 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 will 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 the stated maturity or earlier redemption upon presentation to the 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 "Book-Entry-Only System" herein. If the date for any payment on the Bonds is 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 will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to the registered owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be

assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "The Bonds – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the County nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

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

BONDHOLDERS' REMEDIES . . . If the County defaults in the payment of principal, interest, or redemption price on the Bonds of either series when due, or if it fails to make payments into any fund or funds created in the Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Orders, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Orders and the County's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Orders do not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the County to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas 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, Bondholders may not be able to bring such a suit against the County for breach of the Bonds or covenant set forth in the Orders. Even if a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County's property. Further, the registered owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. In addition, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

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 Title 1 of the Texas Tax Code (referred to herein as the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios.

In determining 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 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 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 provides for an exemption from ad valorem taxation for "goods-in-transit", which are defined as personal property (i) acquired or imported into Texas and transported to another location in the State or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods and (iii) 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 vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Pursuant to changes enacted during the 2011 Texas Legislature Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 2011 to provide for the taxation of the goods-in-transit. After holding the public hearing, the taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011, to tax goods-in-transit and pledged the taxes imposed on goods-in-transit until the debt is discharged, the tax remains effective if cessation of the imposition of the tax would impair the obligation of the contract by which the debt was created.

Under authority of Chapter 311, Texas Tax Code, as amended, a county or a city may create one or more tax increment reinvestment zones ("TIRZ") within the County and freeze the taxable values of property in the TIRZ at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIRZ, 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 TIRZ in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIRZ. Taxes levied by the County against the values of real property a TIRZ, 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 TIRZ.

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

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the County is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Effective January 1, 2012, oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. 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 assesses 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 Tax 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 ten TIRZs, one each with the Cities of Allen, Farmersville, Frisco, Lavon, Melissa, Plano, and Richardson, one with the Town of Prosper and two with the City of McKinney. The County has not created a TIRZ.

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

2013/14 Market Valuation Established by the Collin Central Appraisal District
(excluding totally exempt property)

\$ 90,331,740,866

Less Exemptions/Reductions at 100% Market Value:

| | | |
|---|------------------|-----------------------|
| Over 65 and Disabled | \$ 1,092,741,784 | |
| Disabled Veterans Exemptions | 151,734,208 | |
| Charitable Organizations | 49,954,153 | |
| Tax Abatements | 685,090,838 | |
| Homestead Exemption | 2,088,637,829 | |
| Freeport Exemption | 635,933,573 | |
| Pollution Control Property | 39,579,879 | |
| Historical Exemption | 25,927,584 | |
| Homestead Cap Adjustment | 77,203,870 | |
| Limited Income Housing | 2,117,041 | |
| Agricultural Productivity, Open Space Land Use Reductions | 6,291,586,327 | |
| Other | <u>4,536,934</u> | <u>11,145,044,020</u> |

2013/14 Taxable Assessed Valuation

\$ 79,186,696,846

County Funded Debt Payable from Ad Valorem Taxes (as of 5-1-14)

| | |
|-------------------------|------------------------------|
| Limited Tax Debt | \$ 97,675,000 ⁽¹⁾ |
| Unlimited Tax Debt | 245,310,000 |
| The Limited Tax Bonds | 23,380,000 |
| The Unlimited Tax Bonds | <u>25,045,000</u> |

Funded Debt Payable from Ad Valorem Taxes

\$ 391,410,000

Interest and Sinking Fund (as of 5-1-14)

\$ 18,716,946

Ratio General Obligation Debt to Taxable Assessed Valuation

0.49%

2014 Estimated Population - 834,642
Per Capita Taxable Assessed Valuation - \$94,875
Per Capita Funded Debt Payable from Ad Valorem Taxes - \$469

(1) Excludes the Refunded Bonds.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

| Category | Taxable Appraised Value for Fiscal Year Ended September 30, | | | | | |
|---|---|------------|--------------------------|------------|--------------------------|------------|
| | 2014 | | 2013 | | 2012 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 50,936,281,711 | 56.39% | \$ 48,335,459,628 | 56.47% | \$ 47,803,044,461 | 57.07% |
| Real, Residential, Multi-Family | 5,387,792,815 | 5.96% | 4,909,285,970 | 5.74% | 4,462,205,042 | 5.33% |
| Real, Vacant Lots/Tracts | 830,859,338 | 0.92% | 824,879,626 | 0.96% | 892,928,396 | 1.07% |
| Real, Acreage (Land Only) | 6,360,727,206 | 7.04% | 7,119,882,130 | 8.32% | 7,090,704,021 | 8.46% |
| Real, Farm and Ranch Improvements | 1,792,805,955 | 1.98% | 805,914,525 | 0.94% | 817,548,827 | 0.98% |
| Real, Commercial and Industrial | 16,672,278,031 | 18.46% | 15,755,099,044 | 18.41% | 15,198,818,038 | 18.14% |
| Real and Intangible Personal, Utilities | 1,182,787,309 | 1.31% | 1,163,061,803 | 1.36% | 1,128,257,894 | 1.35% |
| Tangible Personal, Business | 6,118,621,334 | 6.77% | 5,720,297,694 | 6.68% | 5,485,905,795 | 6.55% |
| Tangible Personal, Other | 42,642,081 | 0.05% | 45,864,441 | 0.05% | 40,668,941 | 0.05% |
| Inventory | 799,245,446 | 0.88% | 734,478,360 | 0.86% | 681,181,171 | 0.81% |
| Special Inventory Tax | 207,699,640 | 0.23% | 187,868,538 | 0.22% | 167,581,030 | 0.20% |
| Total Appraised Value Before Exemptions | \$ 90,331,740,866 | 100.00% | \$ 85,602,091,759 | 100.00% | \$ 83,768,843,616 | 100.00% |
| Less: Total Exemption/Reductions | (11,145,044,020) | | (10,961,687,266) | | (11,306,325,057) | |
| Taxable Assessed Value | <u>\$ 79,186,696,846</u> | | <u>\$ 74,640,404,493</u> | | <u>\$ 72,462,518,559</u> | |

| Category | Taxable Appraised Value for Fiscal Year Ended September 30, | | | |
|---|---|------------|--------------------------|------------|
| | 2011 | | 2010 | |
| | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 47,129,255,659 | 56.95% | \$ 47,023,799,761 | 55.92% |
| Real, Residential, Multi-Family | 4,359,373,394 | 5.27% | 4,418,373,249 | 5.25% |
| Real, Vacant Lots/Tracts | 903,532,169 | 1.09% | 897,382,927 | 1.07% |
| Real, Acreage (Land Only) | 7,415,809,201 | 8.96% | 7,982,962,832 | 9.49% |
| Real, Farm and Ranch Improvements | 833,309,201 | 1.01% | 826,660,638 | 0.98% |
| Real, Commercial and Industrial | 14,844,885,029 | 17.94% | 15,448,987,640 | 18.37% |
| Real and Intangible Personal, Utilities | 1,174,373,653 | 1.42% | 1,099,988,202 | 1.31% |
| Tangible Personal, Business | 5,146,374,881 | 6.22% | 5,161,195,686 | 6.14% |
| Tangible Personal, Other | 42,760,159 | 0.05% | 45,207,373 | 0.05% |
| Inventory | 755,930,021 | 0.91% | 1,013,621,038 | 1.21% |
| Special Inventory Tax | 146,010,145 | 0.18% | 167,718,060 | 0.20% |
| Total Appraised Value Before Exemptions | \$ 82,751,613,512 | 100.00% | \$ 84,085,897,406 | 100.00% |
| Less: Total Exemptions/Reductions | (11,473,926,034) | | (11,696,946,148) | |
| Taxable Assessed Value | <u>\$ 71,277,687,478</u> | | <u>\$ 72,388,951,258</u> | |

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 |
|------------------------|------------------------|---|---------------------------------------|---|--|------------------------|
| 2010 | 782,341 ⁽²⁾ | \$ 72,388,951,258 | \$ 92,529 | \$ 383,805,000 | 0.53% | \$ 491 |
| 2011 | 801,865 ⁽³⁾ | 71,277,687,478 | 88,890 | 347,725,000 | 0.49% | 434 |
| 2012 | 804,390 ⁽³⁾ | 72,462,518,559 | 90,084 | 393,210,000 | 0.54% | 489 |
| 2013 | 813,133 ⁽³⁾ | 74,640,404,493 | 91,794 | 393,350,000 | 0.53% | 484 |
| 2014 | 834,642 ⁽⁴⁾ | 79,186,696,846 | 94,875 | 391,410,000 ⁽⁵⁾ | 0.49% | 469 |

(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) Source: U.S. Census Bureau

(3) Source: Texas Workforce Commission

(4) Source: County Officials

(5) 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 |
|------------------------|------------|--------------|---------------------------|----------------|-----------------------|------------------------|
| 2010 | \$ 0.24250 | \$0.187080 | \$ 0.055420 | \$ 175,543,207 | 101.04% | 102.79% |
| 2011 | 0.24000 | 0.184580 | 0.055420 | 170,749,824 | 100.27% | 102.79% |
| 2012 | 0.24000 | 0.176046 | 0.063954 | 170,204,902 | 101.39% | 103.08% |
| 2013 | 0.24000 | 0.174663 | 0.065337 | 176,489,220 | 101.06% | 102.52% |
| 2014 | 0.23750 | 0.180334 | 0.057166 | 185,623,327 | 99.62% ⁽¹⁾ | 100.20% ⁽¹⁾ |

(1) Collections through April 30, 2014.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

| | Tax Year | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| <u>Limited Constitutional Taxes ⁽¹⁾</u> | | | | | |
| Operating Fund | \$ 0.176334 | \$ 0.173046 | \$ 0.173046 | \$ 0.184580 | \$ 0.181080 |
| Limited Tax Debt Service Fund | 0.019378 | 0.026190 | 0.026190 | 0.025530 | 0.024890 |
| Total Constitutional Tax Rate | \$ 0.195712 | \$ 0.199236 | \$ 0.199236 | \$ 0.210110 | \$ 0.205970 |
| <u>Unlimited Constitutional Taxes ⁽²⁾</u> | | | | | |
| Road and Bridge Fund | \$ 0.004000 | \$ 0.003000 | \$ 0.003000 | \$ 0.000000 | \$ 0.006000 |
| Farm-to-Market and Lateral Road | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Unlimited Tax Debt Service Fund | 0.037788 | 0.037764 | 0.037764 | 0.029890 | 0.030530 |
| Total Tax Rate | \$ 0.237500 | \$ 0.240000 | \$ 0.240000 | \$ 0.240000 | \$ 0.242500 |

(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 | 2013/14 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|----------------------------------|---|--|
| Oncor Electric Delivery Company | \$ 495,218,356 | 0.63% |
| Bank of America NA | 321,486,177 | 0.41% |
| Stonebriar Mall Ltd. Partnership | 239,971,384 | 0.30% |
| Health Care Service Corporation | 209,172,377 | 0.26% |
| J.C. Penney Company | 164,974,971 | 0.21% |
| Cisco Systems Inc | 163,098,708 | 0.21% |
| Village at Allen LP | 142,468,550 | 0.18% |
| AT&T Mobility LLC | 137,198,694 | 0.17% |
| IBM Credit LLC | 135,149,181 | 0.17% |
| EMC Corporation | 123,696,347 | 0.16% |
| | <u>\$ 2,132,434,745</u> | <u>2.69%</u> |

TABLE 7 - TAX ADEQUACY ⁽¹⁾

| | |
|---|---------------|
| 2014 Principal and Interest Requirements | \$ 43,321,763 |
| \$0.0553 Tax Rate at 99% Collection Produces | \$ 43,352,341 |
| Average Annual Principal and Interest Requirements, 2014 - 2034 | \$ 26,692,256 |
| \$0.0341 Tax Rate at 99% Collection Produces | \$ 26,732,637 |
| Maximum Principal and Interest Requirements, 2015 | \$ 45,674,379 |
| \$0.0583 Tax Rate at 99% Collection Produces | \$ 45,704,186 |

(1) For all tax supported indebtedness (limited and unlimited), including the Bonds. Excludes the Refunded Bonds.

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.

| <u>Governmental Subdivision</u> | 2013/14 Taxable Assessed Value ⁽¹⁾ | 2013/14 Tax Rate | Total Funded Debt | Estimated % Applicable | District's Overlapping Funded Debt 5-1-14 |
|--|--|------------------------|-------------------------------|------------------------------|--|
| Collin County | \$ 79,186,696,846 | \$ 0.237500 | \$ 391,410,000 ⁽²⁾ | 100.00% | \$ 391,410,000 |
| Special Districts | | | | | |
| Collin County Community College District | \$ 75,070,158,023 | \$ 0.083600 | \$ 37,460,000 | 100.00% | \$ 37,460,000 |
| Seis Lagos Utility District | 116,628,822 | 0.469300 | 201,000 | 100.00% | 201,000 |
| Total Districts | | | | | \$ 37,661,000 |
| Cities | | | | | |
| Allen | \$ 8,381,352,574 | \$ 0.550000 | \$ 97,535,000 | 100.00% | \$ 97,535,000 |
| Anna | 431,258,729 | 0.650300 | 16,524,000 | 100.00% | 16,524,000 |
| Blue Ridge | 26,238,598 | 0.593400 | 1,086,000 | 100.00% | 1,086,000 |
| Celina | 509,226,019 | 0.645000 | 24,660,000 | 100.00% | 24,660,000 |
| Fairview | 1,244,555,384 | 0.360000 | 28,190,000 | 100.00% | 28,190,000 |
| Farmersville | 151,207,773 | 0.697500 | 5,440,000 | 100.00% | 5,440,000 |
| Josephine | 35,385,939 | 0.590000 | 359,000 | 95.60% | 343,204 |
| Lavon | 175,030,578 | 0.455700 | - | 100.00% | - |
| Lowry Crossing | 82,767,742 | 0.229780 | - | 100.00% | - |
| Lucas | 603,228,802 | 0.355600 | 10,700,000 | 100.00% | 10,700,000 |
| McKinney | 11,904,898,520 | 0.585500 | 216,310,000 | 100.00% | 216,310,000 |
| Melissa | 406,202,223 | 0.610000 | 27,200,000 | 100.00% | 27,200,000 |
| Murphy | 1,638,397,833 | 0.570000 | 40,360,000 | 100.00% | 40,360,000 |
| Nevada | 43,565,820 | 0.192880 | - | 100.00% | - |
| New Hope | 35,093,538 | 0.210000 | - | 100.00% | - |
| Parker | 548,739,132 | 0.357100 | 5,970,000 | 100.00% | 5,970,000 |
| Princeton | 301,605,545 | 0.739000 | 15,335,000 | 100.00% | 15,335,000 |
| Prosper | 1,447,466,215 | 0.520000 | 61,790,000 | 91.74% | 56,686,146 |
| St. Paul | 75,184,055 | 0.404910 | - | 100.00% | - |
| Weston | 146,893,008 | 0.360000 | - | 100.00% | - |
| Wylie | 2,418,173,253 | 0.883900 | 103,015,000 | 97.92% | 100,872,288 |
| County-Line Cities | | | | | |
| Carrollton | \$ 9,589,672,434 | \$ 0.617900 | \$ 141,295,000 | 0.53% | \$ 748,864 |
| Dallas | 84,731,367,860 | 0.797000 | 1,430,406,063 | 4.10% | 58,646,649 |
| Frisco | 15,922,401,858 | 0.461910 | 540,775,000 | 63.65% | 344,203,288 |
| Garland | 10,054,746,637 | 0.704600 | 439,651,258 | 0.20% | 879,303 |
| Plano | 25,260,977,455 | 0.488600 | 310,585,000 | 96.64% | 300,149,344 |
| Richardson | 10,752,208,703 | 0.635160 | 249,800,000 | 39.53% | 98,745,940 |
| Royse City | 477,369,504 | 0.698000 | 15,001,000 | 15.44% | 2,316,154 |
| Sachse | 1,272,209,207 | 0.770800 | 37,980,000 | 35.09% | 13,327,182 |
| Total Cities | | | | | \$ 1,466,228,361 |

(1) Tax Year 2013 Taxable Assessed Valuation.

(2) Includes the Bonds. Excludes the Refunded Bonds.

| | 2013/14 Taxable Assessed Value ⁽¹⁾ | 2013/14 Tax Rate | Total Funded Debt | Estimated % Applicable | District's Overlapping Funded Debt 5-1-14 |
|---|--|------------------------|-------------------------|------------------------------|--|
| <u>School Districts</u> | | | | | |
| Allen ISD | \$ 7,856,846,598 | \$ 1.670000 | \$ 499,128,037 | 100.00% | \$ 499,128,037 |
| Anna ISD | 517,391,366 | 1.540000 | 91,970,024 | 100.00% | 91,970,024 |
| Farmersville ISD | 308,032,186 | 1.400000 | 12,672,459 | 100.00% | 12,672,459 |
| Lovejoy ISD | 1,374,068,213 | 1.535000 | 133,580,471 | 100.00% | 133,580,471 |
| McKinney ISD | 8,827,214,160 | 1.670000 | 465,965,000 | 100.00% | 465,965,000 |
| Melissa ISD | 442,477,719 | 1.540000 | 54,383,710 | 100.00% | 54,383,710 |
| Plano ISD | 33,089,436,438 | 1.453000 | 922,505,466 | 100.00% | 922,505,466 |
| Princeton ISD | 490,104,096 | 1.480000 | 78,365,068 | 100.00% | 78,365,068 |
| Wylie ISD | 3,301,878,002 | 1.640000 | 231,081,055 | 100.00% | 231,081,055 |
| <u>County-Line School Districts</u> | | | | | |
| Bland ISD | \$ 111,541,314 | \$ 1.510000 | \$ 14,097,894 | 9.11% | \$ 1,284,318 |
| Blue Ridge ISD | 127,043,059 | 1.616600 | 15,380,000 | 98.65% | 15,172,370 |
| Celina ISD | 631,156,529 | 1.640000 | 56,701,695 | 93.36% | 52,936,702 |
| Community ISD | 446,837,951 | 1.625000 | 28,616,540 | 98.69% | 28,241,663 |
| Frisco ISD | 19,767,032,614 | 1.460000 | 1,534,800,843 | 72.51% | 1,112,884,091 |
| Gunter ISD | 187,089,476 | 1.600000 | 15,150,000 | 0.85% | 128,775 |
| Leonard ISD | 139,747,894 | 1.273000 | 1,260,000 | 8.11% | 102,186 |
| Prosper ISD | 2,268,579,822 | 1.670000 | 230,601,557 | 93.10% | 214,690,049 |
| Rockwall ISD | 6,082,150,561 | 1.460000 | 347,903,257 | 0.01% | 34,790 |
| Royse City ISD | 1,027,437,117 | 1.670000 | 107,257,662 | 8.11% | 8,698,596 |
| Trenton ISD | 153,517,998 | 1.440000 | 7,779,000 | 4.17% | 324,384 |
| Van Alstyne ISD | 412,981,942 | 1.520000 | 31,918,488 | 9.96% | 3,179,081 |
| Whitewright ISD | 162,033,663 | 1.370000 | 7,523,158 | 2.94% | 221,181 |
| Total School Districts | | | | | \$ 3,927,549,479 |
| Total Direct and Overlapping Funded Debt | | | | | \$ 5,822,848,839 |
| Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation | | | | | 7.76% |
| Per Capita Overlapping Funded Debt | | | | | \$ 6,976 |

(1) Tax Year 2013 Taxable Assessed Valuation.

TABLE 9 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| Fiscal Year Ending 9/30 | Unlimited Tax | | Limited Tax | | The Unlimited Tax Bonds ⁽³⁾ | | The Limited Tax Bonds ⁽⁴⁾ | | Total Debt Service | % of Principal Retired |
|----------------------------------|---------------------------------|---------------|-------------------------------------|---------------|--|---------------|--------------------------------------|--------------|--------------------------|------------------------------|
| | Outstanding Debt ⁽¹⁾ | | Outstanding Debt ^{(1) (2)} | | | | | | | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | | |
| 2014 | \$ 17,455,000 | \$ 11,431,653 | \$ 9,710,000 | \$ 4,725,110 | \$ - | \$ - | \$ - | \$ - | \$ 43,321,763 | |
| 2015 | 18,600,000 | 10,248,690 | 9,550,000 | 3,733,510 | 785,000 | 1,093,817 | 555,000 | 1,108,363 | 45,674,379 | |
| 2016 | 18,020,000 | 9,529,938 | 8,650,000 | 3,368,547 | 845,000 | 1,029,225 | 1,615,000 | 1,034,031 | 44,091,741 | |
| 2017 | 18,805,000 | 8,808,238 | 9,040,000 | 3,044,108 | 875,000 | 1,003,425 | 1,595,000 | 977,906 | 44,148,677 | |
| 2018 | 18,440,000 | 8,040,638 | 9,475,000 | 2,710,279 | 895,000 | 981,350 | 1,670,000 | 904,256 | 43,116,523 | 35.02% |
| 2019 | 19,335,000 | 7,220,009 | 9,775,000 | 2,368,058 | 925,000 | 949,275 | 1,760,000 | 818,506 | 43,150,848 | |
| 2020 | 16,595,000 | 6,443,268 | 7,310,000 | 2,056,852 | 970,000 | 906,750 | 1,845,000 | 737,606 | 36,864,476 | |
| 2021 | 15,250,000 | 5,742,096 | 7,510,000 | 1,792,240 | 1,015,000 | 861,975 | 1,935,000 | 652,331 | 34,758,642 | |
| 2022 | 14,815,000 | 5,061,165 | 7,370,000 | 1,529,765 | 1,065,000 | 809,975 | 2,040,000 | 552,956 | 33,243,861 | |
| 2023 | 15,510,000 | 4,376,603 | 5,525,000 | 1,276,770 | 1,120,000 | 755,350 | 2,150,000 | 448,206 | 31,161,929 | 66.99% |
| 2024 | 16,220,000 | 3,692,310 | 5,775,000 | 1,027,247 | 1,180,000 | 697,850 | 2,260,000 | 337,956 | 31,190,364 | |
| 2025 | 13,565,000 | 3,055,641 | 5,165,000 | 783,772 | 1,240,000 | 637,350 | 2,385,000 | 221,831 | 27,053,595 | |
| 2026 | 13,230,000 | 2,442,700 | 2,785,000 | 592,310 | 1,305,000 | 573,725 | 2,515,000 | 99,331 | 23,543,066 | |
| 2027 | 12,670,000 | 1,836,850 | 2,910,000 | 436,106 | 1,370,000 | 506,850 | 115,000 | 34,731 | 19,879,538 | |
| 2028 | 9,460,000 | 1,324,898 | 2,850,000 | 277,365 | 1,440,000 | 436,600 | 120,000 | 31,131 | 15,939,994 | 90.54% |
| 2029 | 6,705,000 | 949,168 | 2,450,000 | 127,668 | 1,505,000 | 370,500 | 125,000 | 27,225 | 12,259,560 | |
| 2030 | 5,870,000 | 663,900 | 495,000 | 47,706 | 1,570,000 | 309,000 | 130,000 | 22,838 | 9,108,444 | |
| 2031 | 6,150,000 | 401,225 | 515,000 | 28,944 | 1,630,000 | 245,000 | 135,000 | 18,034 | 9,123,203 | |
| 2032 | 4,200,000 | 170,800 | 375,000 | 12,638 | 1,700,000 | 178,400 | 140,000 | 13,050 | 6,789,888 | |
| 2033 | 1,870,000 | 37,400 | 150,000 | 3,000 | 1,770,000 | 109,000 | 140,000 | 7,975 | 4,087,375 | 99.52% |
| 2034 | - | - | - | - | 1,840,000 | 36,800 | 150,000 | 2,719 | 2,029,519 | 100.00% |
| Totals | \$ 262,765,000 | \$ 91,477,187 | \$ 107,385,000 | \$ 29,941,995 | \$ 25,045,000 | \$ 12,492,217 | \$ 23,380,000 | \$ 8,050,985 | \$ 560,537,384 | |

DEBT INFORMATION

- (1) 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."
- (2) Excludes the Refunded Bonds.
- (3) Average life of the issue – 11.533 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 – 7.281 years. Interest on the Limited Tax Bonds has been calculated at the rates illustrated on page 3 hereof.

TABLE 10 - INTEREST AND SINKING FUND BUDGET PROJECTION

| | |
|---|----------------------|
| Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2014 | \$ 43,321,763 |
| Interest and Sinking Fund Balance, 9/30/2013 | \$ 9,957,971 |
| Budgeted Interest and Sinking Fund Tax Levy | 45,414,771 |
| Non-Tax Revenues | 52,050 |
| | <u>55,424,792</u> |
| Estimated Balance, 9/30/2014 | <u>\$ 12,103,029</u> |

TABLE 11 - AUTHORIZED BUT UNISSUED BONDS

| Purpose | Date Authorized | Amount Authorized | Amount Previously Issued | Amount Being Issued | Unissued Balance |
|--------------------------------|-----------------|-----------------------|--------------------------|----------------------|-----------------------|
| Park ⁽¹⁾ | 11/6/2007 | \$ 17,000,000 | \$ 10,200,000 | \$ 2,200,000 | \$ 4,600,000 |
| Road ⁽²⁾ | 11/6/2007 | 235,600,000 | 133,845,000 | 27,485,000 | 74,270,000 |
| Court Buildings ⁽¹⁾ | 11/6/2007 | 76,300,000 | 30,500,000 | - | 45,800,000 |
| | | <u>\$ 328,900,000</u> | <u>\$ 174,545,000</u> | <u>\$ 29,685,000</u> | <u>\$ 124,670,000</u> |

- (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, reserves or current year revenue sources. The current CIP covers fiscal years 2014 through 2019, and includes total capital expenditures of \$212.1 million, of which \$150.3 million are scheduled for fiscal year 2014. Most of the planned expenditures will be funded with proceeds of prior bond issues. As shown in Table 11, the County currently has \$124,670,000 of authorized but unissued bonds after the issuance of the Bonds. The County anticipates issuing the remaining bond authorization over the following three 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 September 30, 2013.

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 Chapter 841, Texas Government Code, as amended (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 an amount of 8.5% in 2013 which was an increase from the 7.7% in 2012 but still less than the 13.5% in 2011. This decrease from 2011 to 2012 was due to the County making a lump sum payment of \$40.5 million in 2012. This carried over into allowing a lower rate in 2013 of 8.5% and will allow lower contribution amounts for years to come. The actuarial required rate was 8.06% in 2013 and 7.64% in 2012. The contribution rate payable by the employee members for the calendar years of 2013 and 2012 was 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.

OTHER POST RETIREMENT BENEFITS . . . In February 2011, the Commissioners Court elected to discontinue a post-retirement health benefit plan for retired County employees that had been in existence since January 1, 2007. Under the prior post-retirement health benefit plan, the County paid a portion of the health insurance premiums (ranging from 25%-100%) of retired County employees beginning at age 65 based on the years of continuous service to the County. State law requires that counties provide retirees with a health insurance plan, but does not require counties to pay the cost of such coverage. As a result of the elimination of this post-retirement health benefit plan, the County does not currently offer any "other post-retirement benefits" ("OPEBs") for retired County employees.

FINANCIAL INFORMATION

TABLE 13 - CHANGES AND NET ASSETS ⁽¹⁾

| | Fiscal Year Ended September 30, | | | | |
|---|---------------------------------|-----------------------|------------------------|------------------------|-----------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Revenues: | | | | | |
| Program Revenues: | | | | | |
| Charges for Services | \$ 43,375,449 | \$ 40,328,746 | \$ 39,499,797 | \$ 38,596,963 | \$ 42,048,000 |
| Operating Grants and Contributions | 14,384,010 | 14,516,234 | 17,903,172 | 14,336,973 | 16,374,000 |
| Capital Grants and Contributions | 930,653 | 1,059,413 | 387,681 | 631,454 | 1,064,000 |
| Total Program Revenues | \$ 58,690,112 | \$ 55,904,393 | \$ 57,790,650 | \$ 53,565,390 | \$ 59,486,000 |
| General Revenues: | | | | | |
| Taxes | \$ 183,016,167 | \$ 177,761,766 | \$ 173,193,625 | \$ 178,396,150 | \$ 176,960,000 |
| Unrestricted Investment Earnings | 1,336,534 | 2,314,418 | 1,977,093 | 2,300,812 | 3,690,000 |
| Gain (Loss) on Sale of Assets | - | - | - | - | - |
| Miscellaneous | 142,080 | 903,048 | 195,152 | 203,048 | 73,000 |
| Total General Revenues | \$ 184,494,781 | \$ 180,979,232 | \$ 175,365,870 | \$ 180,900,010 | \$ 180,723,000 |
| Total Revenues | \$ 243,184,893 | \$ 236,883,625 | \$ 233,156,520 | \$ 234,465,400 | \$ 240,209,000 |
| Expenses: | | | | | |
| General Administration | \$ 27,866,729 | \$ 29,244,085 | \$ 67,690,144 | \$ 36,468,596 | \$ 34,518,000 |
| Judicial | 16,427,358 | 16,068,834 | 14,109,924 | 17,436,080 | 17,195,000 |
| Financial Administration | 10,167,597 | 10,027,826 | 8,821,845 | 10,753,583 | 10,891,000 |
| Legal | 10,300,586 | 10,204,545 | 9,292,969 | 11,436,163 | 11,254,000 |
| Public Facilities | 21,949,602 | 18,700,897 | 17,040,033 | 16,981,488 | 18,129,000 |
| Equipment Services | 3,236,108 | 2,858,704 | 2,494,730 | 2,484,792 | 2,320,000 |
| Public Safety | 55,924,293 | 57,155,752 | 50,874,877 | 62,472,977 | 61,904,000 |
| Public Transportation | 42,392,813 | 45,514,784 | 70,789,320 | 87,756,972 | 25,491,000 |
| Health and Welfare | 18,130,149 | 17,188,582 | 18,074,594 | 19,088,453 | 18,369,000 |
| Culture and Recreation | 3,333,334 | 1,591,047 | 1,521,696 | 1,622,389 | 1,720,000 |
| Conservation | 246,371 | 249,193 | 235,128 | 293,137 | 295,000 |
| Debt Service, Interest and Fiscal Charges | 21,846,718 | 22,193,212 | 17,588,985 | 17,078,488 | 19,267,000 |
| Total Expenses - Before Transfers | \$ 231,821,658 | \$ 230,997,461 | \$ 278,534,245 | \$ 283,873,118 | \$ 221,353,000 |
| Change in Net Assets | \$ 11,363,235 | \$ 5,886,164 | \$ (45,377,725) | \$ (49,407,718) | \$ 18,856,000 |
| Adjustments | - | 61,992 | (9) | - | - |
| Net Assets as of October 1 | 361,930,497 | 355,982,341 | 401,360,075 | 450,767,793 | 431,912,000 |
| Net Assets as of September 30 | \$ 373,293,732 | \$ 361,930,497 | \$ 355,982,341 | \$ 401,360,075 | \$ 450,768,000 |

(1) In accordance with GASB 34, the County's financial statements for the fiscal year ended September 30, 2013, 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. Government Activities only.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

| <u>Revenues</u> | Fiscal Year Ended September 30, | | | | |
|--|---------------------------------|-----------------------|----------------------------|-----------------------|-----------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Taxes | \$ 129,156,674 | \$ 126,555,655 | \$ 131,828,854 | \$ 130,271,143 | \$ 119,981,000 |
| License and Permits | 378,671 | 282,352 | - | - | - |
| Federal and State Funds | 5,033,417 | 7,042,027 | 6,379,302 | 3,908,666 | 3,993,000 |
| Fees and Charges for Services | 19,319,252 | 18,435,832 | 17,368,901 | 16,070,485 | 16,654,000 |
| Fines and Forfeitures | 2,142,678 | 2,191,532 | 1,992,671 | 1,821,451 | 2,270,000 |
| Other Local Government Funds | - | - | - | - | - |
| Rental Revenues | 254,430 | 222,540 | - | - | - |
| Interest | 485,868 | 1,133,435 | 2,117,949 | 2,189,100 | 3,484,000 |
| Miscellaneous | 1,269,903 | 811,304 | 932,685 | 598,633 | 817,000 |
| Total Revenues | \$ 158,040,893 | \$ 156,674,677 | \$ 160,620,362 | \$ 154,859,478 | \$ 147,199,000 |
| <u>Expenditures</u> | | | | | |
| General Administration | \$ 23,850,268 | \$ 24,948,893 | \$ 63,529,742 | \$ 28,875,085 | \$ 23,809,000 |
| Judicial | 14,598,191 | 14,551,857 | 14,954,776 | 14,141,857 | 13,846,000 |
| Financial Administration | 9,903,760 | 9,773,492 | 10,093,805 | 9,970,218 | 9,946,000 |
| Legal | 10,040,658 | 9,969,632 | 10,465,059 | 10,655,750 | 10,322,000 |
| Public Safety | 52,794,966 | 55,369,495 | 57,793,126 | 46,021,607 | 44,931,000 |
| Public Health and Welfare | 12,075,076 | 11,651,835 | 12,011,123 | 10,767,712 | 11,315,000 |
| Public Facilities | 10,575,698 | 10,457,208 | 10,159,746 | 9,652,871 | 10,172,000 |
| Culture and Recreation | 841,464 | 1,027,050 | 1,028,684 | 424,024 | 496,000 |
| Equipment Services | 2,164,730 | 2,208,379 | 2,094,787 | 1,940,815 | 1,919,000 |
| Capital Outlay | 3,964,567 | 4,010,412 | 11,600,278 | 1,990,979 | 2,315,000 |
| Conservation | 244,445 | 246,119 | 278,096 | 276,767 | 285,000 |
| Principal Retirement | - | - | - | - | 4,096,000 |
| Debt Service | - | - | - | - | - |
| Interest and Fiscal Charges | - | - | - | - | 414,000 |
| Total Expenditures | \$ 141,053,823 | \$ 144,214,372 | \$ 194,009,222 | \$ 134,717,685 | \$ 133,866,000 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 16,987,070 | \$ 12,460,305 | \$ (33,388,860) | \$ 20,141,793 | \$ 13,333,000 |
| <u>Other Financing Sources (Uses)</u> | | | | | |
| Sale of Capital and Non-Capital Assets | \$ 3,540,233 | \$ 42,885 | \$ 20,353 | \$ 109,520 | \$ 80,000 |
| Operating Transfers In | 79,505 | 125,958 | 25,557 | 110,829 | 162,000 |
| Operating Transfers Out | (515,900) | (346,348) | (1,001,263) | (8,581,000) | (9,462,000) |
| Total Other Financing Sources (Uses) | \$ 3,103,838 | \$ (177,505) | \$ (955,353) | \$ (8,360,651) | \$ (9,220,000) |
| Net Change in Fund Balances | \$ 20,090,908 | \$ 12,282,800 | \$ (34,344,213) | \$ 11,781,142 | \$ 4,113,000 |
| Beginning Fund Balance | 165,628,061 | 153,345,261 | 187,689,474 ⁽¹⁾ | 133,626,241 | 129,513,000 |
| Ending Fund Balance | \$ 185,718,969 | \$ 165,628,061 | \$ 153,345,261 | \$ 145,407,383 | \$ 133,626,000 |

(1) The governmental funds balance has been restated to reflect the requirements of GASB 54.

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 (including specifically Chapter 2256, Texas Government Code, as amended, the "PFIA") 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 the PFIA, 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 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 or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit that are issued by a state or national bank domiciled in the State of Texas, a savings bank domiciled in the State of Texas, or a state or federal credit union domiciled in the State and are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for County deposits, (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the FDIC or the National Credit Union share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for County deposits or a) where the funds are invested by an investing entity through: (i) a broker that has its main office or a branch office in this state and is selected from a list adopted by the County; or (ii) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity; (b) where the broker or the depository institution selected by the investing entity under (a) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints the depository institution selected by the investing entity under (a), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the United States Securities and Exchange Commission (the "SEC") and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the County; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the County, held in the County's name and deposited at the time the investment is made with the County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business

in the State; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the SEC 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 SEC 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 also is authorized by the PFIA to invest its funds in certificates of deposit issued by one or more federally insured depository institutions, wherever located, in accordance with procedures set forth in the PFIA.

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 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 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 May 1, 2014, the County's investable funds were invested in the following categories:

| <u>Description</u> | <u>Percent</u> | <u>Book Value</u> | <u>Market Value</u> |
|--|----------------|-----------------------|-----------------------|
| Local Government Investment Pools ⁽¹⁾ | 56.20% | \$ 235,359,249 | \$ 235,359,249 |
| U.S. Agency Securities | 13.10% | 54,856,534 | 54,748,618 |
| Certificates of Deposit | 20.57% | 86,161,499 | 86,161,499 |
| Municipal Bonds | 4.88% | 20,456,123 | 21,097,018 |
| Money Market | 5.24% | 21,942,833 | 21,942,833 |
| | <u>100.00%</u> | <u>\$ 418,776,238</u> | <u>\$ 419,309,217</u> |

As of such date, 61.44% of the County's investment portfolio is available upon demand. The market value of the investment portfolio was approximately 100.127% 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.

(1) 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. TexSTAR is operated in a manner consistent with Rule 2a-7, promulgated by the SEC under authority of the Investment Company Act of 1940, that governs mutual funds.

TAX MATTERS

TAX EXEMPTION . . . In the opinion of Bracewell & Giuliani LLP, Bond Counsel, (i) interest on the Bonds of each series 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 County 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 County, the County's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the County, the County's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report (the "Report") of Grant Thornton LLP, certified public accountants, regarding the mathematical accuracy of certain computations relating to the Bonds and the Refunded Bonds. If the County should fail to comply with the covenants in the Orders or if the foregoing representations or the 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, low and middle income taxpayers qualifying for the health insurance premium assistance credit, 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.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "Collateral Tax Consequences" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the County nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

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, 2014.

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 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 information 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.

DISCLOSURE EVENT NOTICES . . . The County shall notify the MSRB of any of the following events with respect to the Bonds, in a timely manner not in excess of ten Business Days after the occurrence of the event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the County; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material (neither the Bonds nor the Orders make any provision for debt service reserves or liquidity enhancement).

As used in clause 12 above, the phrase bankruptcy, insolvency, receivership or similar event means the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if jurisdiction has been assumed by leaving the Commissioners Court and official or officers of the County in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County. The term "Business Day" means a day other than 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.

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 certain 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 Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the County 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 . . . In connection with the County's outstanding unlimited tax and limited tax debt issuances, the County has entered into continuing disclosure undertakings to provide certain updated financial information and operating data within six-months of the end of the County's fiscal year along with notices of specified material events at required times. In addition, the County has agreed to provide audited financial statements within six-months of the end of the County's fiscal year if audited financial statements are available by such time. If audited financial statements are not available by the required time, the County has agreed to provide notice that audited financial statements are not available and to provide unaudited financial statements for the applicable fiscal year. The County has further agreed to provide audited financial statements when and if such audited financial statements become available.

During the previous five years, the County filed certain update financial information and operating data in the form of certain tables (the "Tables") identified in the official statements for each of the respective debt issuances within six-months (March 31) after the end of each fiscal year. The audited financial statements for the fiscal years ending September 30, 2012, September 30, 2011, September 20, 2010 and September 30, 2009 were not available within six months of the end of the respective fiscal years, but the Tables that were filed included certain unaudited financial statement information that was similar to the type included in the audited financial statements. The County filed audited financial statements for the fiscal year ended September 30, 2013 within six-months of the end of the fiscal year. The County filed audited financial statements of the County for the fiscal years ended September 30, 2012, September 30, 2011, September 30, 2010 and September 30, 2009 on May 15, 2013, April 30, 2012, May 20, 2011 and September 20, 2010, respectively. The County also filed an annual Rule 15c2-12 Filing Cover Sheet for each of the previous five fiscal years within six-months of the end of each respective fiscal year that indicated whether or not the "annual financial report or CAFR" (Comprehensive Annual Financial Report) was being filed along with the Table information. The County did not provide a separate notice with regard to the respective audited financial statements being "not available" during such periods. For the fiscal years identified above for which the audited financial statements were not available within six-months of the end of the respective fiscal year, the County filed an amended Rule 15c2-12 Filing Cover Sheet along with the audited financial statements that indicated that the "annual financial report or CAFR" was now being filed by the County. The Rule 15c2-12 Filing Cover Sheets did not affirmatively state that the audited financial statements for such fiscal years were "not available". The County now has procedures in place to file the required notice if the "annual financial report or CAFR" is not available.

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 PFIA, 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. Though they represent the Financial Advisor and Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by the County and only represents the County in connection with the issuance of the Bonds. 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 McCall, Parkhurst & Horton 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 \$142,994.77 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 \$126,855.92 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.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

The underwriters and their respective affiliates also may communicate independent investment recommendations, market advice, or trading ideas and/or publish or express independent research views in respect of such assets, securities or other financial instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and other financial instruments.

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 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.

County Judge as Pricing Officer
Collin County, Texas

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SCHEDULE OF THE REFUNDED BONDS**Limited Tax Permanent Improvement & Refunding Bonds, Series 2004**

| <u>Original Dated Date</u> | <u>Stated Maturity</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding</u> | <u>Principal Amount Refunded</u> |
|--------------------------------|----------------------------|--------------------------|---|--|
| 3/15/2004 | 2/15/2015 | 4.000% | \$ 640,000 | \$ 640,000 |
| | | | \$ 640,000 | \$ 640,000 |

The 2015 maturity will be redeemed prior to their original maturity on September 2, 2014 at par.

Limited Tax Permanent Improvement & Refunding Bonds, Series 2005

| <u>Original Dated Date</u> | <u>Stated Maturity</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding</u> | <u>Principal Amount Refunded</u> |
|--------------------------------|----------------------------|--------------------------|---|--|
| 3/1/2005 | 2/15/2016 | 5.000% | \$ 1,680,000 | \$ 1,680,000 |
| | | | \$ 1,680,000 | \$ 1,680,000 |

The 2016 maturity will be redeemed prior to their original maturity on February 15, 2015 at par.

Limited Tax Permanent Improvement Bonds, Series 2006

| <u>Original Dated Date</u> | <u>Stated Maturity</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding</u> | <u>Principal Amount Refunded</u> |
|--------------------------------|----------------------------|--------------------------|---|--|
| 3/15/2006 | 2/15/2017 | 5.000% | \$ 1,690,000 | \$ 1,690,000 |
| | 2/15/2018 | 4.250% | 1,770,000 | 1,770,000 |
| | 2/15/2019 | 4.250% | 1,850,000 | 1,850,000 |
| | 2/15/2020 | 4.250% | 1,935,000 | 1,935,000 |
| | 2/15/2021 | 4.250% | 2,025,000 | 2,025,000 |
| | 2/15/2022 | 4.250% | 2,120,000 | 2,120,000 |
| | 2/15/2023 | 4.250% | 2,215,000 | 2,215,000 |
| | 2/15/2024 | 4.250% | 2,315,000 | 2,315,000 |
| | 2/15/2025 | 4.250% | 2,425,000 | 2,425,000 |
| | 2/15/2026 | 4.250% | 2,535,000 | 2,535,000 |
| | | | \$ 20,880,000 | \$ 20,880,000 |

The 2017 - 2026 maturities will be redeemed prior to their original maturity on February 15, 2016 at par.

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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, at the 2010 census, 782,341, and the 2014 estimated population is 834,642.

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, telecommunication, computer technology, electronics, retail, the food industry, and insurance institutions. Some of the major employers in Collin County are as follows:

| <u>Company</u> | <u>Number of Employees</u> |
|-------------------------------------|----------------------------|
| Hp Enterprise Svc Llc | 10,000 |
| Plano Independent School District | 6,538 |
| Nortel Networks | 6,000 |
| Frisco Independent School District | 5,662 |
| Bank of America Home Loans | 4,646 |
| AT&T | 4,300 |
| J.C. Penney, Inc. | 3,800 |
| University of Texas at Dallas | 3,500 |
| Capital One | 3,500 |
| Blue Cross and Blue Shield of Texas | 3,100 |

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:

| | <u>February</u> | <u>Average Annual</u> | | | | |
|----------------------|-----------------|-----------------------|-------------|-------------|-------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| Civilian Labor Force | 461,042 | 458,845 | 447,064 | 434,999 | 421,754 | 409,675 |
| Employed | 436,739 | 432,890 | 419,914 | 404,549 | 390,106 | 379,610 |
| Unemployed | 24,303 | 25,955 | 27,150 | 30,450 | 31,648 | 30,065 |
| Percent Unemployed | 5.27% | 5.66% | 6.07% | 7.00% | 7.50% | 7.34% |

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 United States Environmental Protection Agency ("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 the Texas Commission on Environmental Quality, "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.

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, 2013

The information contained in this Appendix consists of excerpts from the Collin County, Texas Annual Financial Report for the Year Ended September 30, 2013, 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
McKinney, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Collin County, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Collin County, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Collin County, Texas, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 24, the budgetary comparisons on pages 70 through 74, and the schedule of funding progress on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Collin County, Texas' basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Collin County, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
March 28, 2014

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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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, 2013. 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 (net position) by \$373.3 million on a government-wide basis at September 30, 2013, an increase of \$11.4 million from 2012.
- Fiscal year 2013 revenues of the County amounted to \$243.2 million. The main revenue sources were property (ad valorem) taxes (\$180.4 million), charges for services (\$43.4 million) and operating grants and contributions (\$14.4 million). These three revenue sources accounted for 74.2%, 17.8%, and 5.9%, respectively, or 97.9% of total governmental activity revenues.
- Total expenses were \$231.8 million. The functional areas with the largest expense amounts were public safety (\$55.9 million), public transportation (\$42.4 million), and general administration (\$27.9 million).
- Net capital assets were \$438.1 million as of September 30, 2013. Net depreciation expense attributable to assets of governmental activities amounted to \$22.0 million for 2013.

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 amounts for 2013 reflect the fund balance reporting requirements of GASB 54.

- The County's governmental funds reported an increase in fund balances of \$32.7 million for fiscal year 2013, as compared to an increase of \$33.9 million for fiscal year 2012.
- The General Fund reported a fund balance of \$185.7 million for September 30, 2013, an increase of \$20.1 million from September 30, 2012. General Fund revenues increased slightly by \$1.4 million. General Fund expenditures of \$141.1 million decreased by \$3.2 million from 2012. As a result General Fund revenues exceeded expenditures by \$17.0 million and an additional net \$3.1 million in net other financing sources, mostly consisting of the sale of assets, resulted in the \$20.1 million increase in fund balance.

General Financial Highlights

- In 2013, using a \$12 million state grant received at the end of 2011, the County continued its work on the Outer Loop, spending \$8.9 million through 2013 to construct access roads on the section connecting US Highway 75 to Texas Highway 121. Total contracts for construction awarded to date exceed \$9 million.

- 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 2013, the County transferred a net of \$21.0 million from Deferred Contributions for the completion of projects (primarily roads) that the County granted to other governmental entities. Although the County will not maintain or own 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 position provides information on all County assets and liabilities; the difference between the two is reported as net position. Over time, increases or decreases in net position 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 position of the County changed during the fiscal year presented herein. All changes in net position 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 payments on long-term debt.

The County created its first Enterprise Fund in 2009 to record the activity of the Collin County Toll Road Authority. The County Commissioners Court is also the Trustee for 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. In 2011, the county received a \$12 million grant from the state to assist in the construction of access roads for the first section of the Outer Loop from US 75 to State Highway 121.

The County operates an animal shelter that works with local cities and unincorporated areas of the County to handle the disposition of unwanted and abandoned animals. Each participating city, as well as the County, pays a pro rata share of the operating expenses and construction costs. The animal shelter is not considered an Enterprise Fund but operates as an Internal Service Fund since it provides services primarily to other governments and not 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 legally separate blended-component units: the Collin County Health Care Foundation and the Collin County Housing Finance Corporation. The County Commissioners act as the Board of Trustees for component units whose activities are blended with those of the primary government because it functions as part of 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 fund financial statements 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.

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for periods that begin after June 15, 2011. The objective of GASB 54 is to enhance the usefulness of fund balance information by 1) clarifying existing governmental fund type definitions, and 2) providing clearer fund balance classifications that can be more consistently applied. Collin County implemented the GASB 54 reporting as of September 30, 2011, in accordance with GASB requirements.

GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The classifications are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Restricted or committed specific revenue sources should comprise a *substantial portion of the fund's resources*.

GASB 54 requires fund balance to be reported by purpose or function of restriction, using one of the following five categories:

- **Nonspendable** - Generally means the asset is not expected to be converted to cash, such as inventories; the asset can also be related to monies legally or contractually required to be maintained intact, such as a debt service reserve fund.
- **Restricted** - Resources whose use is constrained by either externally imposed factors (i.e., creditors, contributors, grantors, or laws of other governments), or imposed by law through constitutional provisions of enabling legislation, such as authorization to assess, levy, charge, or otherwise mandate payment of resources. This includes a *legally enforceable* requirement that resources be used only for the specific purpose.

- **Committed** - Constraints imposed by formal action of the Collin County Commissioners Court to set aside, by court order, a commitment of specific use of resources. Constraints can only be removed or changed by taking the same type of action employed to commit those amounts.
- **Assigned** – An amount intended to be used for a specific purpose, but the amount is neither restricted nor committed. Intent may be expressed by the Commissioners Court or by an official or group to which the governing body has delegated the authority to assign amounts. Assigned fund balances include all remaining amounts reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, or committed. In governmental funds other than General Fund, assigned fund balance represents the amount intended to be used for the purpose of that fund. Collin County has no assigned fund balances in 2013.
- **Unassigned** - Residual amount for the General Fund; it is the fund balance that has not been restricted, committed, or assigned. The General Fund is the only fund that reports a positive unassigned fund balance amount. The only classification that can report a negative fund balance is the unassigned category.

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 Special Revenue Fund
- Health Care Foundation Special Revenue Fund
- Regional Toll Road – Wylie Grant Special Revenue Fund
- Regional Toll Road – Outer Loop Grant Special Revenue Fund
- Debt Service Fund
- 2007 Road Bond Capital Project Fund

Each of these funds is classified as a major fund for 2013. Financial results from the other governmental funds (non-major funds) are combined into a single, aggregated presentation and included in the total. Individual fund data for each of the non-major governmental funds is 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 schedule is provided for county governmental funds, where a budget is adopted, to demonstrate compliance with the approved budget. (The exceptions are Grant Funds and Capital Projects Funds, which are budgeted on a project life budget, with an assigned project number for tracking and recording each transaction by project and funds in which the budget authority is specifically not granted to Commissioners Court by law.) Budgetary comparison schedules for major governmental funds are presented as required or additional supplementary information. Budgetary comparison schedules for all governmental funds are included in the fund financial statements accompanying information.

Proprietary Funds

Currently, the County reports eight proprietary type funds – the Collin County Toll Road Authority Fund (enterprise fund) and seven Internal Service Funds (see list below). Internal Service Funds are used to accumulate and allocate costs internally among various county functions. The Internal Service Funds provide benefits to the County and to 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

Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements. Internal Service Funds are accounted for on the full-accrual method of accounting. 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 consist of 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 fines belong to the state. After collection, the monies owed to the other entities are remitted to those entities on a periodic basis. Agency funds are also used for recording receipts of funds by elected officials.

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

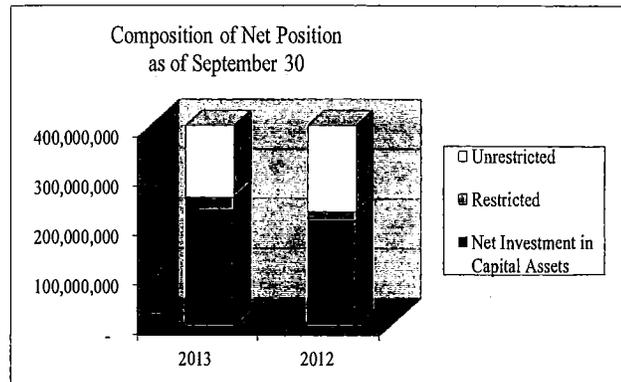
In addition to the basic financial statements and accompanying notes to those financial statements, certain required supplementary information schedules are also presented in this report with additional information regarding the results of the County's financial activities.

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 position of the County as of September 30, 2013 and 2012 is summarized and analyzed below:

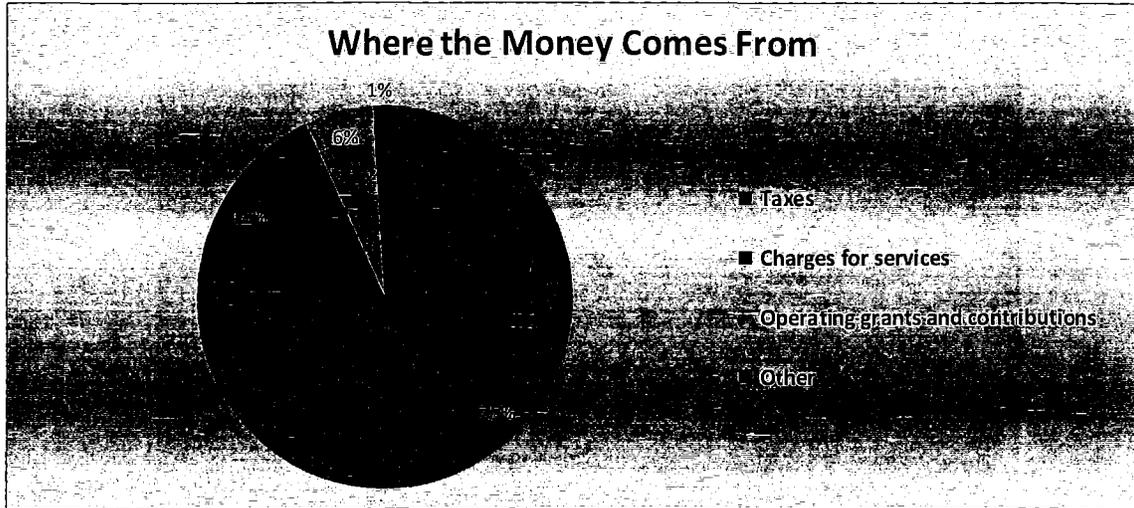


| Statement of Net Position As of September 30 (\$ in thousands) | | |
|--|-------------------|-------------------|
| | 2013 | 2012 |
| Assets: | | |
| Current and Other Assets | \$ 391,213 | \$ 361,489 |
| Capital Assets | 438,119 | 453,016 |
| Total Assets | 829,332 | 814,505 |
| Liabilities: | | |
| Current Liabilities | 22,236 | 22,921 |
| Long-term Liabilities | 433,803 | 429,654 |
| Total Liabilities | 456,039 | 452,575 |
| Net Position: | | |
| Net Investment in Capital Assets | 247,266 | 229,532 |
| Restricted | 25,366 | 21,164 |
| Unrestricted | 100,661 | 111,234 |
| Total Net Position | \$ 373,293 | \$ 361,930 |

- Net position serves as a useful indicator of financial position. Assets exceeded liabilities by \$373.3 million as of September 30, 2013, and by \$361.9 million as of September 30, 2012, a net increase of \$11.4 million.
- Net 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 Position (62.1%). 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 these other resources will be used to pay the debt.
- Restricted Net Position (6.8%) represents resources subject to external restrictions on their use. Of these restricted net assets, 39.3% of the restricted assets are to repay long-term debt, 33.5% are restricted to provide health care services, 27.2% are restricted for grant programs, and the balance is for the County's Myers Park Foundation.

- The remaining portion of the County's net position (31.1%) is unrestricted and may be used to meet ongoing obligations.

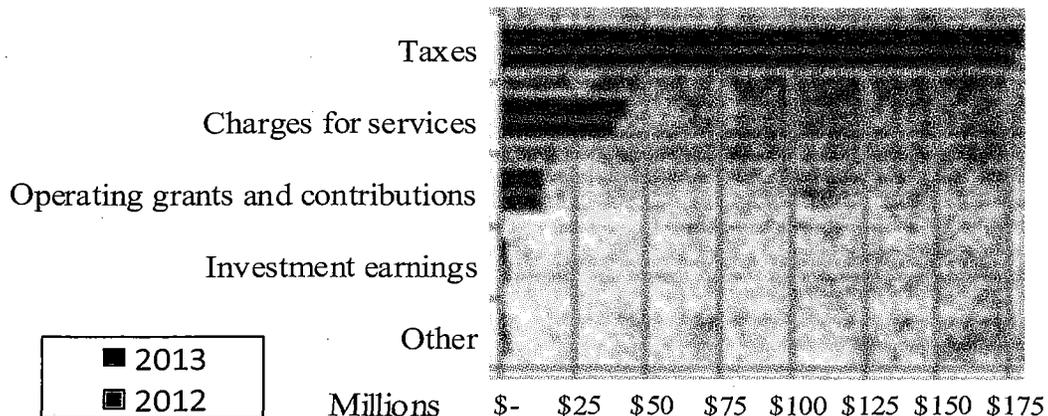
Reflected below is a comparison of Collin County revenues by source.

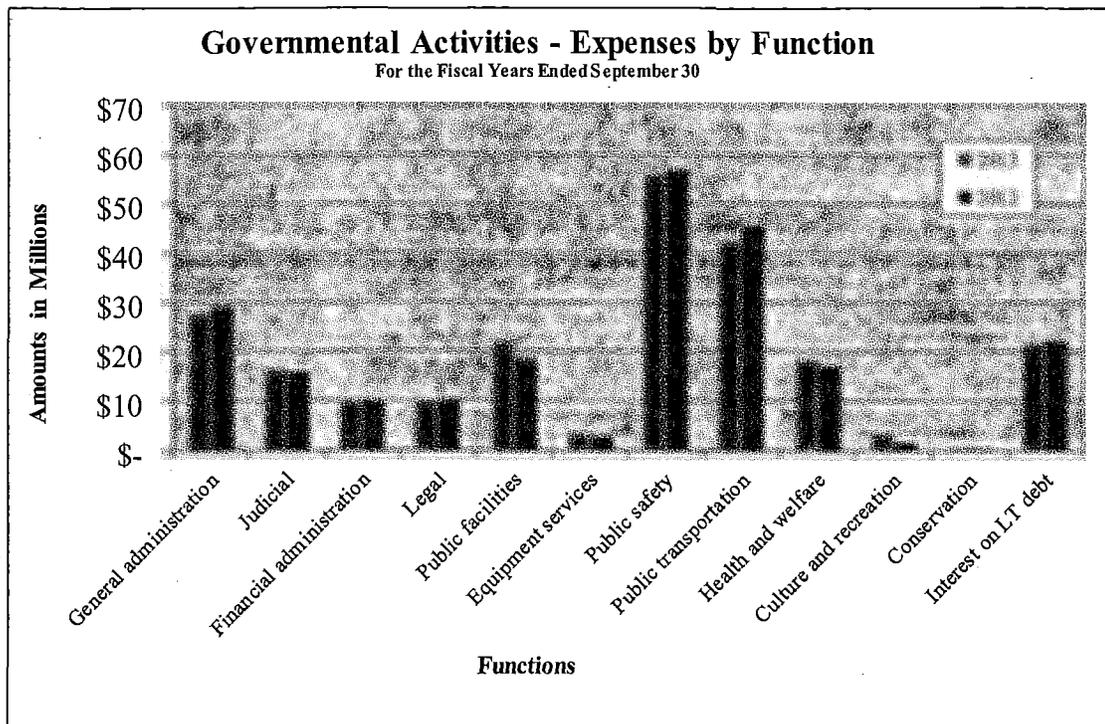


Overall government-wide revenues increased in 2013 over 2012 by \$6.2 million (2.6%), due primarily to higher taxes collected (\$5.1 million, or 2.9%) and more collected in charges for services (\$3.0 million, or 7.6%). A summary of the amounts and more detailed explanation is provided in the table below.

| Summary of Changes in Net Position For the Fiscal Years Ended September 30 (\$ in thousands) | | |
|--|------------|------------|
| | 2013 | 2012 |
| Revenues | | |
| <i>Program Revenues:</i> | | |
| Charges for services | \$ 43,375 | \$ 40,329 |
| Operating grants and contributions | 14,384 | 14,516 |
| Capital grants and contributions | 931 | 1,059 |
| Total Program Revenues | 58,690 | 55,904 |
| <i>General Revenues:</i> | | |
| Taxes | 183,016 | 177,762 |
| Investment earnings | 1,337 | 2,317 |
| Miscellaneous | 142 | 903 |
| Total General Revenues | 184,495 | 180,982 |
| Total Revenues | 243,185 | 236,886 |
| Expenses | | |
| General administration | 27,867 | 29,244 |
| Judicial | 16,427 | 16,069 |
| Financial administration | 10,168 | 10,028 |
| Legal | 10,301 | 10,204 |
| Public facilities | 21,950 | 18,701 |
| Equipment services | 3,236 | 2,859 |
| Public safety | 55,924 | 57,156 |
| Public transportation | 42,393 | 45,515 |
| Health and welfare | 18,130 | 17,189 |
| Culture and recreation | 3,333 | 1,591 |
| Conservation | 246 | 249 |
| Interest and fiscal charges | 21,847 | 22,193 |
| Total expenses | 231,822 | 230,998 |
| Change in Net Position | 11,363 | 5,888 |
| Net position at beginning of year | 361,930 | 356,042 |
| Net position at end of year | \$ 373,293 | \$ 361,930 |

Governmental Activities - Revenues by Source
For the Fiscal Years Ended September 30

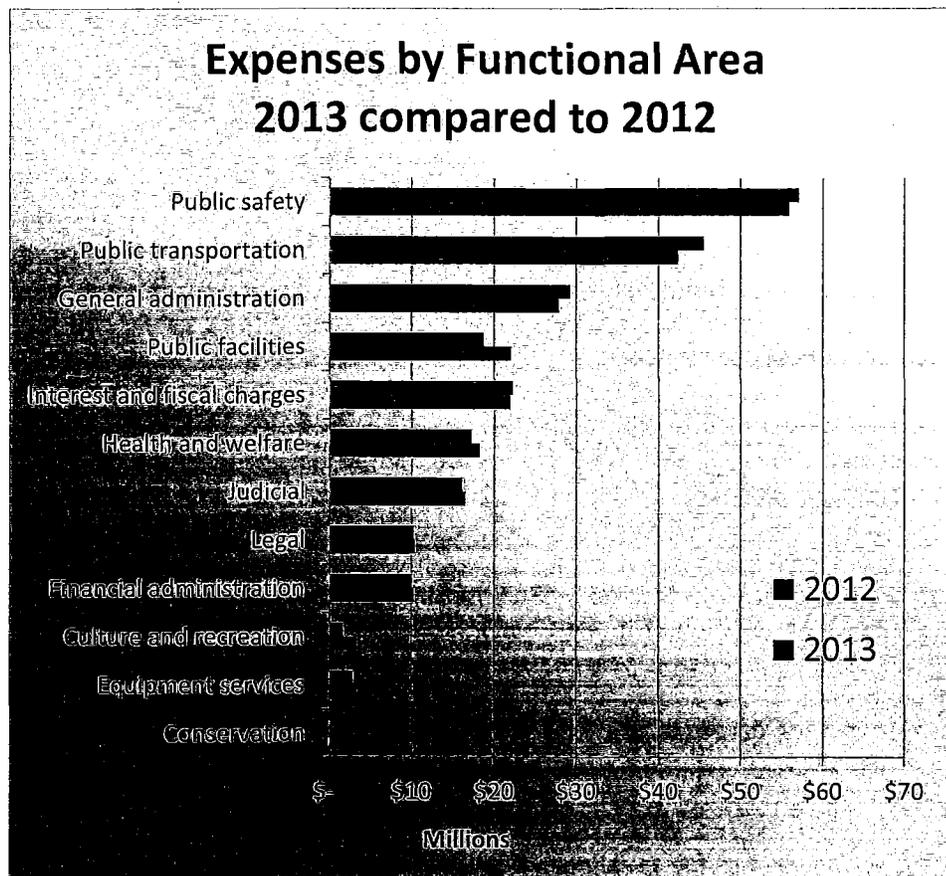




Summarized above are details of government-wide activities of the County for 2013 and 2012.

- Program revenues include 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 government-wide activities increased by \$2.8 million or 5%, mostly due to increased activity in land and vital recordings and vehicle titles.
- General revenues consist of taxes (property and mixed beverage tax paid to the County by the State of Texas) and interest, as well as miscellaneous transactions, not attributable or allocable to a specific program. Property taxes, substantially largest of the revenues, increased by \$4.7 million or 2.7%.
- Public transportation expense decreased by \$6.9 million or 3.1%. Many of the road construction projects are joint efforts with cities in the County, with each party contributing 50% of the cost. This activity tends to fluctuate from year to year due to a large number of ongoing projects.
- Public safety expenses decreased by \$1.2 million (2.1%) in a large part due to decreasing detention activity.
- General administration expense decreased from \$29.2 million to \$27.9 million (-4.7%), much of which can be accounted for due to decreased amounts paid to the county employee retirement program to reduce long-term unfunded liabilities from the prior year.
- Public Facility expense increased by 3.2 million (17.3%) mostly due to recording a book loss of \$3.4 million on the sale of the University Drive Courts Facility which was closed due to moving all the county and district courts into the expanded Courthouse.
- Culture and Recreation expenses increased by \$1.7 million (109.4%) due to an increase in bond activity to fund park projects mostly in conjunction with cities where the cities must provide half of the funding.

| Total Cost and Net-Cost of Governmental Activities for Collin County For the Six Largest Functions by Expense For the Fiscal Years Ended September 30 (\$ in thousands) | | | | |
|--|------------------------|-------------------|----------------------|-------------------|
| Functions/Programs | Total Cost of Services | | Net Cost of Services | |
| | 2013 | 2012 | 2013 | 2012 |
| Public safety | \$ 55,924 | \$ 57,156 | \$ 42,223 | \$ 43,659 |
| Public transportation | 42,393 | 45,515 | 24,746 | 27,304 |
| General administration | 27,867 | 29,244 | 18,144 | 20,529 |
| Interest and fiscal charges | 21,847 | 22,193 | 21,547 | 21,880 |
| Public Facilities | 21,950 | 18,701 | 21,811 | 18,597 |
| Health and welfare | 18,130 | 17,189 | 11,131 | 11,547 |
| Other | 43,711 | 41,000 | 33,530 | 31,577 |
| Total | \$ 231,822 | \$ 230,998 | \$ 173,132 | \$ 175,093 |



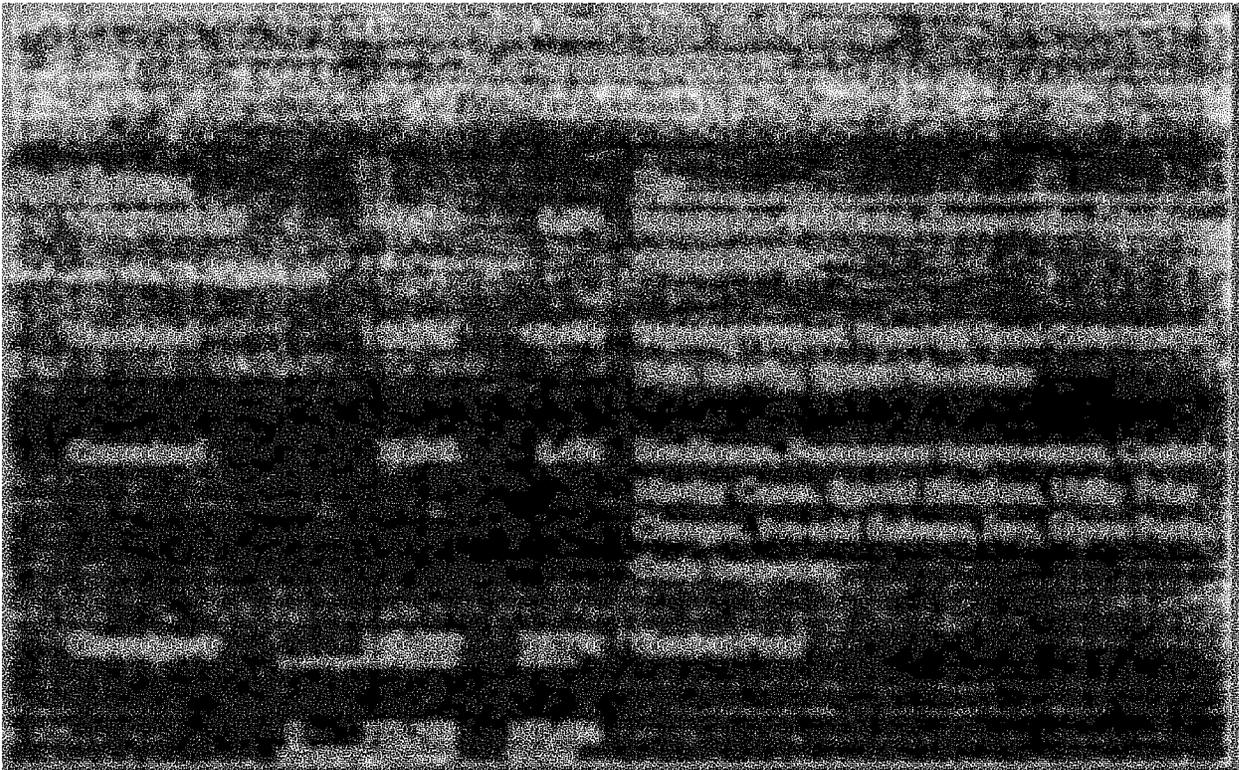
Financial Analysis of the County's Funds

The County operates using a fund accounting system to ensure segregation of funds as needed or required. 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. Unassigned 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 \$372.8 million, an increase of \$32.7 million (9.6%) from the prior year.

As required by GASB 54, the classifications of fund balance have changed from previous years to reflect the nature of the expected use of the amounts included in the balance. In 2010 (pre-GASB 54), fund balance was classified as reserved and unreserved, with unreserved further divided into designated or undesignated. Beginning in 2011 fund balance was split into as many as five categories: nonspendable, restricted, committed, assigned, or unassigned. The County currently has no assigned fund balance.

A portion of fund balance (60.3%, or \$224.7 million) of the governmental funds has been designated as nonspendable, restricted, or committed. The remaining \$148.0 million is classified as unassigned and is available to meet current needs as determined by the Commissioners Court. The unassigned fund balance can only exist in the General Fund since all other funds by definition are restricted or committed.



Changes in Fund Balance – Major Funds

In 2013, the County is presenting seven major funds:

- General Fund
- General Road and Bridge Special Revenue Fund
- Health Care Foundation Special Revenue Fund
- RTR – Wylie Grant Special Revenue Fund
- RTR – Outer Loop Grant Special Revenue Fund
- Debt Service Fund
- 2007 Road Bond Capital Project Fund

Funds are required to be reported as major funds when revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds. Any other fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

General Fund

The General Fund is the chief operating fund of the County. 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, fines, fees, intergovernmental revenues and investment income.

Primary expenditures are for general administration, public safety, judicial, public welfare, health services and capital acquisition.

At the end of the current fiscal year, the unassigned fund balance of the General Fund is \$148.1 million. The total fund balance in the General Fund is \$185.7 million, an increase of \$20.1 million or 12.1% from 2012.

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

General Fund Revenue Highlights:

- Property tax revenues increased by \$2.6 million (2.0%) from the prior year.
- Federal and state funds decreased \$2.0 million primarily due to an accounting procedural change. Grant funds received from the State of Texas to help fund juvenile probation are reported in the Grants Special Revenue Fund in 2013 as opposed to the General Fund in 2012.
- Fees and Charges for Services increased by \$0.8 million (4.6%).
- Fines decreased by \$0.2 million (10.5%) due to decreased criminal cases in the court system.
- Investment earnings were down \$0.6 million due to low stagnant interest rates and maturing investments being reinvested at the low rates

General Fund Expenditures:

- General administration expenditures increased by \$1.1 million.
- Public safety expenditures were \$2.6 million lower than 2012.
- Capital Outlay expenditures remained virtually the same in 2013 as in 2012.

General Road and Bridge Fund

The General Road and Bridge Fund is the primary funding for maintenance of county roads. This 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.

In 2005, Collin County began a program to convert all rock roads to asphalt to reduce dust and to 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 25.21 miles in 2013. As of 09/30/13, the County had resurfaced 402 miles of roads, or an average of 44.6 miles per year.

At the end of 2013, the fund balance of the General Road and Bridge Fund was \$19.1 million, an increase of \$0.7 million (3.9%) from the prior year. General Road and Bridge Fund revenues include fees and permits, property taxes, and fines and forfeitures.

Highlights of financial activities in the General Road and Bridge Fund are as follows:

General Road and Bridge Revenue Highlights

- Property tax revenues increased \$64 thousand over the prior year (2.9%).
- Revenues from Fees and Charges for Services increased by \$1.7 million in 2013. The higher revenues are attributed to an increase in revenues from vehicle registrations.
- Fines increased \$153 thousand over the prior year (8.4%).

General Road and Bridge Expenditures Highlights

- Road construction and maintenance expenditures increased by \$3.2 million in 2013 over the prior year.
- Capital outlay expenditures of \$1.3 million decreased in 2013 by \$814 thousand (38.2%) from the prior year.

Health Care Foundation Special Revenue Fund

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

The Fund was created after the sale of the county hospital in 1983. The proceeds of the sale were used to purchase real estate office buildings in order 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 County departments and unrelated third parties. The rental revenue is a steady source of income that provided 43.7% of the funding for the Health Care Foundation Fund in 2013.

The fund balance is slightly higher (\$49 thousand, 0.6%) in 2013 than the prior year. Highlights of changes in fund balance in the Health Care Foundation Fund were:

Health Care Revenues

- Federal and state funds increased dramatically to \$1.2 million from \$64 thousand in the prior year due to the receipt of \$1.2 million for Medicaid 1115 Waiver funding.
- Fees and charges for service decreased \$72 thousand (20.5%).
- Rental revenues decreased \$19 thousand (1.7%).
- Investment revenue decreased \$39 thousand (60.0%) due to longer term investments maturing and being reinvested at the lower market rates.

Health Care Expenditures Highlights

- Expenditures increased \$146 thousand (5.5%) from 2012.

RTR – Wylie Grant Special Revenue Fund

The Regional Toll Road – Wylie (FM 1378) Special Revenue Fund is used to account for a grant from the State of Texas funded with Regional Toll Revenue (RTR) which is related to the sale of roads to the North Texas Toll Road Authority. These funds will be used to rebuild FM 1378 within the city limits of the City of Wylie, Texas. The liabilities of the fund met the major fund requirement. All activity to date has been in project accounts related to construction-in-progress on the road. The City of Wylie is managing the project and the County serves as a pass-through agency from the state. Revenues are deferred until expenditures are recognized, which results in zero dollars in fund balance. There were no revenues or expenditures recognized in 2013.

RTR – Outer Loop Grant Special Revenue Fund

The Regional Toll Revenue – Outer Loop Phase 3 Special Revenue Fund is used to account for a grant from the State of Texas funded with Regional Toll Revenue. These funds will be used to construct a portion of an Outer Loop around the Dallas – Fort Worth metroplex and through Collin County. The liabilities of the fund met the major fund requirement. All activity to date has been in project accounts related to construction-in-progress on the road. Revenues are deferred until expenditures are recognized, which results in zero dollars in fund balance.

RTR – Outer Loop Revenue Highlight

- State funds recognized in 2013 were \$956 million.

RTR – Outer Loop Expenditure Highlight

- Expenditures for construction in 2013 were \$956 million.

Debt Service Fund

The Debt Service Fund is used to account for property tax revenues restricted to be used to meet Collin County's debt obligations. Expenditures for payments of principal and interest on the outstanding debt are paid from this fund, as are the expenditures for fiscal agent fees.

Fund balance increased in 2013 by \$3.8 million over the 2012 ending balance. Since it is funded by property taxes, a change in the tax rate allocation has a direct impact on funds available for debt service. As part of the budgeting process, the County must determine the funding needed to meet the principal and interest payments for each issue of debt, as well as the expected fiscal agent fees to be paid annually.

Each year during the budget process, a portion of the tax rate is set aside for funding debt service; taxes collected are restricted specifically for that purpose. Debt service expenditures are based on debt service requirements and other debt-related expenditures. The County sets aside a portion of property taxes to meet its debt service requirements.

Key factors in the change in fund balance in the Debt Service Fund were:

Debt Service Fund Revenues Highlights

- In 2013, property taxes allocated for debt service were \$49.1 million, or about \$2.4 million higher than 2012.

- Interest earned was about \$287 thousand, \$168 thousand lower than the prior year due to decreased interest rates.

Debt Service Fund Expenditures Highlights

- Debt service expenditures for 2013 debt service and fees were \$49.4 million of which \$4.2 million was part of bond refunding transactions. The amount paid was \$2.2 million higher than 2012.

2007 Road Bond Capital Project Fund

The 2007 Road Bond Capital Project Fund is used to account for road bond proceeds for road bonds authorized by voters on November 6, 2007. Total authorized for roads and highways is \$235,600,000. Only a portion of the bonds have been issued to-date (in six series), beginning in 2008 and ending in 2013. The remainder of the bonds will be sold as needed. The total issued through September 30, 2013, is \$126,200,000:

- Series 2008: \$25,020,000 issued July 14, 2008
- Series 2009: \$10,070,000 issued September 29, 2009
- Series 2009B: \$ 5,590,000 issued September 29, 2009
- Series 2011: \$28,490,000 issued June 16, 2011
- Series 2012: \$31,365,000 issued June 14, 2012
- Series 2013A: \$25,665,000 issued June 1, 2013

In 2013 fund balance increased \$14.1 million; key factors in the change in fund balance are:

2007 Road Bond Capital Project Fund Revenues/ Other Financing Sources

- Investment earnings increased \$65 thousand (27.6%) due to having more funds to invest from an additional bond issue.
- An amount of \$235,615 was received from an insurance settlement.
- Received bond proceeds and premiums of \$28 million.

2007 Road Bond Capital Project Fund Expenditures

- Capital outlay for road projects in 2013 was \$14.4 million, which is \$4.5 million more than in 2012.

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;
- Training and travel;
- Maintenance and operating; and
- Capital outlay.

The final amended budget for the General Fund expenditure appropriation was \$161.5 million, or \$130 thousand lower than the original adopted budget of \$161.6 million (excluding transfers). Actual expenditures for 2013 were \$141.1 million, or 12.7% less than the final amended budget.

General Fund revenue estimates for 2013 were more than the estimate by \$2.7 million, and broken down as follows:

- Taxes – \$1.4 million higher
- Federal and state funds - \$1.2 million higher
- Fees and Charges for Services - \$36 thousand higher
- Fines and forfeitures - \$181 thousand higher
- Interest – \$855 thousand lower
- Miscellaneous revenues - \$613 thousand higher

The General Fund is the primary source for expenditures related to the overall operation and administration of the County. In 2013, there were departments that contributed to actual expenditures being \$20.4 million lower than budgeted expenditures. They include:

- General administration was less than budget by \$7.6 million. Highlights about this budget variance are as follows:
 - Actual expenditures for the County Clerk were \$1.6 million less than budgeted expenditures in the Maintenance and Operating Category due to a revised budget being established for archive and restoration (restricted funds) that was not utilized.
 - Actual expenses for the Non-Departmental were under budget by \$1.2 million in the salary and benefit category due to unused budget for temporary workers.
 - Actual expenditures were \$3.2 million under budget for Non-Departmental in the maintenance and operating category primarily because of unused contingency funds and maintenance contracts coming in well under budget.
 - Actual expenses for Information Technology were \$364 thousand under budget in the maintenance and operating category.
 - Actual expenses for Telecommunications in the maintenance and operating category were under budget by \$565 thousand.
- Judicial actual expenditures were less than budget by \$861 thousand. Highlights regarding this budget variance are as follows:
 - The County Courts-at-Law utilized all but \$107 thousand of their \$2.9 million budget.
 - The County Court-at-Law Clerks had \$97 thousand remaining in their \$1.6 million salary and benefit budget at year end.
 - The County Clerks – Probate/Mental Department left \$82 thousand in their maintenance and operating budget at year end.
 - The District Courts had \$123 thousand unspent in their combined budgets at year end.
 - The Jury Services – District Clerk Department had \$242 thousand remaining of their \$647 thousand budget at year end in maintenance and operating.
- Financial administration actual expenditures were less than budget by \$701 thousand. Highlights of this budget variance are as follows:
 - Salaries and benefits came in under budget as follows:
 - County Auditor \$130 thousand under budget,
 - County Court-at-Law Clerks Collections \$111 thousand under budget,
 - Tax Assessor-Collector \$229 thousand under budget, and
 - Purchasing Department \$122 thousand under budget.

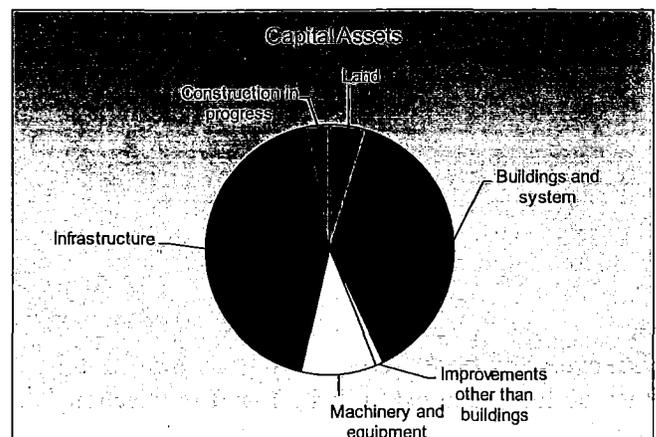
- Legal actual expenditures for the District Attorney's Office were less than budget by \$517 thousand under budget. This is broken down as follows:
 - Salaries and benefits were lower than budgeted by \$420 thousand,
 - Maintenance and operating was \$96 thousand less than budget at year end, and
 - Travel and training was \$1.4 thousand less than budget.
- Public facilities expenditures were less than budget by \$1.0 million, primarily due to maintenance and operating expenditures being under budget.
- Equipment services expenditures were lower than budget by \$570 thousand primarily due to the maintenance and operating category coming in under budget.
- Public safety expenditures were lower than budget by \$2.4 million. Highlights of this budget variance are as follows:
 - The Sheriff's Office was \$399 thousand less than budget of which \$308 thousand was payroll related.
 - The Jail Operations Department was under budget by \$644 thousand in the maintenance and operating category of which \$543 thousand was left over at year end in the food supplies account.
 - The Minimum Security Operations maintenance and operating category were \$159 thousand under budget.
 - The 911 Addressing Department was \$95 thousand under budget in the maintenance and operating category.
 - The Holding Facility Department was \$143 thousand under budget in the salary and benefit category.
 - Homeland Security was \$280 thousand under budget in the salaries and benefit category.
 - Juvenile Probation was \$188 thousand under budget in the salaries and benefits category.
- Health and welfare expenses were \$468 thousand under budget of which most was due to inmate health coming in under budget.
- Capital outlay, which is presented separately from functional activities, was \$6.2 million under budget of which \$3.2 million was for facility projects, \$678 thousand was for Equipment Services Department, \$1.5 million was for Information Technology and \$547 thousand was for Telecommunications.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for governmental activities (including business-type activities), net of accumulated depreciation at September 30, 2013, was \$438.1 million, a decrease of \$14.9 million under 2012.

Graphically, the contribution of each type of asset is shown on the chart above.



Details by type of activity are summarized below:

Major changes for 2013 are:

- Added right of way for planned road construction to land: \$244 thousand.
- Sold University Drive Courts Facility building, reduced buildings by \$12.2 million.
- Added purchases of \$4.4 million to Machinery and Equipment; purchases were offset by \$714 thousand in items written off when sold as surplus or traded in.
- Infrastructure increased by \$5.2 million, primarily for road construction.
- Construction in Progress increased by a net of \$2.1 million (\$3.7 million increase for new projects less a \$1.6 million decrease for completed projects.)
- Accumulated depreciation had a net increase of \$15.9 million.

| Capital Assets | | |
|-----------------------------------|-------------------|-------------------|
| As of September 30 | | |
| (\$ in thousands) | | |
| | 2013 | 2012 |
| Land | \$ 32,712 | \$ 31,549 |
| Buildings and system | 257,187 | 268,132 |
| Improvements other than buildings | 6,607 | 6,865 |
| Machinery and equipment | 66,162 | 62,442 |
| Infrastructure | 291,663 | 286,476 |
| Construction in progress | 21,457 | 19,341 |
| Total capital assets | 675,788 | 674,805 |
| Less: Accumulated Depreciation | (237,669) | (221,789) |
| Total capital assets | <u>\$ 438,119</u> | <u>\$ 453,016</u> |

Long-term Debt

At September 30, 2013, the County had \$393.35 million in outstanding debt, a slight increase of \$140 thousand (0.3%).

In 2013, the County:

- Issued \$2.2 million for park/open space projects
- Issued \$31.365 million for road and bridge projects
- New issues refunded \$49.785 million in existing debt to take advantage of savings due to lower interest rates.
- Paid \$28,035 thousand in debt service principal and \$16.8 million in interest costs to service debt.

| Long-Term Debt by Intended Use of Proceeds | | |
|---|-------------------|-------------------|
| As of September 30 | | |
| (\$ in thousands) | | |
| | 2013 | 2012 |
| Road and Bridge Projects | \$ 262,765 | \$ 253,745 |
| Technology/Equipment | - | 2,490 |
| Public Facilities/Park Projects | 130,585 | 136,975 |
| Total Long-Term Debt | <u>\$ 393,350</u> | <u>\$ 393,210</u> |

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 Obligations." Detailed notes on capital assets can be found in "Section IV. Detailed Notes on All Funds, 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 2013 General Fund and other budgets:

- The percentage increase in real property assessed value for 2013 was 3.0% (2012 increase was 2.4%).
- The average unemployment rate in Collin County for 2013 was 5.5% (5.7% in 2012).

Collin County has consistently had increases in its taxable assessed value since the Great Recession of 2009 when the County experienced a slight decrease. In 2013 the County experienced a 3% increase in which 1.7% was new construction and 1.3% was an increase in existing property values. After experiencing an unemployment rate recent-year high of 7.8% in 2009 the rate has consistently decreased each year to its current rate of 5.5%. The County is experiencing the fast growing increase in population it has been accustomed to in the past two decades. This year the County added over 21,000 residents, an average of 58 people per day. The County continues to aggressively invest in road and bridge projects across the County to meet the transportation needs of its residents and business to make the County an attractive place to live, to work and to do business.

During 2013 there were 21,509 people added to the County's population. This growth rate is expected to increase over the next couple of years due to large corporate projects moving into the County. State Farm is currently building a facility in Richardson, fully within the County, that is expected to employ 10,000 people and bring another 40,000 people to the area. Federal Express is planning to construct a facility in Frisco that will bring in another 1,500 jobs. Collin County is poised to be one of the fastest growing counties in the nation in upcoming years just as the County has been in recent years. In the last ten years the County added 206,216 people, an increase of 32.8%. The rate of and absolute numbers of growth continue to provide challenges in keeping up with roads and other infrastructure needs.

The 2010 Census showed the County population at 782,341 as of April 1, 2011. The 2010 Census is a 196% increase over the 1990 census of 264,036, and a 59% increase over the 2000 census of 491,772. The estimated population as of September 30, 2013 is 834,642 according to the Bureau of Economic Analysis which is an increase of 52,301 or 6.7% over the 2010 Census. Collin County is currently the 6th most populous county of the 254 counties in the State of Texas.

The County is a member of the North Central Texas Council of Governments, along with 15 other counties in the area. The Council is a voluntary association established to assist local governments in planning for common needs, cooperating for mutual benefit, and coordinating for sound regional development. For example, Mobility 2035 is a master transportation plan updated annually by the association members to address the needs of both rural and urban counties in the area.

The Dallas North Tollway, built and operated by the North Texas Tollway Authority (NTTA), opened a six-lane divided toll road between State Highway 121 and U.S. Highway 380 in 2009; frontage roads for the extension of the Tollway north to the county line have been built. The Dallas North Tollway, when completed, will provide a major highway from Grayson County to the north through Collin County to Dallas. Extensive commercial development continues along the North Dallas Tollway, and provides a major source of employment for Collin County residents.

Sam Rayburn Tollway is the primary link between McKinney, the county seat of Collin County, and Dallas-Fort Worth International Airport. Construction on expanding this two-lane road to relieve traffic congestion began in 2005 by building frontage roads and grade separations. The County sold the rights in 2009 to toll State Highway 121 to the North Texas Toll Authority, which also operates the Dallas North Tollway. The Sam Rayburn Tollway was dedicated in 2011 and now provides easy access to the DFW International Airport, Fort Worth and points west.

In 2009, the County created the Collin County Toll Road Authority (CCTRA) for the purpose of building and operating a 56-mile toll road along the northern and eastern boundaries of the County. The toll road is planned to connect Interstate 35 with Interstate 30 and allow traffic to loop around the Dallas-Fort Worth metroplex. The toll road is to be built in six phases, with completion of the final phase expected in 2030. Now open as a two lane access road is the portion of the toll road connecting U.S. Highway 75 and State Highway 121. This area of the County is experiencing rapid growth. Frontage roads are being built first, with main lanes expected to be completed at a later time. CCTRA has also begun construction on the frontage roads to connect the Dallas North Tollway and State Highway 289 (Preston Road). The next phase will continue the toll road past State Highway 289 to U.S. Highway 75. Planning and purchases of land for right of way are on-going for the remaining phases.

Conversion of State Highway 121 to a toll road that is operated and managed by NTTA will continue to fund road construction for years to come. The State of Texas and the Regional Transportation Council (RTC) have identified various road and bridge projects across the Dallas – Fort Worth metroplex to fund with the transfer of the Sam Rayburn Tollway to the NTTA. A significant number of these projects (over \$900 million) are planned or under construction in Collin County.

Revenue estimates in 2014 are \$279.8 million, an increase of 7.3% over the 2013 adopted budget estimates of \$260.7 million. Property taxes of \$187.6 million account for 67.0% of the County's revenue estimates.

The County's expenditure budget for 2014, which includes expenditures and transfers out, totals \$279.8 million. The General Fund expenditure budget in 2014 is \$170.4 million, or 60.9% of the total adopted budget. An amount of is \$41.3 million (14.7% of the total) is budgeted for debt services.

There are several significant events expected to have an impact in 2014 and beyond:

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 2013 have helped the county to provide preventative and minor medical care in cities where the indigent population is located. Increasing medical costs for medical care have contributed to the increasing demands on County resources to provide the same level of services offered in prior years. 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. Medicaid 1115 plans are being put in place, with the County as the anchor county in a new state regional provider.

As of September 30, 2013, the unassigned fund balance for the General Fund was \$148.1 million which is 86.9% of the General Fund expenditure budget for 2014 or 317 operating days. The County has eliminated all long-term unfunded liabilities from employee retirement and health care benefits by changing policies and using excess reserves to pay down the liabilities. As such, the County is in excellent shape to endure any future economic downturn; however, the economy of the County continues to thrive despite a sluggish national economy. The County will continue to closely monitor its expenditures to ensure that taxpayer dollars are spent wisely and in accordance with sound fiscal management policies.

In June of 2013 the County issued bonds of \$2.2 million for park and open space projects as well as \$25.665 million for road and bridge projects. The County partners with cities that reside within the county to enhance parks and transportation for citizens across the County. There are additional bond issues planned in upcoming years that have been approved by voters.

The County has now completed implementation of a performance-based pay system for employees. This project will generate long-term benefits by compensating employees according to performance of assigned goals.

The County began in 2006 a partnership with 11 other large counties to customize and implement a new case management software system. This is a multi-year project, with specific groups being implemented over a five year period. The sheriff's office and jail administration were completed in December 2011. In 2013 the County was awarded a \$436 thousand grant by the Texas Indigent Defense Commission (TIDC) to continue to enhance this software to improve the processes for appointing and tracking information for providing attorneys to indigents.

- Probate court implemented in February 2007
- Civil courts came on-line in March 2008
- Justice of the peace courts implemented in July 2009
- Configuration testing in process for criminal courts module, sheriff's office and jail administration
- District attorney implemented in 2010
- Constables implemented in 2011
- Sheriff's office, jail administration and community supervision implemented in December 2011

The property tax rate for 2014 was lowered to \$0.2375 per \$100 from \$0.24 per \$100 of valuation in 2013. Property owners continue to benefit from one of the lowest county tax rates in the state. The expected growth of the County and related increases in property values should be sufficient for the time being to fund County operations. Collin County is in excellent fiscal condition to endure any future revenue shortfalls, should they occur; however, significant revenue shortfalls are unlikely due to the vibrant economic activity occurring within the County. Future fiscal pressures from rising health care costs along with changing health care laws, demand for constituent services, and costs of road construction could place pressure on the low tax rate in future years.

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.

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**BASIC
FINANCIAL STATEMENTS**

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COLLIN COUNTY, TEXAS

Statement of Net Position

September 30, 2013

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|-----------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets: | | | | |
| Cash | \$ 25,279,308 | \$ 58,322 | \$ 25,337,630 | \$ 140,074 |
| Investments | 353,204,996 | 1,728,673 | 354,933,669 | - |
| Receivables (net of allowance for uncollectibles) | 7,924,899 | - | 7,924,899 | - |
| Internal balances | 17,095,325 | (17,095,325) | - | - |
| Inventories | 2,633,036 | - | 2,633,036 | - |
| Deferred contributions | 383,793 | - | 383,793 | - |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 23,608,661 | 9,102,732 | 32,711,393 | - |
| Buildings and system | 174,688,425 | - | 174,688,425 | - |
| Improvements other than buildings | 3,766,663 | - | 3,766,663 | - |
| Machinery and equipment | 21,846,363 | - | 21,846,363 | - |
| Infrastructure | 183,649,040 | - | 183,649,040 | - |
| Construction in progress | 15,188,184 | 6,269,352 | 21,457,536 | - |
| Total assets | <u>\$ 829,268,693</u> | <u>\$ 63,754</u> | <u>\$ 829,332,447</u> | <u>\$ 140,074</u> |
| Liabilities: | | | | |
| Accounts payable and other current liabilities | \$ 14,681,428 | \$ - | \$ 14,681,428 | \$ 140,074 |
| Due to other governments | 197,568 | - | 197,568 | - |
| Unearned revenue | 7,356,981 | - | 7,356,981 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 34,296,465 | - | 34,296,465 | - |
| Due in more than one year | 399,506,273 | - | 399,506,273 | - |
| Total liabilities | <u>456,038,715</u> | <u>-</u> | <u>456,038,715</u> | <u>140,074</u> |
| Net position: | | | | |
| Net investment in capital assets | 231,894,333 | 15,372,084 | 247,266,417 | - |
| Restricted for: | | | | |
| Debt service | 9,957,971 | - | 9,957,971 | - |
| Health Care Foundation | 8,486,389 | - | 8,486,389 | - |
| Myers Park Foundation | 15,350 | - | 15,350 | - |
| Grant programs | 6,906,263 | - | 6,906,263 | - |
| Unrestricted (deficit) | 115,969,672 | (15,308,330) | 100,661,342 | - |
| Total net position | <u>\$ 373,229,978</u> | <u>\$ 63,754</u> | <u>\$ 373,293,732</u> | <u>\$ -</u> |

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 Year Ended September 30, 2013

| Fuctions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|---|--------------------|----------------------|------------------------------------|----------------------------------|---|---|-----------------------|-------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Primary Government Business-type Activities | Total | |
| Primary Government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General administration | \$ 27,866,729 | \$ 9,189,297 | \$ 388,802 | \$ 145,112 | \$(18,143,518) | \$ - | \$(18,143,518) | |
| Judicial | 16,427,358 | 4,889,281 | 846,486 | - | (10,691,591) | - | (10,691,591) | |
| Financial administration | 10,167,597 | 3,075,027 | 178,896 | - | (6,913,674) | - | (6,913,674) | |
| Legal | 10,300,586 | 310,396 | 169,564 | - | (9,820,626) | - | (9,820,626) | |
| Public facilities | 21,949,602 | - | 138,181 | - | (21,811,421) | - | (21,811,421) | |
| Equipment services | 3,236,108 | - | 3,838 | 477,240 | (2,755,030) | - | (2,755,030) | |
| Public safety | 55,924,293 | 9,831,511 | 3,664,559 | 205,432 | (42,222,791) | - | (42,222,791) | |
| Public transportation | 42,392,813 | 15,767,626 | 1,776,197 | 102,869 | (24,746,121) | - | (24,746,121) | |
| Health and welfare | 18,130,149 | 310,934 | 6,687,977 | - | (11,131,238) | - | (11,131,238) | |
| Culture and recreation | 3,333,334 | 1,377 | 229,457 | - | (3,102,500) | - | (3,102,500) | |
| Conservation | 246,371 | - | - | - | (246,371) | - | (246,371) | |
| Interest and fiscal charges | 21,846,718 | - | 300,053 | - | (21,546,665) | - | (21,546,665) | |
| Total governmental activities | 231,821,658 | 43,375,449 | 14,384,010 | 930,653 | (173,131,546) | - | (173,131,546) | |
| Business-type activities: | | | | | | | | |
| Toll Road Authority | - | - | - | - | - | - | - | |
| Total business-type activities | - | - | - | - | - | - | - | |
| Total primary government | 231,821,658 | 43,375,449 | 14,384,010 | 930,653 | (173,131,546) | - | (173,131,546) | |
| Component unit: | | | | | | | | |
| Health and welfare | 45,677 | - | 42,638 | - | | | | (3,039) |
| Total component unit | \$ 45,677 | \$ - | \$ 42,638 | \$ - | | | | \$(3,039) |
| General revenues | | | | | | | | |
| Property taxes | | | | | 180,402,943 | - | 180,402,943 | - |
| Mixed beverage tax | | | | | 2,613,224 | - | 2,613,224 | - |
| Investment earnings | | | | | 1,334,777 | 1,757 | 1,336,534 | 41 |
| Miscellaneous | | | | | 142,080 | - | 142,080 | - |
| Total general revenues | | | | | 184,493,024 | 1,757 | 184,494,781 | 41 |
| Change in net position | | | | | 11,361,478 | 1,757 | 11,363,235 | (2,998) |
| Net position - beginning of year | | | | | 361,868,500 | 61,997 | 361,930,497 | 2,998 |
| Net position - end of year | | | | | \$ 373,229,978 | \$ 63,754 | \$ 373,293,732 | \$ - |

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

COLLIN COUNTY, TEXAS

Balance Sheet

Governmental Funds

September 30, 2013

| Assets | General Fund | General Road and Bridge | Health Care Foundation | RTR - Wylie |
|---|-----------------------|--------------------------------|-------------------------------|---------------------|
| Cash | \$ 18,208,118 | \$ 2,052,871 | \$ 1,541,332 | \$ 446 |
| Investments | 155,188,855 | 15,202,250 | 7,146,917 | 4,217,217 |
| Receivables: | | | | |
| Taxes (net of allowance for uncollectibles) | 1,951,489 | 44,268 | - | - |
| Fines and fees | 1,223,612 | 753,144 | - | - |
| Due from other governments | 1,309,507 | 113,094 | - | - |
| Due from other funds | 1,953,002 | - | - | - |
| Advance to other funds | 16,269,485 | - | - | - |
| Interest | 248,657 | - | 10,125 | - |
| Miscellaneous | 320,842 | 169,576 | - | - |
| Inventories | 583,318 | 2,049,718 | - | - |
| Total assets | <u>\$ 197,256,885</u> | <u>\$ 20,384,921</u> | <u>\$ 8,698,374</u> | <u>\$ 4,217,663</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 3,289,482 | \$ 360,399 | \$ 48,144 | \$ - |
| Payroll related costs payable | 4,934,039 | 123,258 | 43,940 | - |
| Lease deposits payable | - | - | 119,901 | - |
| Due to other governments | 196,677 | - | - | - |
| Due to other funds | - | - | - | - |
| Deferred revenue | 1,223,612 | 753,144 | - | 4,217,663 |
| Deferred tax revenue | 1,894,106 | 50,505 | - | - |
| Total liabilities | <u>11,537,916</u> | <u>1,287,306</u> | <u>211,985</u> | <u>4,217,663</u> |
| Fund Balances: | | | | |
| Nonspendable | 17,137,803 | 2,049,718 | - | - |
| Restricted | 5,139,168 | 17,047,897 | - | - |
| Committed | 15,361,692 | - | 8,486,389 | - |
| Unassigned | 148,080,306 | - | - | - |
| Total fund balances | <u>185,718,969</u> | <u>19,097,615</u> | <u>8,486,389</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 197,256,885</u> | <u>\$ 20,384,921</u> | <u>\$ 8,698,374</u> | <u>\$ 4,217,663</u> |

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

| <u>RTR - Outer Loop</u> | <u>Debt Service</u> | <u>2007 Road Bond</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------------|---|-----------------------|
| \$ 3,911 | \$ 14,844 | \$ 227,739 | \$ 841,842 | \$ 22,891,103 |
| 3,364,416 | 9,882,304 | 89,760,855 | 59,504,140 | 344,266,954 |
| - | 632,656 | - | - | 2,628,413 |
| - | - | - | - | 1,976,756 |
| - | - | - | 983,723 | 2,406,324 |
| - | - | - | - | 1,953,002 |
| - | - | 37,598 | 1,355,057 | 17,662,140 |
| - | - | - | - | 258,782 |
| - | 43,681 | - | 118,563 | 652,662 |
| - | - | - | - | 2,633,036 |
| <u>\$ 3,368,327</u> | <u>\$ 10,573,485</u> | <u>\$ 90,026,192</u> | <u>\$ 62,803,325</u> | <u>\$ 397,329,172</u> |
| \$ 203,434 | \$ 1,990 | \$ 162,085 | \$ 1,075,466 | \$ 5,141,000 |
| - | - | - | 57,243 | 5,158,480 |
| - | - | - | - | 119,901 |
| - | - | - | 891 | 197,568 |
| - | - | - | 1,793,002 | 1,793,002 |
| 3,164,893 | - | - | 88,467 | 9,447,779 |
| - | 613,524 | - | 114,042 | 2,672,177 |
| <u>3,368,327</u> | <u>615,514</u> | <u>162,085</u> | <u>3,129,111</u> | <u>24,529,907</u> |
| - | - | - | 1,355,057 | 20,542,578 |
| - | 9,957,971 | 89,864,107 | 58,319,157 | 180,328,300 |
| - | - | - | - | 23,848,081 |
| - | - | - | - | 148,080,306 |
| - | <u>9,957,971</u> | <u>89,864,107</u> | <u>59,674,214</u> | <u>372,799,265</u> |
| <u>\$ 3,368,327</u> | <u>\$ 10,573,485</u> | <u>\$ 90,026,192</u> | <u>\$ 62,803,325</u> | <u>\$ 397,329,172</u> |

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COLLIN COUNTY, TEXAS
Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
September 30, 2013

| | | |
|---|----------------------|-----------------------|
| Total fund balances – governmental funds | | \$ 372,799,265 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital project construction payments made to construct assets owned by other local governments. | | 383,793 |
| 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 | \$ 23,608,661 | |
| Buildings and systems | 172,528,867 | |
| Improvements other than buildings | 3,766,663 | |
| Machinery equipment | 21,780,075 | |
| Infrastructure | 183,649,040 | |
| Construction in progress | <u>15,188,184</u> | |
| Total capital assets | | 420,521,490 |
| 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. | \$ 114,042 | |
| 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. | 1,976,756 | |
| 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. | <u>2,672,177</u> | |
| Total deferred revenues | | 4,762,975 |
| 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 position. | | 7,619,037 |
| 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 | (4,191,799) | |
| Bonds, notes and loans payable | (393,350,000) | |
| Compensated absences | (6,564,264) | |
| Unamortized bond premiums | <u>(28,750,519)</u> | |
| Total liabilities | | (432,856,582) |
| Net position of governmental activities | | <u>\$ 373,229,978</u> |

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, 2013

| | <u>General</u> | <u>General Road and Bridge</u> | <u>Health Care Foundation</u> | <u>RTR - Wylie</u> |
|--|-----------------------|------------------------------------|-----------------------------------|--------------------|
| Revenues: | | | | |
| Taxes: | | | | |
| Property | \$ 129,156,674 | \$ 2,254,403 | \$ - | \$ - |
| Licenses and permits | 378,671 | 3,780 | - | - |
| Federal and state funds | 5,033,417 | - | 1,270,265 | - |
| Fees and charges for services | 19,319,252 | 15,580,069 | 277,491 | - |
| Fines and forfeitures | 2,142,678 | 1,966,217 | - | - |
| Other local government funds | - | 89,186 | - | - |
| Rental revenues | 254,430 | - | 1,095,368 | - |
| Interest | 485,868 | 85,864 | 26,099 | - |
| Miscellaneous | 1,269,903 | 200,127 | 31,311 | - |
| Total revenues | <u>158,040,893</u> | <u>20,179,646</u> | <u>2,700,534</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General administration | 23,850,268 | - | - | - |
| Judicial | 14,598,191 | - | - | - |
| Financial administration | 9,903,760 | - | - | - |
| Legal | 10,040,658 | - | - | - |
| Public facilities | 10,575,698 | - | 82,011 | - |
| Equipment services | 2,164,730 | - | - | - |
| Public safety | 52,794,966 | - | - | - |
| Public transportation | - | 18,299,851 | - | - |
| Health and welfare | 12,075,076 | - | 2,569,180 | - |
| Culture and recreation | 841,464 | - | - | - |
| Conservation | 244,445 | - | - | - |
| Capital outlay: | 3,964,567 | 1,315,273 | - | - |
| Debt service: | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Advance refunding escrow | - | - | - | - |
| Total expenditures | <u>141,053,823</u> | <u>19,615,124</u> | <u>2,651,191</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>16,987,070</u> | <u>564,522</u> | <u>49,343</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 79,505 | - | - | - |
| Transfers out | (515,900) | - | - | - |
| Sale of assets | 3,540,233 | 159,381 | - | - |
| Debt issuance | - | - | - | - |
| Refunding escrow payments | - | - | - | - |
| Premium (discount) on sale of bonds | - | - | - | - |
| Total other financing sources (uses) | <u>3,103,838</u> | <u>159,381</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 20,090,908 | 723,903 | 49,343 | - |
| Fund balances – beginning | 165,628,061 | 18,373,712 | 8,437,046 | - |
| Fund balances – ending | <u>\$ 185,718,969</u> | <u>\$ 19,097,615</u> | <u>\$ 8,486,389</u> | <u>\$ -</u> |

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

| <u>RTR - Outer Loop</u> | <u>Debt Service</u> | <u>2007 Road Bond</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------------|---|-----------------------|
| \$ - | \$ 49,098,644 | \$ - | \$ - | \$ 180,509,721 |
| - | - | - | - | 382,451 |
| 956,145 | 300,053 | - | 6,820,890 | 14,380,770 |
| - | - | - | 3,680,974 | 38,857,786 |
| - | - | - | 213,204 | 4,322,099 |
| - | - | - | 84,200 | 173,386 |
| - | - | - | - | 1,349,798 |
| - | 286,702 | 302,306 | 133,751 | 1,320,590 |
| - | - | 235,615 | 162,474 | 1,899,430 |
| <u>956,145</u> | <u>49,685,399</u> | <u>537,921</u> | <u>11,095,493</u> | <u>243,196,031</u> |
| - | - | - | 934,707 | 24,784,975 |
| - | - | - | 1,689,053 | 16,287,244 |
| - | - | - | 1,912 | 9,905,672 |
| - | - | - | 148,095 | 10,188,753 |
| - | - | - | 34,369 | 10,692,078 |
| - | - | - | 474,640 | 2,639,370 |
| - | - | - | 2,659,151 | 55,454,117 |
| - | - | - | 346,876 | 18,646,727 |
| - | - | - | 3,111,590 | 17,755,846 |
| - | - | - | - | 841,464 |
| - | - | - | - | 244,445 |
| 956,145 | - | 14,430,776 | 10,498,226 | 31,164,987 |
| - | 28,035,000 | - | - | 28,035,000 |
| - | 16,803,031 | - | - | 16,803,031 |
| - | 339,472 | - | - | 339,472 |
| - | 4,180,537 | - | - | 4,180,537 |
| <u>956,145</u> | <u>49,358,040</u> | <u>14,430,776</u> | <u>19,898,619</u> | <u>247,963,718</u> |
| - | 327,359 | (13,892,855) | (8,803,126) | (4,767,687) |
| - | - | - | 538,323 | 617,828 |
| - | - | - | (101,928) | (617,828) |
| - | - | 37,598 | 44,609 | 3,781,821 |
| - | 46,320,000 | 25,665,000 | 2,200,000 | 74,185,000 |
| - | (46,010,000) | - | - | (46,010,000) |
| - | 3,142,016 | 2,335,000 | - | 5,477,016 |
| - | 3,452,016 | 28,037,598 | 2,681,004 | 37,433,837 |
| - | 3,779,375 | 14,144,743 | (6,122,122) | 32,666,150 |
| - | 6,178,596 | 75,719,364 | 65,796,336 | 340,133,115 |
| <u>\$ -</u> | <u>\$ 9,957,971</u> | <u>\$ 89,864,107</u> | <u>\$ 59,674,214</u> | <u>\$ 372,799,265</u> |

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, 2013

| | | |
|---|----------------------|----------------------|
| Net change in fund balances – governmental funds | | \$ 32,666,150 |
| 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 | \$ 14,523,793 | |
| Capital assets decreases | (7,121,621) | |
| Depreciation expense | <u>(21,911,091)</u> | |
| Total change in capital assets activity | | (14,508,919) |
| 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 increase long-term debt in statement of net position | (74,185,000) | |
| Debt repayment is an expenditure in governmental funds, but reduces long-term liabilities in the statement of net position. | 74,045,000 | |
| Bond premiums and bond discounts require the use of current financial resources but are amortized over the life of the bond in the statement of activities. | <u>(3,602,312)</u> | |
| Total long-term debt | | (3,742,312) |
| 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 are reported with the governmental activities. | | |
| | | (511,418) |
| Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds. The changes in these revenues are as follows: | | |
| Property taxes | (106,778) | |
| Fines and forfeitures | <u>(158,296)</u> | |
| Total changes in revenues | | (265,074) |
| 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 changes in these expenditures are as follows: | | |
| Interest owed but not yet paid | (2,398,382) | |
| Compensated absences | <u>121,433</u> | |
| Total changes in long-term liabilities | | <u>(2,276,949)</u> |
| Change in net position of governmental activities | | <u>\$ 11,361,478</u> |

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

COLLIN COUNTY, TEXAS

Statement of Net Position

Proprietary Funds

September 30, 2013

| | Business-type Activities – Collin County Toll Road Authority | Governmental Activities – Internal Service Funds |
|---|---|---|
| | <hr/> | <hr/> |
| Assets: | | |
| Current assets: | | |
| Cash | \$ 58,322 | \$ 2,388,203 |
| Investments | 1,728,673 | 8,938,042 |
| Receivables: | | |
| Miscellaneous receivables | - | 1,960 |
| Total current assets | <hr/> 1,786,995 | <hr/> 11,328,205 |
| Capital assets (net of accumulated depreciation): | | |
| Land | 9,102,732 | - |
| Buildings and systems | - | 2,159,558 |
| Machinery and equipment | - | 66,288 |
| Construction in progress | 6,269,352 | - |
| Total capital assets | <hr/> 15,372,084 | <hr/> 2,225,846 |
| Total assets | <hr/> 17,159,079 | <hr/> 13,554,051 |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | - | 3,250,308 |
| Payroll payable | - | 18,502 |
| Claims payable | - | 1,939,389 |
| Due to other funds | - | 160,000 |
| Total current liabilities | <hr/> - | <hr/> 5,368,199 |
| Noncurrent liabilities: | | |
| Advance from other funds | 17,095,325 | 566,815 |
| Total noncurrent liabilities | <hr/> 17,095,325 | <hr/> 566,815 |
| Total liabilities | <hr/> 17,095,325 | <hr/> 5,935,014 |
| Net position: | | |
| Net investment in capital assets | 15,372,084 | 2,225,846 |
| Unrestricted (deficit) | (15,308,330) | 5,393,191 |
| Total net position | <hr/> \$ 63,754 | <hr/> \$ 7,619,037 |

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

COLLIN COUNTY, TEXAS

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For The Year Ended September 30, 2013

| | <u>Business-type Activities – Collin County Toll Road Authority</u> | <u>Governmental Activities – Internal Service Funds</u> |
|--|---|---|
| Operating revenues: | | |
| Premiums | \$ - | \$ 24,402,170 |
| Charges for services | - | 1,469,085 |
| Other | - | 1,663,222 |
| Total operating revenues | <u>-</u> | <u>27,534,477</u> |
| Operating expenses: | | |
| Administration | - | 3,939,297 |
| Benefits | - | 24,015,271 |
| Depreciation | - | 105,514 |
| Total operating expenses | <u>-</u> | <u>28,060,082</u> |
| Operating (loss) | - | (525,605) |
| Nonoperating revenues (expenses): | | |
| Interest income | <u>1,757</u> | <u>14,187</u> |
| Total nonoperating revenues (expenses) | <u>1,757</u> | <u>14,187</u> |
| Change in net position | 1,757 | (511,418) |
| Total net position – beginning | <u>61,997</u> | <u>8,130,455</u> |
| Total net position – ending | <u>\$ 63,754</u> | <u>\$ 7,619,037</u> |

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, 2013

| | Business-type Activities – Collin County Toll Road Authority | Governmental Activities – Internal Service Funds |
|--|---|---|
| Cash flows from operating activities: | | |
| Receipts from customers and users | \$ - | \$ 26,059,351 |
| Insurance recovery | - | 1,557,008 |
| Administration costs | - | (4,057,212) |
| Benefits paid | - | (23,487,017) |
| | - | 72,130 |
| Cash flows from capital financing activities: | | |
| Purchases of capital assets | (98,525) | - |
| | (98,525) | - |
| Cash flows from investing activities: | | |
| Sale (purchase) of investments | 353,342 | 1,474,183 |
| Advance from other funds | 55,959 | - |
| Interest income | 1,757 | 14,187 |
| | 411,058 | 1,488,370 |
| | 312,533 | 1,560,500 |
| Cash and cash equivalents – October 1, 2012 | (254,211) | 827,703 |
| Cash and cash equivalents – September 30, 2013 | \$ 58,322 | \$ 2,388,203 |
| Reconciliation of operating loss to net cash provided (used) by operating activities: | | |
| Operating loss | \$ - | \$(525,605) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | |
| Depreciation expense | - | 105,514 |
| Other nonoperating expenses | - | (7,920) |
| Change in intergovernmental receivable | - | 81,882 |
| Change in accounts payable | - | 537,263 |
| Change in payroll payable | - | 4,403 |
| Change in due to other funds | - | 160,000 |
| Change in advance from other funds | - | (283,407) |
| | - | 597,735 |
| Total adjustments | - | 597,735 |
| Net cash used in operating activities | \$ - | \$ 72,130 |

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

COLLIN COUNTY, TEXAS
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
September 30, 2013

| Assets | |
|----------------------------------|----------------------|
| Cash | \$ 23,641,581 |
| Investments | 17,603,352 |
| Assets held as security deposits | 3,337,904 |
| Receivables: | |
| Miscellaneous receivables | <u>79,493</u> |
| Total assets | <u>\$ 44,662,330</u> |
| Liabilities | |
| Due to other governments | \$ 8,429,837 |
| Due to others/vouchers payable | 33,473,194 |
| Cash bonds outstanding | 2,734,394 |
| Cash deposits outstanding | <u>24,905</u> |
| Total liabilities | <u>\$ 44,662,330</u> |

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

**NOTES TO THE
FINANCIAL STATEMENTS**

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COLLIN COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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. 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.

In 2012, the County implemented GASB Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The 2013 financial reports continue to reflect these changes. GASB Statement Number 54 is intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The implementation of this statement resulted in the County reclassifying fund balances of its governmental funds.

(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, road 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), the Collin County Toll Road Authority (CCTRA) and the Collin County Health Care Foundation (HCF) qualify as blended component units. The Commissioners Court sits as the governing board of the HFC, CCTRA 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. The CCTRA was created to finance the future outer loop within the County with future toll revenues once the construction is complete.

Complete financial statements for the Health Care Foundation 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.

Discretely presented component unit

The Child Protective Services Board is the County's only discretely presented component unit. Child Protective Services Board provides additional assistance to foster children in the care of the State. The Board is appointed by the Commissioners Court but functions independent of County influence other than a limited amount of County budgeted funding which is supplemented with grant funds. The Board proposed a budget for funding and the Commissioners Court authorized the budget as part of the County's annual adopted budget.

(b) Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position 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 inter-fund transfers has been removed from these statements but continues to be reflected on the fund statements. Inter-fund services provided and used are not eliminated in the process of consolidation. Governmental activities' primary support is derived from taxes, fees, and federal and state funding.

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, the General Road and Bridge Special Revenue Fund, the RTR – Wylie Special Revenue Fund, the RTR – Outer Loop Special Revenue Fund, the Debt Service Fund and the 2007 Road Bond Capital Project Fund meet the criteria or have been selected by management as *major governmental funds*. The Health Care Foundation Special Revenue Fund is being reported as a major fund even though it did not meet the requirement criteria because it serves a major function of the County, indigent health care. Each major fund is reported in separate columns in the fund financial statements. Nonmajor funds include other Special Revenue 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.

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 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, 2012, that were due October 1, 2012, have been assessed to finance the budget of the fiscal year beginning October 1, 2012. In accordance with the modified accrual basis of accounting, the balances outstanding at November 30, 2012, 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 government reports the following major governmental funds:

The General Fund is the general operating fund of the County. 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, intergovernmental revenues, fines and investment income. Primary expenditures are for general administration, public safety, and judicial, state prosecution, and capital outlay.

The 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 in part by a designated part of the annual property tax levy, court fines and fees associated with vehicle registration.

The Health Care Foundation Special Revenue Fund is used to account for receipts restricted for indigent health care and related expenditures as administered by the Collin County Health Care Foundation.

The RTR – Wylie (FM 1378) Special Revenue Fund is used to account for a grant from the State of Texas funded with Regional Toll Revenue (RTR) which is related to the sale of roads to the North Texas Toll Road Authority. These funds will be used to rebuild FM 1378 within the city limits of the City of Wylie, Texas.

The Regional Toll Revenue – Outer Loop Phase 3 Special Revenue Fund is used to account for a grant from the State of Texas funded with Regional Toll Revenue. These funds will be used to construct a portion of the Outer Loop project.

The Debt Service Fund is used to account for property tax revenues restricted to be used to meet Collin County's debt obligations.

The 2007 Road Bond Capital Project Fund is to account for road bond proceeds for road bonds authorized by voters on November 6, 2007. Total authorized for roads and highways is \$235,600,000. Only a portion of the bonds have been issued to-date in five series, beginning 2008 and ending 2013. The remainder of the bonds will be sold as needed. The total sold through September 30, 2013 is \$100,535,000.

Series 2008 - \$25,020,000 issued July 14, 2008
Series 2009 - \$10,070,000 issued September 29, 2009
Series 2009B - \$5,590,000 issued September 29, 2009
Series 2012 - \$28,490,000 issued June 16, 2012
Series 2012 - \$31,365,000 issued June 14, 2012

Additionally, the government reports the following non-major funds:

Special Revenue Funds are used to account for specific revenue sources (other than debt proceeds) that are restricted from an outside source to be used for specified purposes.

Capital Project Funds are used to account for debt proceeds to be used for the acquisition or construction of major capital assets and infrastructure.

Internal Service Funds are used to account for financing activities internally for the County or a combination of other governments including the County on a cost-reimbursement basis. This includes activities for employee health care, workers' compensation insurance, liability insurance, and optional payroll deductions as well as an animal shelter that services the County as well as other cities within Collin County.

Enterprise Fund is used to account for business-type activities. The County's only enterprise fund is the Collin County Toll Road Authority Fund (CCTRA). Commissioners Court authorized the creation of the CCTRA enterprise fund in 2009. 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 road construction. It is the intention of Commissioners Court to eventually generate toll revenues to support this activity.

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 and the State 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.

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.

The County's fund balance policy indicates that the County will typically use restricted, committed, and/or assigned fund balances, in that order, prior to using unassigned resources, but the County reserves the right to deviate from this general strategy.

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

(1) *Cash and Investments*

Financial statements reporting cash include cash on hand and demand deposits. In accordance with State of Texas statutes and the County's Investment Policy idle funds are invested 2a-7 pools, in obligations of the U. S. Agencies, municipal bonds, certificate of deposit and other bank accounts that are collateralized with eligible investments.

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. 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 nonspendable fund balance in the applicable governmental funds to indicate that they are not available for appropriation. Inter-fund 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.

(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 expenditure at the time the inventory items are used. Reported inventories are offset by nonspendable 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 normally recorded as prepaid items in both government-wide and fund financial statements. There were no prepaid items to record in 2013.

(4) Restricted Net Position

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 position has an administrator who is responsible for monitoring the revenues and expenditures 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 in the equipment category are defined as equipment with an acquisition value 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.

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------------|--------------|
| 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 fulltime 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 that 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, fulltime employees accrue 7.39 hours of paid time off (PTO) 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 PTO 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.

(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 deferred gain or loss on re-funding of debt are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the year the bonds are issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs in the current year. The face amount of debt issued is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources (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.

(9) Fund Equity

In the fund financial statements, governmental funds report fund balances that are not available for appropriation or are legally restricted by outside parties for a specific purpose. As required by GASB Statement Number 54, these fund balance amounts are reported as nonspendable, restricted, committed or unassigned. Collin County has no assigned fund balances.

1. Nonspendable Fund Balance

The nonspendable fund balance is in a form that is not available for use. Collin County has two types of nonspendable fund balances, advances to others and inventories as shown below:

| | | |
|---|----------------|----------------------|
| Fund Balances: | | |
| Nonspendable: | | |
| General Fund: | | |
| Advances: | | |
| Collin County Toll Road Authority | \$ 15,702,670 | |
| North Texas Groundwater Conservation District | 285,000 | |
| Animal Shelter | 566,815 | |
| Inventories | <u>583,318</u> | |
| Total General Fund | | \$ <u>17,137,803</u> |
| General Road and Bridge Fund: | | |
| Inventories | | <u>2,049,718</u> |
| Other Governmental Funds: | | |
| Advances: | | |
| Collin County Toll Road Authority | | <u>1,355,057</u> |
| Total Nonspendable | | <u>\$ 20,542,578</u> |

2. Restricted Fund Balance

Limitations are imposed on a portion of fund balance by creditors, grantors, contributors, or laws and regulations of the state or federal governments. These funds are classified as restricted funds. Restricted fund balance reported in the governmental fund statements are as follows:

Fund Balances:

Restricted

General Fund:

| | | |
|-----------------------------------|----------------|---------------------|
| Housing Finance Corporation | \$ 1,080,128 | |
| Records Archive | 3,809,823 | |
| District Court Records Technology | <u>249,217</u> | |
| Total General Fund | | \$ <u>5,139,168</u> |

General Road and Bridge:

| | | |
|-----------------------|--|-------------------|
| Public transportation | | <u>17,047,897</u> |
|-----------------------|--|-------------------|

Debt Service Funds:

| | | |
|-----------------------|--|------------------|
| Debt service activity | | <u>9,957,971</u> |
|-----------------------|--|------------------|

2007 Road Bond:

| | | |
|--------------------------|--|-------------------|
| Road and bridge projects | | <u>89,864,107</u> |
|--------------------------|--|-------------------|

Other Governmental Funds:

| | | |
|--------------------------------|------------------|-----------------------|
| General administration | (18,052,393) | |
| Judicial | 6,453,054 | |
| Financial administration | 2 | |
| Legal | 455,699 | |
| Public facilities | 2,141,528 | |
| Equipment services | 8,896 | |
| Public safety | 1,836,968 | |
| Public transportation | 20,265,887 | |
| Health and welfare | 58,319 | |
| Culture and recreation | <u>9,046,411</u> | |
| Total Other Governmental Funds | | <u>58,319,157</u> |
| Total Restricted | | \$ <u>180,328,300</u> |

3. Committed Fund Balance

Fund balances that have self-imposed limitations placed by the Commissioners Court. The Commissioners Court ordered these restrictions with a Commissioners Court Order and in some cases adopted in the annual budget in separate funds for management which are rolled into the general fund for reporting. Committed fund balances are reported in the governmental fund statements as follows:

Fund Balances:

Committed

General Fund:

| | | |
|------------------------|-------------------|----------------------|
| Capital murder cases | \$ 2,000,000 | |
| Special elections | 200,000 | |
| Utilities price spikes | 500,000 | |
| Permanent Improvement | <u>12,661,692</u> | |
| Total General Fund | | \$ <u>15,361,692</u> |

Healthcare Foundation:

| | | |
|---------------------|--|----------------------|
| Indigent healthcare | | <u>8,486,389</u> |
| Total Committed | | \$ <u>23,848,081</u> |

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(a) Budgetary Information

Annual budgets are adopted for all governmental funds with the exception of capital project funds and the following special revenue funds: RTR – Wylie Fund, RTR – Outer Loop Phase 3 Fund, Tax Assessor/Collector Motor Vehicle Tax Fund, LEOSE Education Fund, District Attorney Service Fee Fund, Juvenile Case Manager Fund, District Attorney Pretrial Intervention Program Fund, SCAAP Fund, District Attorney Apportionment Fund, and the Grants Fund. The budget for capital project funds is adopted by project on a project-life term at the time debt is issued, and the budget is carried over from year to year until the funding is exhausted. All grant fund budgets are adopted at the grantor level and adoption is administrative by Commissioners Court. All governmental fund annual appropriations lapse at 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 requests 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 1st.

The appropriated budget is adopted annually by fund, department, and activity at the legal level of budgetary control. The categories of salary and benefits, training and travel, 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 the County. Encumbrances (i.e., outstanding purchase orders, contracts) outstanding at year end are reported as restrictions or commitments of fund balance and do not constitute expenditures or liabilities because the expenditures are not recognized until the goods or services have been received. The encumbrances at year-end are carried forward to the next year and the budget is increased to accommodate the additional expenditures.

III. 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 group of funds. In addition, it includes an "Investment Strategy Statement" that specifically addresses each fund group's investment options and describes the priorities of preservation and safety of principal, liquidity, marketability, diversification, and yield.

The County Investment Officers, the County Auditor and the Budget Director, 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.

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 it's agencies and Instrumentalities;
2. Direct obligations of this state 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 principle and interest on which are unconditionally guaranteed 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;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
6. Certificates of deposit issued by a state or national bank, a savings and loan association domiciled in this state, or a state or federal credit union domiciled in this state and is:
 - a. Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor,
 - b. Secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by section 2256.009(b),
 - c. Secured in any other manner and amount provided by law for deposits of the investing entity, and
 - d. Solicited by bid orally, in writing, electronically, or any combination of these methods outlined under Texas Government Code 2256.005(c).
7. Fully collateralized repurchase agreements, as defined in the Public Funds Investment Act, Government Code Section 2256.011(a)(14), (b), (c), and (d), are authorized investments if the repurchase agreement:
 - a. Has a defined termination date,
 - b. Is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act,
 - c. Requires 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. Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the state of Texas.

The County participates in three Local Government Investment Pools: TexPool, TexSTAR and Texas Class. 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. Texas Class operates under a board of trustees that is made up of five participants of the pool.

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. TexPool and TexSTAR are rated AAAM and must maintain a weighted average maturity not to exceed 60 days. The County considers the holdings in these funds to have a one day weighted average maturity 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.

The portfolio balances of all investments including cash equivalents for all funds at September 30, 2013, are as follows:

| Type of Investment | |
|-----------------------------------|----------------------|
| Local government investment pools | \$160,334,354 |
| Federal agency bonds | 53,080,784 |
| Municipal bonds | 21,038,736 |
| Certificates of deposits | 102,271,965 |
| CDARS | 14,508,412 |
| Money Market | <u>21,302,770</u> |
| Total investments | <u>\$372,537,020</u> |

The risk exposures for governmental individual major funds, non-major 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 fund-group categories: General Operating Fund Group; Debt Service Fund Group; Capital Project Bond Fund Group; and Other Funds Group.

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 which the County transacts, sufficient collateralization, portfolio diversification, and limiting maturities.

Credit Risk

The County's portfolio does not contain any investments in commercial paper or Corporate bonds. As of September 30, 2013, the local government pools (43% of the portfolio) were rated AAAM by Standard and Poor's. The federal agency bonds (14% of the portfolio) was rated AA+ by Standards and Poor's. The Municipal Bonds (6% of the portfolio) were rated AA or better by Standard and Pooers. The Certificates of Deposits (27% of the portfolio) were fully collateralized in Collin County's name at the Federal Home Loan Bank of Dallas. CDARS and the money market (10% of the portfolio) are fully insured by the FDIC.

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 five years for all investment types. The weighted average maturity for all securities was 1.08 years. All investments are normally held to maturity or until called.

(c) Deposits

The September 30, 2013 carrying amount of deposits was as follows:

| <u>Bank Deposits</u> | |
|------------------------|---------------------|
| Governmental funds | \$22,861,355 |
| Proprietary type funds | 1,746,861 |
| Fiduciary type funds | <u>22,587,859</u> |
| Total | <u>\$47,196,075</u> |

All bank accounts were either insured by the FDIC 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, 2013.

(d) Property Taxes and Other Receivables

Property taxes attach 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;
3. Seis Lago's Utility District 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, General Road and Bridge Fund, and Debt Service Fund 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 increase 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 year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Taxes:

| | |
|------------------------------|------------------|
| General Fund | \$ 1,894,106 |
| Debt Service Fund | 613,524 |
| General Road and Bridge Fund | 50,505 |
| Other Special Revenue | <u>114,042</u> |
| | <u>2,672,177</u> |

Fines and Fees:

| | |
|------------------------------|------------------|
| General Fund | 1,223,612 |
| General Road and Bridge Fund | <u>753,144</u> |
| | <u>1,976,756</u> |

Unearned Grant Revenues:

| | |
|---------------------------------|------------------|
| RTR-Wylie Special Revenue Fund | 4,217,663 |
| RTR-Outer Loop Fund | 3,164,893 |
| Non-major special revenue funds | <u>88,467</u> |
| | <u>7,471,023</u> |

Total deferred revenue \$ 12,119,956

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.

(e) *Receivables*

Receivables as of year end for the government'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 Fund | General Road and Bridge Special Revenue Fund | Health Care Foundation Special Revenue Fund | Debt Service Fund | 2007 Road Bond | Non-Major Funds |
|----------------------------------|----------------------|--|---|-------------------|------------------|---------------------|
| Receivables: | | | | | | |
| Taxes | \$ 2,045,632 | \$ 46,404 | \$ - | \$ 663,176 | \$ - | \$ - |
| Fines and Fees | 4,225,257 | 2,600,683 | - | - | - | - |
| Due from other governments | 1,309,507 | 113,094 | - | - | - | 983,723 |
| Due from other funds | 1,953,002 | - | - | - | - | - |
| Advance to other funds | 16,269,485 | - | - | - | 37,598 | 1,355,057 |
| Interest | 248,657 | - | 10,125 | - | - | - |
| Miscellaneous | 320,842 | 169,576 | - | 43,681 | - | 118,563 |
| Gross receivables | 26,372,382 | 2,929,757 | 10,125 | 706,857 | 37,598 | 2,457,343 |
| Less allowance for uncollectible | 3,095,788 | 1,849,675 | - | 30,520 | - | - |
| Net receivables | <u>\$ 23,276,594</u> | <u>\$ 1,080,082</u> | <u>\$ 10,125</u> | <u>\$ 676,337</u> | <u>\$ 37,598</u> | <u>\$ 2,457,343</u> |

(f) *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. The capitalization threshold for equipment is five thousand dollars. 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.

Many road projects and technology improvement projects have been ongoing in 2013. A summary of changes in capital assets follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|-----------------------|------------------------|------------------------|---------------------|-----------------------|
| Governmental activities: | | | | | |
| Capital assets, not depreciated: | | | | | |
| Land | \$ 22,470,327 | \$ 1,201,942 | \$ (45,248) | \$ (18,360) | \$ 23,608,661 |
| Construction in progress | 13,141,992 | 3,632,920 | (1,586,728) | - | 15,188,184 |
| Historical treasures | 89,760 | - | - | - | 89,760 |
| Total capital assets, not depreciated: | <u>35,702,079</u> | <u>4,834,862</u> | <u>(1,631,976)</u> | <u>(18,360)</u> | <u>38,886,605</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 268,131,698 | 1,262,994 | (12,207,869) | - | 257,186,823 |
| Improvements other than buildings | 6,865,180 | - | (258,217) | - | 6,606,963 |
| Machinery and equipment | 62,351,972 | 4,435,221 | (714,476) | - | 66,072,717 |
| Infrastructure | 286,475,888 | 5,224,426 | - | (37,598) | 291,662,716 |
| Total assets being depreciated | <u>623,824,738</u> | <u>10,922,641</u> | <u>(13,180,562)</u> | <u>(37,598)</u> | <u>621,529,219</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (79,754,739) | (8,048,467) | 5,304,808 | - | (82,498,398) |
| Improvements other than buildings | (2,739,274) | (305,970) | 204,944 | - | (2,840,300) |
| Machinery and equipment | (39,696,019) | (5,247,636) | 627,541 | - | (44,316,114) |
| Infrastructure | (99,599,144) | (8,414,532) | - | - | (108,013,676) |
| Total accumulated depreciataion | <u>(221,789,176)</u> | <u>(22,016,605)</u> | <u>6,137,293</u> | <u>-</u> | <u>(237,668,488)</u> |
| Net capital assets, being depreciated | <u>402,035,562</u> | <u>(11,093,964)</u> | <u>(7,043,269)</u> | <u>(37,598)</u> | <u>383,860,731</u> |
| Governmental activities, capital assets | <u>\$ 437,737,641</u> | <u>\$ (6,259,102)</u> | <u>\$ (8,675,245)</u> | <u>\$ (55,958)</u> | <u>\$ 422,747,336</u> |
| Business-type activities: | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 9,079,292 | \$ 5,080 | \$ - | \$ 18,360 | \$ 9,102,732 |
| Construction in progress | 6,199,416 | 34,633 | (2,295) | 37,598 | 6,269,352 |
| Total capital assets, not depreciated | <u>15,278,708</u> | <u>39,713</u> | <u>(2,295)</u> | <u>55,958</u> | <u>15,372,084</u> |
| Business-type activities, capital assets | <u>\$ 15,278,708</u> | <u>\$ 39,713</u> | <u>\$ (2,295)</u> | <u>\$ 55,958</u> | <u>\$ 15,372,084</u> |

Depreciation expense for FY 2013 was charged to functions/programs of the primary government as follows:

Depreciation:

Governmental activities:

| | |
|--------------------------|----------------|
| General administration | \$ 2,386,100 |
| Judicial | 42,804 |
| Financial administration | 153,781 |
| Public facilities | 7,805,020 |
| Equipment services | 574,213 |
| Public safety | 763,906 |
| Public transportation | 9,518,135 |
| Health and welfare | 150,743 |
| Culture and recreation | <u>516,389</u> |

Total depreciation expense - governmental activities: \$ 21,911,091

Internal Service Fund Activities:

| | |
|-------------------|---------------|
| Public facilities | 94,898 |
| Public safety | <u>10,616</u> |

Total depreciation expense: \$ 22,016,605

Construction Commitments

Collin County has active construction projects as of September 30, 2013. The projects include road and bridge construction and new facility construction. At year-end the County's outstanding commitments with contractors are as follows (in thousands):

Construction Commitments:

| <u>Project Type</u> | <u>Remaining Commitment</u> |
|-----------------------|---------------------------------|
| Public transportation | \$ 21,997,273 |
| Public facilities | <u>732,026</u> |
| Total | <u>\$ 22,729,299</u> |

(g) Long-term Debt

New Bond Issues

Collin County issues general obligation bonds and tax notes to finance major capital projects. The original issue amounts of outstanding general obligation bonds and tax notes was \$555,070,800. The County issued four new bond series. The Limited Tax Refunding and Permanent Improvement Bonds, Series 2013A was issued in an amount of \$2,200,000 to provide funding for park and open space projects. The Unlimited Tax Road and Refunding Bonds, Series 2013A issued in a total amount of \$40,295,000 of which \$25,665,000 to fund new road projects and \$14,630,000 to take advantage of bond refunding opportunities. The Limited Tax Refunding Bonds, Series 2013B in an issued amount of \$15,700,000 and Unlimited Tax Refunding Bonds, Series 2013B in an issued amount of \$15,970,000 were issued to take advantage of savings from bond refunding opportunities.

The following are general obligation bonds outstanding at September 30, 2013, and are for governmental activities only:

| Bond Issue | Interest Rates | Year Issued | Maturity | Due as of September 30, 2013 |
|--|------------------|-------------|----------|------------------------------|
| Limited Tax Permanent Improvement and Refunding Bond 2004 | 2.250% to 4.500% | 2004 | 2024 | 1,400,000 |
| Limited Tax Permanent Improvement and Refunding Bond 2005 | 3.000% to 5.000% | 2005 | 2025 | 9,490,000 |
| Limited Tax Permanent Improvement Bond 2006 | 4.000% to 5.000% | 2006 | 2026 | 25,520,000 |
| Limited Tax Permanent Improvement Bond 2007 | 4.250% to 5.000% | 2007 | 2027 | 1,760,000 |
| Limited Tax Refunding and Permanent Improvement Bond 2008 | 3.625% to 5.000% | 2008 | 2028 | 9,975,000 |
| Limited Tax Refunding and Permanent Improvement Bond 2009 | 2.000% to 5.000% | 2009 | 2025 | 25,765,000 |
| Limited Tax Permanent Improvement Build America Bond 2009B | 2.000% to 5.000% | 2009 | 2029 | 9,990,000 |
| Limited Tax Refunding Bond 2010 | 2.000% to 4.000% | 2010 | 2017 | 6,125,000 |
| Limited Tax Permanent Improvement Bonds 2011 | 3.000% to 4.250% | 2011 | 2031 | 1,985,000 |
| Limited Tax Refunding and Permanent Improvement Bonds 2012 | 2.000% to 5.000% | 2012 | 2025 | 20,655,000 |
| Limited Tax Permanent Improvement Bond 2013A | 2.500% to 4.000% | 2013 | 2033 | 2,200,000 |
| Limited Tax Refunding Bonds 2013B | 0.450% to 3.189% | 2013 | 2025 | 15,720,000 |
| Unlimited Tax Road and Refunding Bond 2004 | 2.000% to 5.000% | 2004 | 2024 | 3,025,000 |
| Unlimited Tax Road and Refunding Bond 2005 | 3.000% to 5.000% | 2005 | 2025 | 6,160,000 |
| Unlimited Tax Road Bond 2006 | 4.000% to 5.000% | 2006 | 2026 | 2,980,000 |
| Unlimited Tax Road and Refunding Bond 2007 | 4.000% to 5.000% | 2007 | 2027 | 54,375,000 |
| Unlimited Tax Road Bond 2008 | 4.000% to 5.500% | 2008 | 2028 | 34,145,000 |
| Unlimited Tax Road and Refunding Bond 2009 | 2.000% to 5.000% | 2009 | 2025 | 12,260,000 |
| Unlimited Tax Road Build America Bond 2009B | 4.600% to 6.300% | 2009 | 2029 | 5,590,000 |
| Unlimited Tax Refunding Bond 2010 | 2.000% to 5.000% | 2010 | 2020 | 10,830,000 |
| Unlimited Tax Road Bonds 2011 | 2.000% to 4.000% | 2011 | 2029 | 26,945,000 |
| Unlimited Tax Road and Refunding Bonds 2012 | 2.000% to 5.000% | 2012 | 2032 | 50,190,000 |
| Unlimited Tax Road and Refunding Bonds 2013A | 1.000% to 5.000% | 2013 | 2033 | 40,295,000 |
| Unlimited Tax Refunding Bonds 2013B | 0.650% to 4.000% | 2013 | 2025 | 15,970,000 |
| | | | | <u>\$ 393,350,000</u> |

Limited Tax Permanent Improvement and Refunding Bonds, Series 2004

(new issue authorized by voters on November 4, 2003, issued April 27, 2004)

\$14,165,000 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 \$555,000 to \$825,000. Interest payments occur semi-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 rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$11,450,000 – New issue
2,715,000 – Refunding
\$14,165,000 – Total to be paid to bondholders
\$ 1,400,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement and Refunding Bonds, Series 2005

(new issue authorized by voters on November 4, 2003, issued April 5, 2005)

\$53,865,000 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 15th, 2006 with installments ranging from \$435,000 to \$4,000,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 3.0 to 5.0%. The final principal and interest payment is due on February 15th, 2025. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$37,350,000 – New issue
\$16,515,000 – Refunding
\$53,865,000 – Total to be paid to bondholders
\$ 9,490,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement Bonds, Series 2006

(new issue authorized by voters on November 4, 2003, issued May 3, 2006)

\$33,800,000 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; (iii) pay cost of issuance associated with the sale of the Limited Tax Bonds. Principal maturities will occur annually beginning on February 15th, 2006 with installments ranging from \$680,000 to \$2,535,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.0 to 5.0%. The final principal and interest payment is due on February 15th, 2026. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$33,800,000 – New issue
\$25,520,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement Bonds, Series 2007

(new issue authorized by voters on November 4, 2003, issued March 20, 2007)

\$2,190,000 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 15th, 2008 with installments ranging from \$20,000 to \$130,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.0 to 4.35%. The final principal and interest payment is due on February 15th, 2022. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$ 2,190,000 – New issue
\$ 1,760,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement and Refunding Bonds, Series 2008

(new issue authorized by voters on November 4, 2003 and November 6, 2007, issued July 14, 2008)

\$16,715,000 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 there for; (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 occur annually beginning on February 15th, 2009 with installments ranging from \$270,000 to \$2,710,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 3.5 to 5.0%. The final principal and interest payment is due on February 15th, 2028. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$ 2,200,000 – New issue (2003 Bond Election)
4,500,000 – New issue (2007 Bond Election)
10,015,000 – Refunding
\$16,715,000 – Total to be paid to bondholders
\$ 9,975,000 – Liability as of September 30, 2013

Limited Tax Refunding and Permanent Improvement Bonds, Series 2009

(new issue authorized by voters on November 6, 2007, issued September 29, 2009)

\$30,080,000 Limited Tax Refunding and Permanent Improvement Bonds, Series 2009 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 there for; (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 15th, 2009 with installments ranging from \$1,055,000 to \$3,780,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.0 to 5.0%. The final principal and interest payment is due on February 15th, 2025. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$17,420,000 – New issue
12,660,000 – Refunding
\$30,080,000 – Total to be paid to bondholders
\$25,765,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement Bonds, Taxable Series 2009B

(new issue authorized by voters on November 6, 2007, issued September 29, 2009)

\$9,990,000 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 there for; and (iii) pay the cost of issuance associated with the sale of the these bonds. A principal amount of \$2,560 matures on February 15th, 2019, and the remaining principal amount of \$7,430,000 matures on February 15th, 2029. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.6 to 6.3%. The final principal and interest payment is due on February 15th, 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.

\$ 9,990,000 – New issue
\$ 9,990,000 – Liability as of September 30, 2013

Limited Tax Refunding Bonds, Series 2010

(authorized by Commissioners Court and issued on November 17, 2010)

\$8,120,000 Limited Tax Refunding Bonds, Series 2010 were issued to (i) refund a portion of the County's outstanding limited tax debt for debt service savings and (ii) pay costs of issuance associated with the sale of Limited Tax Bonds. Principal maturities will occur annually beginning February, 2012, with installments ranging from \$110,000 to \$1,660,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.0% to 4.0%. The final principal and interest payment is due on February 15th, 2017. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$ 8,120,000 – Refunding
\$ 6,125,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement Bonds, Series 2011

(new issue authorized by voters on November 6, 2007, issued June 16, 2012)

\$2,100,000 Limited Tax Permanent Improvement Bonds, Series 2012 were to (i) acquire and improve land for park and open space purposes, including joint county-city projects and (ii) pay the cost of issuance associated with the sale of the these bonds. Principal maturities occur annually beginning on February 15th, 2012 with installments ranging from \$45,000 to \$155,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 3.0 to 4.25%. The final principal and interest payment is due on February 15th, 2031. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$ 2,100,000 – New issue
\$ 1,985,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement Bonds, Series 2012

(new issue authorized by voters on November 6, 2007, issued May 1, 2012)

\$20,735,000 Limited Tax Permanent Improvement Bonds, Series 2012 were to (i) acquire and improve land for park and open space purposes, including joint county-city projects and (ii) pay the cost of issuance associated with the sale of the these bonds. Principal maturities will occur annually beginning on February 15th, 2013 with installments ranging from \$80,000 to \$2,535,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.0 to 5.0%. The final principal and interest payment is due on February 15th, 2032. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$ 3,270,000 – New issue
17,465,000 – Refunding
\$20,735,000 – Total to be paid to bondholders
\$20,655,000 – Liability as of September 30, 2013

Limited Tax Permanent Improvement Bonds, Series 2013A

(new issue authorized by voters on November 6, 2007, issued June 1, 2013)

\$2,200,000 Limited Tax Permanent Improvement Bonds, Series 2013A were to (i) acquire and improve land for park and open space purposes, including joint county-city projects and (ii) pay the cost of issuance associated with the sale of the these bonds. Principal maturities occur annually beginning on February 15th, 2014 with installments ranging from \$70,000 to \$150,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.5 to 4.0%. The final principal and interest payment is due on February 15th, 2033. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$ 2,200,000 – New issue

\$ 2,200,000 – Liability as of September 30, 2013

Limited Tax Refunding Bonds, Series 2013B

(authorized by Commissioners Court and issued on June 1, 2013)

\$15,720,000 Limited Tax Refunding Bonds, Series 2013B were issued to (i) refund a portion of the County's outstanding limited tax debt for debt service savings and (ii) pay costs of issuance associated with the sale of Limited Tax Bonds. Principal maturities will occur annually beginning February, 2014, with installments ranging from \$240,000 to \$1,925,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 0.45% to 3.189%. The final principal and interest payment is due on February 15th, 2025. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$15,720,000 – Refunding

\$15,720,000 – Liability as of September 30, 2013

Unlimited Tax Road & Refunding, Series 2004

(new issue authorized by voters on November 4, 2003, issued April 27, 2004)

\$54,910,000 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 \$1,440,000 to \$4,050,000. Interest payments fall on February 15th and August 15th of each year and 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 rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$44,550,000 – New issue

10,360,000 – Refunding

\$54,910,000 – Total to be paid to bondholders

\$ 3,025,000 – Liability as of September 30, 2013

Unlimited Tax Road and Refunding Bonds, Series 2005

(new issue authorized by voters on November 4, 2003, issued April 5, 2005)

\$43,175,000 Unlimited Tax Road and Refunding Bonds, Series 2005 were issued for the purpose of (i) constructing roads and highways throughout the County and (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, 2006 with installments ranging from \$200,000 to \$3,850,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 3.0 to 5.0%. The final principal and interest payment is due on February 15th, 2025. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$17,360,000 – New issue
25,815,000 – Refunding
\$43,175,000 – Total to be paid to bondholders
\$ 6,160,000 – Liability as of September 30, 2013

Unlimited Tax Road Bonds, Series 2006

(new issue authorized by voters on November 4, 2003, issued May 3, 2006)

\$15,920,000 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, 2007 with installments ranging from \$320,000 to \$1,195,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.0 to 5.0%. The final principal and interest payment is due on February 15th, 2026. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$15,920,000 – New issue
\$ 2,980,000 – Liability as of September 30, 2013

Unlimited Tax Road and Refunding Bonds, Series 2007

(new issue authorized by voters on November 4, 2003, issued March 20, 2007)

\$63,375,000 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, 2008 with installments ranging from \$380,000 to \$6,070,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.0 to 5.0%. The final principal and interest payment is due on February 15th, 2027. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$48,190,000 – New issue
15,185,000 – Refunding
\$63,375,000 – Total to be paid to bondholders
\$54,375,000 – Liability as of September 30, 2013

Unlimited Tax Road, Series 2008

(new issue authorized by voters on November 4, 2003 and November 6, 2007, issued July 14, 2008)

\$41,000,000 Unlimited Tax Road, Series 2008 was issued 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, 2009 with installments ranging from \$955,000 to \$3,045,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.0 to 5.5%. The final principal and interest payment is due on February 15th, 2028. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

- \$15,980,000 – New issue (2003 Bond Election)
- 25,020,000 – New issue (2007 Bond Election)
- \$41,000,000 – Total to be paid to bondholders
- \$34,145,000 – Liability as of September 30, 2013

Unlimited Tax Road and Refunding Bonds, Series 2009

(new issue authorized by voters on November 6, 2007, issued September 29, 2009)

\$21,805,000 Unlimited Tax Road and Refunding Bonds, Series 2009 was issued 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 15th, 2010, in installments ranging from \$770,000 to \$2,485,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.0 to 5.0%. The final principal and interest payment is due on February 15th, 2025. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

- \$10,070,000 – New issue
- 11,735,000 – Refunding
- \$21,805,000 – Total to be paid to bondholders
- \$12,260,000 – Liability as of September 30, 2013

Unlimited Tax Road Bonds, Taxable Series 2009B

(new issue authorized by voters on November 6, 2007, issued September 29, 2009)

\$5,590,000 Unlimited Tax Road Bonds, Taxable Series 2009B was issued 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 \$1,470,000 matures on February 15th, 2019, and the remaining principal amount of \$4,120,000 matures on February 15th, 2029. Interest payments occur semi-annually on February 15th and August 15th ranging from 4.6 to 6.3%. The final principal and interest payment is due on February 15th, 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.

- \$5,590,000 – New issue
- \$5,590,000 – Liability as of September 30, 2013

Unlimited Tax Refunding Bonds, Series 2010

(authorized by Commissioners Court and issued on November 17, 2010)

\$14,810,000 Unlimited Tax Refunding Bonds, Series 2010 was issued to (i) refund a portion of the County's outstanding unlimited tax debt for debt service savings and (ii) pay costs of issuance associated with the sale of Unlimited Tax Bonds. Principal maturities will occur annually beginning February, 2012, with installments ranging from \$200,000 to \$2,110,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.0% to 5.0%. The final principal and interest payment is due on February 15th, 2020. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$14,810,000 – Refunding
\$10,830,000 – Liability as of September 30, 2013

Unlimited Tax Road, Series 2011

(new issue authorized by voters on November 6, 2007, issued June 16, 2011)

\$28,490,000 Unlimited Tax Road, Series 2012 was issued 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, 2012 with installments ranging from \$595,000 to \$1,950,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 0.4% to 4.0%. The final principal and interest payment is due on February 15th, 2031. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$28,490,000 – New issue
\$26,945,000 – Liability as of September 30, 2013

Unlimited Tax Road and Refunding Bonds, Series 2012

(new issue authorized by voters on November 6, 2007, issued May 1, 2012)

\$50,800,000 Unlimited Tax Road, Series 2012 was issued 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 of 2012 with installments ranging from \$610,000 to \$4,720,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 2.0% to 5.0%. The final principal and interest payment is due on February 15th, 2032. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$31,365,000 – New issue
19,435,000 – Refunding
\$50,800,000 – Total to be paid to bondholders
\$50,190,000 – Liability as of September 30, 2013

Unlimited Tax Road and Refunding Bonds, Series 2013A

(new issue authorized by voters on November 6, 2007, issued June 1, 2013)

\$40,295,000 Unlimited Tax Road, Series 2013A was issued 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 of 2014 with installments ranging from \$655,000 to \$2,760,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 1.0% to 5.0%. The final principal and interest payment is due on February 15th, 2028. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$25,665,000 – New issue
14,630,000 – Refunding
\$40,295,000 – Total to be paid to bondholders
\$40,295,000 – Liability as of September 30, 2013

Unlimited Tax Refunding Bonds, Series 2013B

(authorized by Commissioners Court and issued on June 1, 2013)

\$15,970,000 Unlimited Tax Refunding Bonds, Series 2013B was issued to (i) refund a portion of the County's outstanding unlimited tax debt for debt service savings and (ii) pay costs of issuance associated with the sale of Unlimited Tax Bonds. Principal maturities will occur annually beginning February, 2015, with installments ranging from \$495,000 to \$2,245,000. Interest payments occur semi-annually on February 15th and August 15th ranging from 0.65% to 4.0%. The final principal and interest payment is due on February 15th, 2025. This bond issue is subject to rebateable arbitrage and is reviewed annually, and 90% of any rebateable liability will be paid every five years on the anniversary date.

\$15,970,000 – Refunding
\$15,970,000 – Liability as of September 30, 2013

Defeased Bonds

The county defeased certain general obligation bonds in 2013 and prior years by placing the proceeds of new bonds into irrevocable trust to provide for all future debt service payments on the old bonds as well as calling certain bonds before the maturity date. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the County's financial statements. As of September 30, 2013, \$48.9 million is available in irrevocable trust funds to service defeased bond debt.

In 2013 the County issued bonds for refunding existing debt. The three issues are as follows:

- 1) The Limited Tax Refunding Bonds, Series 2013B on June 1, 2013, refunded portions of the Limited Tax Permanent Improvement and Refunding Bonds, Series 2004 and Limited Tax Permanent Improvement and Refunding Bond, Series 2005. The refunding was used to defease \$14,585,000 of existing debt by issuing \$15,720,000 of new debt.
- 2) The Unlimited Tax Road and Refunding Bonds, Series 2013A, refunded portions of the Unlimited Tax Road and Refunding Bond, Series 2004; the Unlimited Tax Road and Refunding Bond, Series 2005; and the Unlimited Tax Road Bond 2006. The refunding was used to defease \$15,230,000 of existing debt by issuing \$14,630,000 of new debt.
- 3) The Unlimited Tax Refunding Bonds, Series 2013B, refunded portions of the Unlimited Tax Road and Refunding Bond, Series 2004; the Unlimited Tax Road and Refunding Bond, Series 2005. The refunding was used to defease \$16,195,000 of existing debt by issuing \$15,970,000 of new debt.

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 currently has no cumulative rebate.

Changes in Noncurrent Liabilities

Noncurrent liabilities for the year ended September 30, 2013, were as follows (in thousands):

| Governmental activities: | Beginning | | | Ending | |
|--------------------------|----------------|---------------|---------------|----------------|---------------------|
| | Balance | Additions | Deductions | Balance | Due within one year |
| General obligation | 393,210 | 74,185 | 74,045 | 393,350 | 26,510 |
| Compensated absences | 6,686 | 8,126 | 8,248 | 6,564 | 4,500 |
| Claims and judgements | 4,610 | 7,570 | 7,042 | 5,138 | 2,975 |
| Unamortized bond premium | 25,148 | 5,477 | 1,874 | 28,751 | 311 |
| Total | <u>429,654</u> | <u>95,358</u> | <u>91,209</u> | <u>433,803</u> | <u>34,296</u> |

Compensated absences are liquidated in the funds that have employees (i.e., General Fund, General Road and Bridge Fund, Health Care Foundation Fund, etc.). The County has no other post-employment benefits due to Commissioners Court eliminating the benefit that was creating the liability in 2010.

Contractual Maturities

The annual debt service for general obligation bonds is as follows (in thousands):

| Year ending September 30: | Governmental Activities | |
|---------------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2014 | \$ 27,165 | \$ 16,662 |
| 2015 | 28,790 | 14,979 |
| 2016 | 28,350 | 13,841 |
| 2017 | 29,535 | 12,710 |
| 2018 | 29,685 | 11,529 |
| 2019-2023 | 129,140 | 40,530 |
| 2024-2028 | 91,905 | 15,942 |
| 2029-2033 | 28,780 | 2,442 |
| | <u>\$ 393,350</u> | <u>\$ 128,635</u> |

The Debt Service Fund has \$10.0 million available to service the general long-term bond retirement as of September 30, 2013. There are a number of limitations and restrictions contained in the various bond indentures. The County is in compliance with all limitations and restrictions and continues to monitor the debt proceed uses to ensure compliance.

Conduit Debt

The Housing Finance Corporation issues single-family revenue bonds to provide financial assistance to qualified homeowners. As of September 30, 2013, there are 6 series of single-family and multi-family revenue bonds outstanding, with an aggregate liability of \$613 thousand. 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.

(h) 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 year end are referred to as "Due to/from other funds." The composition of inter-fund balances as of September 30, 2013, is as follows:

| | <u>Due from</u> | <u>Due to</u> |
|--------------------------|---------------------|---------------------|
| Due to/from other funds: | | |
| Governmental Funds: | | |
| General Fund | \$ 1,953,002 | \$ - |
| Nonmajor Funds | <u>-</u> | <u>1,793,002</u> |
| Total Governmental Funds | <u>1,953,002</u> | <u>1,793,002</u> |
| Proprietary Type Funds: | | |
| Animal Safety Fund | <u>-</u> | <u>160,000</u> |
| Total | <u>\$ 1,953,002</u> | <u>\$ 1,953,002</u> |

The activity between the General Fund and other funds represent additional funding for special activities, and local matching of grants.

Interfund advance activity is as follows:

| | <u>Advance to</u> | <u>Advance from</u> |
|--|----------------------|----------------------|
| General Fund | \$ 16,269,485 | \$ - |
| 2007 Road Bond Capital Project Fund | 37,598 | - |
| Non-Major Funds | 1,355,057 | - |
| Animal Safety Internal Service Fund | - | 566,815 |
| Collin County Toll Road Authority Fund | <u>-</u> | <u>17,095,325</u> |
| Total | <u>\$ 17,662,140</u> | <u>\$ 17,662,140</u> |

These balances are a result of funding for two separate activities. The first is a \$566,815 balance to fund the Animal Shelter in the Animal Safety fund. This was planned to be financed over a ten-year period of which two years remain. The second advance activity of \$17,095,325 is financing the Collin County Toll Road Authority Fund to build the Outer Loop through Collin County. These advances are planned to be paid back in the future with toll revenues generated from this project.

All transfers are reported under other financing sources (uses). The accumulated total of interfund transfers for the fiscal year ending September 30, 2013, is as follows:

| | <u>Transfer In</u> | <u>Transfer Out</u> |
|---------------------|--------------------|---------------------|
| Governmental Funds: | | |
| General Fund | \$ 79,505 | \$ 515,900 |
| Nonmajor Funds | <u>538,323</u> | <u>101,928</u> |
| Total | <u>\$ 617,828</u> | <u>\$ 617,828</u> |

Transfers in to the General Fund (\$79,505) are made up of \$17,867 for salary supplement activity funding from special revenue funds for the District Attorney's Office and \$61,639 to close the Pre-Trial Intervention Fund. The transfer out activity from the General Fund is made up of \$215,900 of grant match funding and a \$300,000 transfer to the Courthouse Security Fund to help pay for security. The non-major fund activity includes the activity mentioned above plus an additional \$45,846 for grant match funding.

(i) Capital Contributions

Assets were transferred to the Collin County Toll Road Authority Enterprise Fund from the General Fund (\$18,361) and the 2007 Road Bond Fund (\$37,598) that were related to the Outer Loop project. A corresponding receivable (advance to other funds) was established so that the funds could be reimbursed in the future when the Outer Loop begins generating revenues.

(j) Leases

As lessor, the Health Care Foundation has a number of non-cancelable operating leases with minimum future rental revenues in aggregate of \$3,353,661. The buildings are carried at a book value of \$6,423,011 with accumulated depreciation of \$4,720,141. Future minimum rental payments applicable to the operating leases are as follows:

| Fiscal year: | <u>HCF Contractual Future Rental Revenues</u> |
|--------------|---|
| 2014 | \$ 1,065,648 |
| 2015 | 1,005,577 |
| 2016 | 491,607 |
| 2017 | 341,429 |
| 2018 | 198,638 |
| 2019 | 66,870 |
| 2020 | 66,870 |
| 2021 | 66,870 |
| 2022 | 50,153 |
| Total | <u>\$ 3,353,662</u> |

Collin County leases office space under operating leases that expire over periods of up to ten years. Most of the leases are non-cancelable and renewal options are available. The aggregate total of these lease obligations is \$3,508,558 for the year ended September 30, 2013. At September 30, 2013, future minimum rental payments applicable to the operating leases are as follows:

| Fiscal year: | <u>Contractual Future Rental Obligations</u> |
|--------------|--|
| 2014 | \$ 1,061,817 |
| 2015 | 994,520 |
| 2016 | 529,925 |
| 2017 | 451,465 |
| 2018 | 220,068 |
| 2019 | 66,870 |
| 2020 | 66,870 |
| 2021 | 66,870 |
| 2022 | <u>50,153</u> |
| Total | <u>\$ 3,508,558</u> |

(k) Restricted and Committed Encumbrances

Encumbrances at year end are reported as restricted or committed fund balance. Total encumbrances in governmental funds as of September 30, 2013 were \$39,901,136. These encumbrances by fund are as follows:

| | |
|--|----------------------|
| General Fund | \$ 7,216,142 |
| General Road and Bridge Special Revenue Fund | 4,814,037 |
| Health Care Foundation Special Revenue Fund | 851,268 |
| RTR - Wylie Grant Special Revenue Fund | - |
| RTR - Outer Loop Grant Special Revenue Fund | 440,186 |
| Debt Service Fund | - |
| 2007 Road Bond Capital Project Fund | 16,251,636 |
| Non-major funds | <u>\$ 10,327,867</u> |
| Total Encumbrances | <u>\$ 39,901,136</u> |

Significant encumbrances of these funds are as follows:

- **General Fund**
 - \$2.6 million is encumbered for facilities projects;
 - \$1.8 million is encumbered for the Information Technology and Telecommunications Departments, most of which is for capital project activity;
 - \$1.4 million is encumbered in the Non-Departmental Department of which \$831 thousand is for temporary workers, \$197 thousand is for consulting work, \$334 is for maintenance contracts;
 - \$575 thousand is encumbered in Equipment Services of which most of which is for the purchase of new vehicles and heavy equipment;
- **General Road and Bridge Special Revenue Fund**
 - Of the \$4.8 million encumbered in the General Road and Bridge Special Revenue Fund, an amount of \$3.4 million is for road materials and \$1.2 million is for capital equipment;

- **Health Care Foundation Special Revenue Fund**
 - Of the \$851 thousand encumbered in the Health Care Foundation Special Revenue Fund an amount of \$289 thousand is for Project Access, \$139 thousand is for consulting work, \$270 thousand is for grant awards, and \$121 thousand is for software maintenance;
- **RTR – Outer Loop Grant Special Revenue Fund**
 - The \$440 thousand encumbered in the RTR – Outer Loop Grant Special Revenue Fund is for a road construction contract;
- **2007 Road Bond Capital Project Fund**
 - The \$16.3 million encumbered in the 2007 Road Bond Capital Project Fund for road engineering and construction contracts;
- **Non-major funds**
 - \$5.1 million is encumbered for road and bridge engineering and construction contracts;
 - \$1.2 million is encumbered for technology projects;
 - \$3.6 million is encumbered for facilities and parks projects.

IV. 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 Healthcare, administers the County plan. During the year ended September 30, 2013, the County paid \$800 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. Individual stop-loss deductible is \$100 per person.

Collin County had an increase of \$955 thousand (5.3%) in health insurance benefit expenditures in 2013. The net position decreased \$1.1 million from the prior year to a level of \$1.8 million. Premiums remained almost the same in 2013 as in 2012. Management continues to monitor the claims and has made changes to coverage to help keep costs down.

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 \$275,000. 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.

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 the other funds they service. 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 2013 and 2012 follow (in thousands):

| | <u>Liability</u> | | <u>Estimates</u> | | <u>Payments</u> | | <u>Liability</u> |
|----------------------------|------------------|----|------------------|----|-----------------|----|------------------|
| 2013 Employee Medical | \$ 855 | \$ | 18,773 | \$ | 18,773 | \$ | 855 |
| 2012 Employee Medical | 855 | | 17,818 | | 17,818 | | 855 |
| 2013 Workers' Compensation | 638 | | 411 | | 411 | | 638 |
| 2012 Workers' Compensation | 638 | | 596 | | 596 | | 638 |
| 2013 Claims Liability | 447 | | 994 | | 994 | | 447 |
| 2012 Claims Liability | 447 | | 939 | | 939 | | 447 |

(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.

(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. There is no liability as of September 30, 2013, because the full longevity payment has been recorded in the governmental fund statements as a current expenditure since the liability was paid as part of the last payroll in 2013.

(d) Post-Retirement Health Benefits

Plan Description

The County's post-employment benefit plan is a single-employer defined benefit plan. Effective February of 2013 the County offers health benefits at actuarial cost and no longer offers supplements. 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 Medicare upon eligibility for Medicare coverage. No post-employment liability exists since retirees are paying the full cost of this benefit.

(e) Retirement Commitments

(1) Plan Description

The County provides retirement, disability and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (the 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 655 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 or can be viewed at www.tcdrs.org.

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 an amount of 8.5% in 2013 which was an increase from the 7.7% in 2012 but still less than the 13.5% in 2011. This decrease from 2011 to 2012 was due to the County making a lump sum payment of \$40.5 million in 2012. This carried over into allowing a lower rate in 2013 of 8.5% and will allow lower contribution amounts for years to come. The actuarial required rate was 8.06% in 2013 and 7.64% in 2012. The contribution rate payable by the employee members for the calendar years of 2013 and 2012 was 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.

(e) Retirement Commitments

(3) Annual Pension Cost

For the accounting year ended September 30, 2013, the employer paid pension expenditures for the County to the TCDRS plan were \$6,687,112 and the required contributions were \$6,510,287. The actual contributions were actuarially determined as a percentage of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actual actuarial valuations as of December 31, of 2010, 2011 and 2012, the basis for assessing the adequacy of the financing arrangement beginning with the contribution rates for calendar years 2010 and ending with 2012. As of December 31, 2012, the County's retirement plan was 99.10% funded. The December 31, 2012 actuarial valuation is the most recent valuation and provided the following information:

Actuarial Valuation Information

| | | | |
|---------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Actuarial valuation date | 12/31/2010 | 12/31/2011 | 12/31/2012 |
| Actuarial cost method | entry age | entry age | entry age |
| Amortization method | level percent of payroll, closed | level percent of payroll, closed | level percent of payroll, closed |
| Amortization period in years | 20.0 | 2.3 | 2.8 |
| Asset valuation method | | | |
| Subdivision Accumulation Fund | 10-yr smoothed value | 10-yr smoothed value | 10-yr smoothed value |
| Employees Saving Fund | Fund value | Fund value | Fund value |
| Assumptions: | | | |
| Investment return – includes | | | |
| Inflation at the stated rate | 8.0% | 8.0% | 8.0% |
| Projected salary increases – | | | |
| Includes inflation at the stated rate | 5.4% | 5.4% | 5.4% |
| Inflation | 3.5% | 3.5% | 3.5% |
| Cost-of-living adjustments | 0.0% | 0.0% | 0.0% |

Schedule of Funding Information

| | | | |
|---|---------------|---------------|---------------|
| Actuarial valuation date | 12/31/2010 | 12/31/2011 | 12/31/2012 |
| Actuarial value of assets | \$242,207,446 | \$292,341,994 | \$307,712,427 |
| Actuarial accrued liability (AAL) | \$277,377,627 | \$294,809,845 | \$310,506,865 |
| Unfunded or (overfunded) actuarial accrued liability [UAAL or (OAAL)] | \$ 35,170,181 | \$ 2,467,861 | \$ 2,794,438 |
| Funded ratio | 87.32% | 99.16% | 99.10% |
| Annual covered payroll (actuarial) | \$85,291,381 | \$85,213,179 | \$84,306,943 |
| UAAL or (OAAL) as percentage of covered payroll | 41.24% | 2.90% | 3.31% |

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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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, 2013

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance with Final Budget positive (negative)</u> |
|---|-----------------------|-----------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property | \$ 127,714,748 | \$ 127,714,748 | \$ 129,156,674 | \$ 1,441,926 |
| Licenses and permits | 279,000 | 279,000 | 378,671 | 99,671 |
| Federal and state funds | 3,825,422 | 3,825,422 | 5,033,417 | 1,207,995 |
| Fees and charges for services | 19,282,520 | 19,282,520 | 19,319,252 | 36,732 |
| Fines and forfeitures | 1,962,155 | 1,962,155 | 2,142,678 | 180,523 |
| Rental revenues | 236,481 | 236,481 | 254,430 | 17,949 |
| Interest | 1,341,100 | 1,341,100 | 485,868 | (855,232) |
| Miscellaneous | 526,000 | 656,746 | 1,269,903 | 613,157 |
| Total revenues | <u>155,167,426</u> | <u>155,298,172</u> | <u>158,040,893</u> | <u>2,742,721</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General administration | 32,623,530 | 31,455,340 | 23,850,268 | 7,605,072 |
| Judicial | 15,387,816 | 15,459,309 | 14,598,191 | 861,118 |
| Financial administration | 10,587,260 | 10,604,355 | 9,903,760 | 700,595 |
| Legal | 10,557,924 | 10,557,924 | 10,040,658 | 517,266 |
| Public facilities | 11,543,639 | 11,621,462 | 10,575,698 | 1,045,764 |
| Equipment services | 2,735,184 | 2,735,184 | 2,164,730 | 570,454 |
| Public safety | 54,993,353 | 55,191,907 | 52,794,966 | 2,396,941 |
| Health and welfare | 11,801,758 | 12,543,308 | 12,075,076 | 468,232 |
| Culture and recreation | 878,353 | 878,353 | 841,464 | 36,889 |
| Conservation | 262,787 | 262,787 | 244,445 | 18,342 |
| Capital outlay | <u>10,250,112</u> | <u>10,181,977</u> | <u>3,964,567</u> | <u>6,217,410</u> |
| Total expenditures | <u>161,621,716</u> | <u>161,491,906</u> | <u>141,053,823</u> | <u>20,438,083</u> |
| Excess of revenues over expenditures | (6,454,290) | (6,193,734) | 16,987,070 | 23,180,804 |
| Other financing sources (uses): | | | | |
| Transfers in | - | 79,505 | 79,505 | - |
| Transfers out | (300,000) | (553,735) | (515,900) | 37,835 |
| Sale of assets | - | 3,521,872 | 3,540,233 | 18,361 |
| Total other financing sources (uses) | <u>(300,000)</u> | <u>3,047,642</u> | <u>3,103,838</u> | <u>56,196</u> |
| Net change in fund balance | <u>(6,754,290)</u> | <u>(3,146,092)</u> | <u>20,090,908</u> | <u>23,237,000</u> |
| Fund balance – beginning | <u>165,628,061</u> | <u>165,628,061</u> | <u>165,628,061</u> | <u>-</u> |
| Fund balance – ending | <u>\$ 158,873,771</u> | <u>\$ 162,481,969</u> | <u>\$ 185,718,969</u> | <u>\$ 23,237,000</u> |

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, 2013

| | Budget | | Actual | Variance with Final Budget positive (negative) |
|---|--------------|--------------|--------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property | \$ 2,231,084 | \$ 2,231,084 | \$ 2,254,403 | \$ 23,319 |
| Licenses and permits | - | 3,780 | 3,780 | - |
| Fees & charges for services: | | | | |
| Road mileage fees | 7,760,445 | 7,760,445 | 7,537,817 | (222,628) |
| Vehicle title fees | 734,645 | 734,645 | 888,080 | 153,435 |
| Road & bridge fees | 6,419,201 | 6,419,201 | 7,154,172 | 734,971 |
| Total fees & charges for services | 14,914,291 | 14,914,291 | 15,580,069 | 665,778 |
| Fines and forfeitures: | | | | |
| County clerk | 1,235,184 | 1,235,184 | 1,461,111 | 225,927 |
| District clerk | 472,028 | 472,028 | 505,106 | 33,078 |
| Total fines and forfeitures | 1,707,212 | 1,707,212 | 1,966,217 | 259,005 |
| Other local government funds | - | 89,186 | 89,186 | - |
| Interest | 140,000 | 140,000 | 85,864 | (54,136) |
| Miscellaneous: | | | | |
| Sale of road and bridge materials | 91,900 | 91,900 | 182,941 | 91,041 |
| Other and grants | 6,430 | 6,430 | 17,186 | 10,756 |
| Total miscellaneous | 98,330 | 98,330 | 200,127 | 101,797 |
| Total revenues | 19,090,917 | 19,183,883 | 20,179,646 | 995,763 |
| Expenditures: | | | | |
| Current: | | | | |
| Public Transportation: | | | | |
| Road and Bridge Maintenance: | | | | |
| Salaries and benefits | 5,222,533 | 5,222,533 | 4,881,583 | 340,950 |
| Training and travel | 11,616 | 11,616 | 7,511 | 4,105 |
| Maintenance and operating | 16,642,538 | 16,642,538 | 12,064,572 | 4,577,966 |
| Total Road and Bridge Maintenance | 21,876,687 | 21,876,687 | 16,953,666 | 4,923,021 |
| Engineering: | | | | |
| Salaries and benefits | 407,516 | 407,516 | 403,721 | 3,795 |
| Training and travel | 12,985 | 12,985 | 6,648 | 6,337 |
| Maintenance and operating | 6,608 | 6,608 | 2,687 | 3,921 |
| Total Engineering | 427,109 | 427,109 | 413,056 | 14,053 |

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, 2013

| | Budget | | Actual | Variance with Final Budget positive (negative) |
|--|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Services and Operations: | | | | |
| Salaries and benefits | \$ 451,319 | \$ 451,319 | \$ 426,138 | \$ 25,181 |
| Training and travel | 10,493 | 10,493 | 135 | 10,358 |
| Maintenance and operating | 4,229 | 4,229 | 2,093 | 2,136 |
| Total Services and Operations | <u>466,041</u> | <u>466,041</u> | <u>428,366</u> | <u>37,675</u> |
| Soil Conservation: | | | | |
| Maintenance and operating | 61,407 | 61,407 | 53,473 | 7,934 |
| Special Projects: | | | | |
| Salaries and benefits | 211,278 | 211,278 | 177,575 | 33,703 |
| Training and travel | 1,425 | 1,425 | - | 1,425 |
| Maintenance and operating | 600 | 600 | 279 | 321 |
| Total Special Projects | <u>213,303</u> | <u>213,303</u> | <u>177,854</u> | <u>35,449</u> |
| Non-departmental: | | | | |
| Maintenance and operating | 400,100 | 400,100 | 273,436 | 126,664 |
| Total public transportation | <u>23,444,647</u> | <u>23,444,647</u> | <u>18,299,851</u> | <u>5,144,796</u> |
| Capital Outlay: | | | | |
| Public Transportation: | | | | |
| Road and Bridge Maintenance | 2,693,217 | 2,693,217 | 1,315,273 | 1,377,944 |
| Total Capital Outlay | <u>2,693,217</u> | <u>2,693,217</u> | <u>1,315,273</u> | <u>1,377,944</u> |
| Total expenditures | <u>26,137,864</u> | <u>26,137,864</u> | <u>19,615,124</u> | <u>6,522,740</u> |
| Excess (deficiency) of revenues over (under) expenditures | (7,046,947) | (6,953,981) | 564,522 | 7,518,503 |
| Other financing sources (uses): | | | | |
| Sale of assets | - | 159,380 | 159,381 | 1 |
| Total other financing sources (uses) | <u>-</u> | <u>159,380</u> | <u>159,381</u> | <u>1</u> |
| Net change in fund balance | (7,046,947) | (6,794,601) | 723,903 | 7,518,504 |
| Fund balance – beginning | <u>18,373,712</u> | <u>18,373,712</u> | <u>18,373,712</u> | <u>-</u> |
| Fund balance – ending | <u>\$ 11,326,765</u> | <u>\$ 11,579,111</u> | <u>\$ 19,097,615</u> | <u>\$ 7,518,504</u> |

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, 2013

| | <u>Budget</u> | | <u>Actual</u> | Variance with Final Budget positive (negative) |
|--|---------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(negative)</u> |
| Revenues: | | | | |
| Federal and state funds | \$ 50,000 | \$ 1,269,042 | \$ 1,270,265 | \$ 1,223 |
| Fees and charges for services | 1,332,400 | 332,400 | 277,491 | (54,909) |
| Rental revenues | 1,123,552 | 1,123,552 | 1,095,368 | (28,184) |
| Interest | 50,000 | 50,000 | 26,099 | (23,901) |
| Miscellaneous | 15,000 | 15,000 | 31,311 | 16,311 |
| Total revenues | <u>2,570,952</u> | <u>2,789,994</u> | <u>2,700,534</u> | <u>(89,460)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Health and Welfare: | | | | |
| Salaries and benefits | 1,466,468 | 1,467,503 | 1,462,371 | 5,132 |
| Training and travel | 18,000 | 18,000 | 5,884 | 12,116 |
| Maintenance and operating | 3,143,629 | 3,347,892 | 1,100,925 | 2,246,967 |
| Total health and welfare | <u>4,628,097</u> | <u>4,833,395</u> | <u>2,569,180</u> | <u>2,264,215</u> |
| Public Facilities: | | | | |
| Maintenance and operating | 183,789 | 183,789 | 82,011 | 101,778 |
| Total public facilities | <u>183,789</u> | <u>183,789</u> | <u>82,011</u> | <u>101,778</u> |
| Capital Outlay: | | | | |
| Health and Welfare | 12,553 | 12,553 | - | 12,553 |
| Total Capital Outlay | <u>12,553</u> | <u>12,553</u> | <u>-</u> | <u>12,553</u> |
| Total expenditures | <u>4,824,439</u> | <u>5,029,737</u> | <u>2,651,191</u> | <u>2,378,546</u> |
| Excess (deficiency) of revenues over (under) expenditures | (2,253,487) | (2,239,743) | 49,343 | 2,289,086 |
| Fund balance – beginning | 8,437,046 | 8,437,046 | 8,437,046 | - |
| Fund balance – ending | <u>\$ 6,183,559</u> | <u>\$ 6,197,303</u> | <u>\$ 8,486,389</u> | <u>\$ 2,289,086</u> |

COLLIN COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2013

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(a) Budgetary Information

Annual budgets are adopted for all governmental funds with the exception of capital project funds and the following special revenue funds: RTR – Wylie Fund, RTR – Outer Loop Phase 3 Fund, Tax Assessor/Collector Motor Vehicle Tax Fund, LEOSE Education Fund, District Attorney Service Fee Fund, Juvenile Case Manager Fund, District Attorney Pretrial Intervention Program Fund, SCAAP Fund, District Attorney Apportionment Fund, and the Grants Fund. The budget for capital project funds is adopted by project on a project-life term at the time debt is issued, and the budget is carried over from year to year until the funding is exhausted. All grant fund budgets are adopted at the grantor level and adoption is administrative by Commissioners Court. All governmental fund annual appropriations lapse at 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 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 1st or as soon as possible thereafter the budget and the tax rate are adopted with tax notices mailed on or after October 1st.

The appropriated budget is adopted annually by fund, department, and activity at the legal level of budgetary control. The categories of salary and benefits, training and travel, 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 the County. Encumbrances (i.e. outstanding purchase orders, contracts) outstanding at year end are reported as restrictions or commitments of fund balance and do not constitute expenditures or liabilities because the expenditures are not recognized until the goods or services have been received. The encumbrances at year-end are carried forward to the next year and the budget is increased to accommodate the additional expenditures.

**Employees Retirement System Schedule of Funding Progress
(thousands)**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | (Unfunded) Assets in Excess of AAL (a-b) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|-----------------------------|--|---|--|--------------------------|-------------------------------------|---|
| December 31,2010 | \$ 242,207 | \$ 277,378 | \$(35,171) | 87.32% | \$ 85,291 | 41.24% |
| December 31,2011 | 292,342 | 294,810 | (2,468) | 99.16% | 85,213 | 2.90% |
| December 31,2012 | 307,712 | 310,507 | (2,795) | 99.10% | 84,307 | 3.32% |

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Texas
New York
Washington, DC
Connecticut
Seattle
Dubai
London

Bracewell & Giuliani LLP
1445 Ross Avenue
Suite 3800
Dallas, Texas
75202-2711

[CLOSING DATE]

\$25,045,000
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS,
SERIES 2014

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 ROAD BONDS, SERIES 2014, dated June 15, 2014.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Commissioners Court of the Issuer on July 7, 2014 authorizing their issuance and the pricing certificate executed pursuant to the terms thereof (collectively, the "Order").

WE HAVE represented the Issuer as its bond counsel for the 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, on which we have relied in giving our opinion. The transcript contains 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. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, United States Department of the Treasury Regulations and published 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; and
- (B) 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 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 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 advisor and the underwriters of the Bonds with respect to matters solely within the knowledge of the Issuer, the Issuer's financial advisor 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. If such 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.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, 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, low and middle income taxpayers qualifying for the health insurance premium assistance credit, 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).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may

hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the 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.

Texas
New York
Washington, DC
Connecticut
Seattle
Dubai
London

Bracewell & Giuliani LLP
1445 Ross Avenue
Suite 3800
Dallas, Texas
75202-2711

[CLOSING DATE]

\$23,380,000
COLLIN COUNTY, TEXAS
LIMITED TAX PERMANENT IMPROVEMENT AND REFUNDING BONDS,
SERIES 2014

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 PERMANENT IMPROVEMENT AND REFUNDING BONDS, SERIES 2014, dated June 15, 2014.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Commissioners Court of the Issuer on July 7, 2014 authorizing their issuance and the pricing certificate executed pursuant to the terms thereof (collectively, the "Order").

WE HAVE represented the Issuer as its bond counsel for the 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, on which we have relied in giving our opinion. The transcript 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 acquired with the proceeds of the Bonds; 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 also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, United States Department of the Treasury Regulations and published 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 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 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 advisor and the underwriters of the Bonds with respect to matters solely within the knowledge of the Issuer, the Issuer's financial advisor 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 ownership of, receipt of interest on, 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, low and middle income taxpayers qualifying for the health insurance premium assistance credit, 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).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the 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.



Financial Advisory Services
Provided By

FirstSouthwest 

GENERAL AND NO-LITIGATION CERTIFICATE

We, the undersigned, County Judge, County Clerk and County Auditor, respectively, of Collin County, Texas (the "County"), hereby certify the following information:

I. General

1.1. This certificate is executed for and on behalf of said County with reference to the issuance of the COLLIN COUNTY, TEXAS UNLIMITED TAX ROAD BONDS, SERIES 2014 (the "Bonds") dated June 15, 2014. Capitalized terms used herein and not otherwise defined shall have the meanings assigned in the order adopted by the Commissioners Court on July 7, 2014 (the "Bond Order") and the pricing certificate executed pursuant to the authority thereof (the "Pricing Certificate," and together with the Bond Order, the "Order") authorizing the issuance of the Bonds.

1.2. The County is a duly created and existing county of the State of Texas operating under the Constitution and laws of the State of Texas.

1.3. As of the date hereof, the duly constituted and acting members of the Commissioners Court and certain other officers of the County are as follows:

Keith Self, County Judge
Mark Reid, Commissioner, Precinct No. 1
Cheryl Williams, Commissioner, Precinct No. 2
Chris Hill, Commissioner, Precinct No. 3
Duncan Webb, Commissioner, Precinct No. 4
Jeff May, County Auditor
Stacey Kemp, County Clerk
Kenneth L. Maun, Tax Assessor-Collector
Bill Bilyeu, County Administrator

1.4. The Bonds are being issued by the County concurrently with the Collin County, Texas Limited Tax Refunding and Improvement Bonds, Series 2014.

1.5. The November 6, 2007 election at which the Bonds were approved by the electorate of the County was held in compliance with the Federal Voting Rights Act of 1965, as amended, and applicable State law, including Chapter 272, Texas Election Code, as amended.

1.6. According to the tax rolls of the County for the tax year 2014, which are the latest approved tax rolls of the County, the total assessed value of real property and personal property subject to taxation by the County is \$79,186,696,846. The assessed value of real property in the County is \$81,980,745,056.

1.7. A debt service schedule for the Bonds and all other outstanding indebtedness of the County payable from an ad valorem tax levied pursuant to Article III, Section 52, of the Texas Constitution is attached hereto as Exhibit A and incorporated by reference herein for all purposes.

1.8. The County is not in default in the payment of principal or interest on any of its outstanding obligations.

1.9. Neither the corporate existence or boundaries of the County or the title of its present officers to their respective offices is being contested, and no authority or proceedings for the issuance of the Bonds have been repealed, revoked, or rescinded.

1.10. Other than the County, there are no political subdivisions or other taxing entities located within the County authorized to issue debt pursuant to Article III, Section 52 of the Texas Constitution. The total principal amount of the presently outstanding indebtedness issued pursuant to Article III, Section 52, of the Texas Constitution by the County, including the Bonds, is \$270,355,000 which amount does not exceed one-fourth of the assessed valuation of the real property of the County.

II. Official Statement

2.1. The descriptions and statements of or pertaining to the County contained in the Official Statement for the Bonds, and any addenda, supplement or amendment thereto on the date of Official Statement, on the date of sale of the Bonds and on the date hereof, were and are true and correct in all material respects.

2.2. Insofar as the County and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

2.3. Insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the County, and their activities contained in such Official Statement are concerned, said statements and data have been obtained from sources which the County believes to be reliable, and the County has no reason to believe they are untrue in any material respect.

2.4. There has been no material adverse change in the financial condition of the County since the date of the last audited financial statements of the County.

III. Signature Identification and No Litigation

3.1. The undersigned County Judge and County Clerk officially executed and signed the Bonds, including the initial Bonds delivered to the purchaser of the Bonds (the "Initial Bond"), by manual signature or by causing facsimiles of our manual signatures to be imprinted or lithographed on each of the Bonds, and we hereby adopt said facsimile signatures as our own, respectively, and declare that said facsimile signatures constitute our signatures the same as if we had manually signed each of the Bonds; at the time we so executed and signed the Bonds we were, and at the time of executing this certificate we are, the duly chosen, qualified, and acting officers indicated therein and authorized to execute the same; and we have caused the official seal of the County to be impressed, printed, or lithographed on each of the Bonds, and said seal on the Bonds has been duly adopted as, and is hereby declared to be, the official seal of the County.

3.2. The Bonds, including the Initial Bonds, are substantially in the form, and have been duly executed and signed in the manner prescribed in the Order.

3.3. No litigation is pending or, to our knowledge, threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, the levy or the collection of the ad valorem taxes to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity of the Bonds, the Order authorizing the issuance of the Bonds or the Confirming Order, the powers of the County or contesting the authorization of the Bonds, the Order or the Confirming Order, or contesting in any way the accuracy, completeness or fairness of the Official Statement relating to the Bonds.

[EXECUTION PAGE FOLLOWS]

EXECUTED AND DELIVERED ON July 31, 2014

Manual Signatures

Official Titles

Keith Self

County Judge, Collin County, Texas

Stacey Kemp

County Clerk, Collin County, Texas

Jeff May

County Auditor, Collin County, Texas

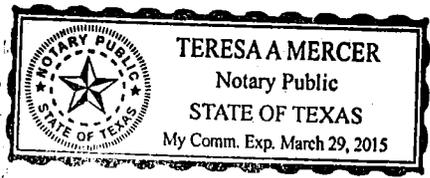
Bill Bilyeu

County Administrator, Collin County, Texas

STATE OF TEXAS §
 §
COUNTY OF COLLIN §

Before me, the undersigned authority, on this day personally appeared Keith Self, Stacey Kemp, Jeff May and Bill Bilyeu, the County Judge, County Clerk, County Auditor and County Administrator, respectively, of Collin County, Texas, each known to me to be the person who signed the above and each acknowledged to me that such person executed the above and foregoing Certificate in my presence for the purposes stated therein.

Given under my hand and seal of office this July 9, 2014



Teresa A. Mercer
Notary Public, State of Texas

[NOTARY SEAL]

EXHIBIT A

| Fiscal Year Ended 9/30 | Unlimited Tax Outstanding Debt ⁽¹⁾ | | Unlimited Tax Bonds ⁽²⁾ | | Total Debt Service |
|---------------------------------|--|----------------------|------------------------------------|----------------------|--------------------------|
| | Principal | Interest | Principal | Interest | |
| | 2014 | \$ 17,455,000 | \$ 11,431,653 | \$ - | |
| 2015 | 18,600,000 | 10,248,690 | 785,000 | 1,093,817 | 30,727,507 |
| 2016 | 18,020,000 | 9,529,938 | 845,000 | 1,029,225 | 29,424,163 |
| 2017 | 18,805,000 | 8,808,238 | 875,000 | 1,003,425 | 29,491,663 |
| 2018 | 18,440,000 | 8,040,638 | 895,000 | 981,350 | 28,356,988 |
| 2019 | 19,335,000 | 7,220,009 | 925,000 | 949,275 | 28,429,284 |
| 2020 | 16,595,000 | 6,443,268 | 970,000 | 906,750 | 24,915,018 |
| 2021 | 15,250,000 | 5,742,096 | 1,015,000 | 861,975 | 22,869,071 |
| 2022 | 14,815,000 | 5,061,165 | 1,065,000 | 809,975 | 21,751,140 |
| 2023 | 15,510,000 | 4,376,603 | 1,120,000 | 755,350 | 21,761,953 |
| 2024 | 16,220,000 | 3,692,310 | 1,180,000 | 697,850 | 21,790,160 |
| 2025 | 13,565,000 | 3,055,641 | 1,240,000 | 637,350 | 18,497,991 |
| 2026 | 13,230,000 | 2,442,700 | 1,305,000 | 573,725 | 17,551,425 |
| 2027 | 12,670,000 | 1,836,850 | 1,370,000 | 506,850 | 16,383,700 |
| 2028 | 9,460,000 | 1,324,898 | 1,440,000 | 436,600 | 12,661,498 |
| 2029 | 6,705,000 | 949,168 | 1,505,000 | 370,500 | 9,529,668 |
| 2030 | 5,870,000 | 663,900 | 1,570,000 | 309,000 | 8,412,900 |
| 2031 | 6,150,000 | 401,225 | 1,630,000 | 245,000 | 8,426,225 |
| 2032 | 4,200,000 | 170,800 | 1,700,000 | 178,400 | 6,249,200 |
| 2033 | 1,870,000 | 37,400 | 1,770,000 | 109,000 | 3,786,400 |
| 2034 | - | - | 1,840,000 | 36,800 | 1,876,800 |
| 2035 | - | - | - | - | - |
| 2036 | - | - | - | - | - |
| 2037 | - | - | - | - | - |
| 2038 | - | - | - | - | - |
| | <u>\$ 262,765,000</u> | <u>\$ 91,477,187</u> | <u>\$ 25,045,000</u> | <u>\$ 12,492,217</u> | <u>\$ 391,779,404</u> |

(1) Includes the 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."

(2) Average life of the issue 11.533 years.

COLLIN COUNTY, TEXAS

July 7, 2014

The Attorney General of Texas
William P. Clements Building
300 West 15th Street, 7th Floor
Austin, Texas 78701
Attention: Public Finance Section

Comptroller of Public Accounts
Thomas Jefferson Rusk Building
208 East 10th Street, Room 448
Austin, Texas 78701
Attention: Melissa Mora
Bond Registration

Re: Collin County, Texas Unlimited Tax Road Bonds, Series 2014

To the Attorney General:

The executed Initial Bond of the captioned series has been or soon will be delivered to you for examination and approval. In this connection, enclosed herewith is a General and No-Litigation Certificate executed and completed except as to date. When the Initial Bond has received your approval and is ready for delivery to the Comptroller of Public Accounts for registration, this letter will serve as your authority to insert the date of your approval in the General and No-Litigation Certificate and deliver the Initial Bond to the Comptroller.

Should litigation in any way affecting such bonds develop the undersigned will notify you at once by telephone and telecommunication. You may be assured, therefore, that there is no such litigation at the time the Initial Bond is finally approved by you, unless you have been advised otherwise.

To the Comptroller:

The approved Initial Bond of the captioned series will be delivered to you by the Attorney General of Texas. You are hereby requested to register the Initial Bond as required by law and by the proceedings authorizing such Initial Bond.

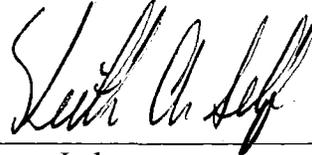
Following registration, you are hereby authorized and directed to notify and deliver the Initial Bond to Bracewell & Giuliani LLP, Dallas, Texas.

Please deliver to Bracewell & Giuliani LLP, Dallas, Texas, five copies of each of the following:

1. Attorney General's approving opinion; and
2. Comptroller's signature certificate.

Sincerely,

COLLIN COUNTY, TEXAS

A handwritten signature in black ink, appearing to read "Keith A. Self". The signature is written in a cursive style with some loops and flourishes.

County Judge

COLLIN COUNTY, TEXAS

July 7, 2014

The Bank of New York Mellon Trust Company, N.A.
Issuer Administrative Services
2001 Bryan Street, 11th Floor
Dallas, Texas 75201

Re: Collin County, Texas Unlimited Tax Road Bonds, Series 2014

Ladies and Gentlemen:

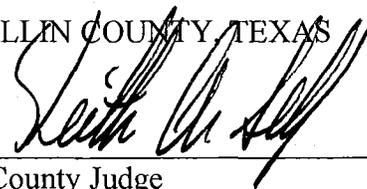
Collin County, Texas (the "Issuer") and the Underwriters of the above-referenced series of Bonds (the "Bonds") have designated your bank as the place, and as their agent, for the delivery and payment of the Bonds. The initial Bond of this series (the "Initial Bond") is being delivered to you and you are hereby authorized and directed to hold the Initial Bond for safekeeping pending said delivery and payment.

Upon your receipt of the final unqualified legal opinion of Bracewell & Giuliani LLP, as to the validity of the Bonds, and upon receipt of payment therefor, you are authorized and directed to cancel the Initial Bond and to deliver the definitive Bonds to DTC on behalf of the Underwriters.

You are further authorized and directed to remit all of the aforesaid proceeds received from the delivery and payment of the Bonds as further directed by First Southwest Company, Financial Advisor to the Issuer.

Sincerely,

COLLIN COUNTY, TEXAS



County Judge

FEDERAL TAX CERTIFICATE

I, the undersigned officer of Collin County, Texas (the "County"), make this certification for the benefit of all persons interested in the exclusion from gross income for federal income tax purposes of the interest to be paid on the County's Unlimited Tax Road Bonds, Series 2014 (the "Bonds"), which are being issued in the aggregate principal amount of \$25,045,000 and delivered simultaneously with the delivery of this Federal Tax Certificate. I do hereby certify as follows in good faith on the date hereof:

1. **Definitions.** Each capitalized term used in this Federal Tax Certificate has the meaning ascribed to such term below or has the meaning or is the amount, as the case may be, specified for such term in this Federal Tax Certificate or in Exhibits to this Federal Tax Certificate and shall for all purposes hereof have the meaning or be the amount therein specified. All such terms defined in the Code or Regulations that are not defined herein shall for all purposes hereof have the same meanings as given to those terms in the Code and Regulations unless the context clearly requires otherwise.

"Authorizing Document" means the order adopted by the County on July 7, 2014, for purposes of authorizing the issuance of the Bonds and the pricing certificate executed pursuant thereto on July 9, 2014.

"Code" means the Internal Revenue Code of 1986, as amended.

"Construction Fund" means the "Collin County, Texas, Unlimited Tax Road Bonds, Series 2014, Construction Fund" created pursuant to the authorizing document.

"Interest and Sinking Fund" means the "Collin County, Texas, Unlimited Tax Road Bonds, Series 2014, Interest and Sinking Fund" created pursuant to the Authorizing Document.

"Favorable Opinion of Bond Counsel" means an opinion of nationally recognized bond counsel to the effect that an action, or omission of an action, does not adversely affect the excludability from gross income for federal income tax purposes of interest payable on the Bonds.

"Financial Advisor" means First Southwest Company, the County's financial advisor.

"Gross Proceeds" means any Proceeds and any Replacement Proceeds of the Bonds.

"Investment Proceeds" is defined in Section 1.148-1(b) of the Regulations and generally consists of any amounts actually or constructively received from investing Proceeds of the Bonds.

"Issuance Costs" means costs to the extent incurred in connection with, and allocable to, the issuance of the Bonds within the meaning of Section 147(g) of the Code. For example, Issuance Costs include the following costs, but only to the extent incurred in connection with, and allocable to, the borrowing: underwriters' spread; counsel fees; financial advisory fees; fees paid to an organization to evaluate the credit quality of an issue; trustee fees; paying agent fees; bond registrar, certification and authentication fees; accounting fees; printing costs for bonds and

offering documents; public approval process costs; engineering and feasibility study costs; guarantee fees, other than qualified guarantees; and similar costs.

“Issue Date” means, with respect to the Bonds, the first date on which the County receives the purchase price in exchange for delivery of the evidence of indebtedness representing any Bond.

“Issue Price” means the “issue price” as defined in Sections 1273 and 1274 of the Code, unless otherwise provided in Sections 1.148-0 through 1.148-11 of the Regulations and, generally, is the price that, for each maturity of the Bonds, represents the first price (including original issue premium and discount and Pre-Issuance Accrued Interest) of the Bonds at which a substantial amount (at least 10 percent) of each such maturity was sold to the public.

“Minor Portion” means that portion of the Gross Proceeds of the Bonds that does not exceed in the aggregate \$100,000.

“Net Proceeds” means the Sale Proceeds less any Sale Proceeds invested in a “reasonably required reserve or replacement fund,” as described in Section 148 of the Code, and as part of a Minor Portion and Investment Proceeds.

“Original Issue Discount” means the Stated Redemption Price at Maturity over the Issue Price.

“Original Issue Premium” means the Issue Price over the Stated Redemption Price at Maturity.

“Pre-Issuance Accrued Interest” is defined in Section 1.148-1(b) of the Regulations and, generally, means amounts representing interest that accrued on an obligation for a period not greater than one year before its Issue Date but only if those amounts are paid within one year after the Issue Date.

“Proceeds” is defined in Section 1.148-1(b) of the Regulations and generally means any Sale Proceeds, Investment Proceeds, and Transferred Proceeds.

“Project” means each separate project financed by the Bonds.

“Projects” means, collectively, the projects financed by the Bonds, as generally described in the “Description of Governmental Purpose” paragraph of this Federal Tax Certificate.

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Replacement Proceeds” has the meaning set forth in Section 1.148-1(c) of the Regulations and generally consists of amounts that have a sufficiently direct nexus to the Bonds or the governmental purpose of the Bonds to conclude that the amounts would have been used

for that governmental purpose if the Proceeds were not used or to be used for that governmental purpose.

“Representative” means Citigroup Global Markets Inc., the representative of the group of Underwriters.

“Sale Proceeds” is defined in Section 1.148-1(b) of the Regulations and generally consists of any amounts actually or constructively received from the sale (or other disposition) of any Bond, including amounts used to pay underwriters’ discount or compensation and accrued interest other than pre-issuance accrued interest. Sale Proceeds also include amounts derived from the sale of a right that is associated with any Bond and that is described in Section 1.148-4(b)(4) of the Regulations.

“Stated Redemption Price at Maturity” means the amount fixed by the last modification of the purchase agreement and includes interest and other amounts payable at that time (other than any interest based on a fixed rate and payable unconditionally at fixed period intervals of 1 year or less during the entire term of the debt instrument).

“Transferred Proceeds” means Transferred Proceeds as defined in Section 1.148-9 of the Regulations and generally consist of amounts that, when proceeds of a refunding issue discharge any of the outstanding principal amount of a prior issue, become transferred proceeds of the refunding issue and cease to be proceeds of the prior issue.

“Underwriters” means the group of underwriters that have purchased the Bonds.

“Weighted Average Maturity” has the meaning ascribed to it in the “Weighted Average Maturity” paragraph of this Federal Tax Certificate.

“Yield” of (a) an issue of obligations has the meaning set forth in Section 1.148-4 of the Regulations and generally, is the discount rate that when used in computing the present value of all payments of principal and interest to be paid on the obligation produces an amount equal to the Issue Price of such Bond and (b) any investment has the meaning set forth in Section 1.148-5 of the Regulations and generally, is the discount rate that when used in computing the present value of all payments of principal and interest to be paid on the investment produces an amount equal to all payments for the investment.

2. **Responsible Officer.** I am the duly chosen, qualified and acting officer of the County for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the County. I am the officer of the County charged, along with other officers of the County, with responsibility for issuing the Bonds.

3. **Code and Regulations.** I am aware of the provisions of sections 141, 148, 149 and 150 of the Code and the Regulations heretofore promulgated under sections 141, 148, 149 and 150 of the Code. This Federal Tax Certificate is being executed and delivered pursuant to sections 1.141-1 through 1.141-15, 1.148-0 through 1.148-11, 1.149(b)-1, 1.149(d)-1, 1.149(g)-1, 1.150-1 and 1.150-2 of the Regulations.

4. Reasonable Expectations. The facts and estimates that are set forth in this Federal Tax Certificate are accurate. The expectations that are set forth in this Federal Tax Certificate are reasonable in light of such facts and estimates. There are no other facts or estimates that would materially change such expectations. In connection with this certificate, the undersigned has to the extent necessary reviewed the certifications set forth herein with other representatives of the County as to such accuracy and reasonableness. The undersigned has also relied, to the extent appropriate, on representations set forth in (a) the Issue Price Certificate attached hereto as Exhibit A and (b) the Certificate of Financial Advisor attached hereto as Exhibit B. The undersigned is aware of no fact, estimate or circumstance that would create any doubt regarding the accuracy or reasonableness of all or any portion of such documents.

5. Description of Governmental Purpose. The County is issuing the Bonds pursuant to the Authorizing Document to (a) pay costs associated with the Projects; to wit, the construction, maintenance, and operation of macadamized, graveled, or paved roads and turnpikes, or in aid thereof, throughout the County, including participating in the cost of joint State Highway and City projects, and (b) pay the Issuance Costs of the Bonds.

6. Amount and Expenditure of Sale Proceeds of the Bonds.

(a) Amount of Sale Proceeds. The Sale Proceeds of the Bonds is \$27,716,593.60, based on the amount set forth on Exhibit A hereto. The Sale Proceeds represent the Stated Redemption Price at Maturity (excluding Pre-Issuance Accrued Interest for those Bonds the interest on which is paid at least annually) of the Bonds, equal to \$25,045,000, plus net Original Issue Premium in the amount of \$2,716,593.60.

(b) Expenditure of Sale Proceeds. The Sale Proceeds will be expended as follows:

(i) The amount of \$27,485,000 will be deposited into the Construction Fund and is expected to be disbursed to pay or reimburse the costs of the Projects. The aggregate amount of the costs of the Projects is anticipated to exceed such amount. Any costs of the Projects not financed out of Proceeds of the Bonds will be financed out of the County's available funds.

(ii) The amount of \$142,994.77 will be allocated on the date of issuance of the Bonds to underwriters' discount or compensation.

(iii) The amount of \$133,598.83 will be disbursed to pay other Issuance Costs on the Bonds (including any rating agency fees charged to the County by the Bond insurer).

(c) Reimbursement. Other than (i) the amount of \$100,000 and (ii) preliminary expenditures (i.e., architectural, engineering, surveying, soil testing, bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of each Project, other than land acquisition, site preparation, and similar costs incident to commencement of construction) not in excess of 20 percent of the Issue Price, no portion of the amount described in the "Amount and Expenditure of Sale Proceeds of the Bonds

– Expenditure of Sale Proceeds” subparagraph above will be disbursed to reimburse the County for any expenditures made by the County prior to the date that is 60 days before the date that the Issuer adopted the Authorizing Document.

(d) No Working Capital. Except for any amount that does not exceed 5 percent of the Sale Proceeds of the Bonds (and that is directly related to capital expenditures financed by the Bonds), the amount described in “Amount and Expenditure of Sale Proceeds of the Bonds—Expenditure of Sale Proceeds” will be expended only for (i) costs that would be chargeable to the capital accounts of each Project if the County’s income were subject to federal income taxation and (ii) interest on the Bonds in an amount that does not cause the aggregate amount of interest paid on all of the New Money Bonds to exceed that amount of interest on the Bonds that is attributable to the period that commences on the date hereof and ends on the later of (A) the date that is three years from the Issue Date of the Bonds or (B) the date that is one year after the date on which the applicable Project is placed in service; and/or (iii) fees for a qualified guarantee of the Bonds or payment for a qualified hedge on the Bonds.

(e) No Sale of Conduit Loan. No portion of the Sale Proceeds of the Bonds has been or will be used to acquire, finance, or refinance any conduit loan.

(f) No Overburdening. The Proceeds of the Bonds will not exceed by more than a Minor Portion the amount necessary to accomplish the governmental purposes of the Bonds and, in fact, are not expected to exceed by any amount the amount of Proceeds allocated to expenditures for the governmental purposes of the Bonds.

(g) Allocations and Accounting. The Proceeds of the Bonds will be allocated to expenditures not later than 18 months after the later of the date the expenditure is made or the date the applicable Project is placed in service, but in no event later than the date that is 60 days after the fifth anniversary of the date hereof or the retirement of the last Bond, if earlier. The allocation of Proceeds will be made by using a reasonable, consistently applied accounting method. No Proceeds of the Bonds will be allocated to any expenditure to which Proceeds of any other obligations have heretofore been allocated. The County will maintain records and documentation regarding the allocation of expenditures to Proceeds of the Bonds and the investment of Gross Proceeds of the Bonds for at least six years after the close of the final calendar year during which any Bond is outstanding.

7. Pre-issuance Accrued Interest. The County will not receive any amount of Pre-Issuance Accrued Interest with respect to the Bonds.

8. Expenditure of Investment Proceeds. The best estimate of the County is that Investment Proceeds resulting from the investment of any Proceeds of the Bonds pending expenditure of such Proceeds for costs of the Projects will be retained in the Construction Fund and disbursed to pay or reimburse project costs in addition to those described in the “Amount and Expenditure of Sales Proceeds of the Bonds” paragraph above.

9. Replacement Proceeds.

(a) No Sinking Funds. Other than the Interest and Sinking Fund, there is no debt service fund, redemption fund, reserve fund, replacement fund, or similar fund reasonably expected to be used directly or indirectly to pay principal or interest on the Bonds.

(b) No Pledged Funds. Other than amounts in the Interest and Sinking Fund, there is no amount that is directly or indirectly, other than solely by reason of the mere availability or preliminary earmarking, pledged to pay principal or interest on the Bonds, or to a guarantor of part or all of the Bonds, such that such pledge provides reasonable assurance that such amount will be available to pay principal or interest on the Bonds if the County encounters financial difficulty. For purposes of this certification, an amount is treated as so pledged if it is held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of the holders or the guarantor of the Bonds.

(c) No Other Replacement Proceeds. There are no other Replacement Proceeds allocable to the Bonds because the County reasonably expects that the term of the Bonds will not be longer than is reasonably necessary for the governmental purposes of the Bonds. Furthermore, even if the Bonds were outstanding longer than necessary for the purpose of the Bonds, no Replacement Proceeds will arise because the County reasonably expects that no amounts will become available during the period that the Bonds remain outstanding longer than necessary based on the reasonable expectations of the County as to the amounts and timing of future revenues. The Bonds would be issued to achieve a debt service savings independent of any arbitrage benefit as evidenced by the expectation that the Bonds reasonably would have been issued if the interest on the Bonds were not excludable from gross income (assuming that the hypothetical taxable interest rate would be the same as the actual tax-exempt interest rate).

(d) Calculations of Weighted Average Maturity and Estimation of Weighted Average Economic Life. The weighted average maturity of the Bonds is not greater than 120 percent of the weighted average estimated economic life of the Projects, determined in accordance with section 147(b) of the Code. Such weighted average estimated economic life is determined in accordance with the following assumptions: (a) the weighted average was determined by taking into account the respective costs of each of the assets financed by the Bonds; (b) the reasonably expected economic life of an asset was determined as of the later of the date of issuance of the Bonds or the date on which such asset is expected to be placed in service (i.e., available for use for the intended purposes of such asset); (c) the economic lives used in making this determination are not greater than the reasonably expected economic useful lives of the projects financed by the Bonds allowing for normal wear and tear and assuming prudent and customary maintenance; and (d) land or any interest therein has not been taken into account in determining the average reasonably expected economic life of the Projects, unless 25 percent or more of the Proceeds of any issue is to be used to finance land.

10. Yield on the Bonds. For the purposes of this Federal Tax Certificate, the Yield on the Bonds is the discount rate that, when used in computing the present value as of the Issue Date of the Bonds, of all unconditionally payable payments of principal and interest on the Bonds, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the Bonds as of the Issue Date. For purposes of determining the Yield on the

Bonds, the issue price of the Bonds is the sum of the issue prices for each group of substantially identical Bonds, plus Pre-Issuance Accrued Interest.

For each group of substantially identical Bonds, the issue price is the first price at which a substantial amount (i.e., ten percent) is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters and wholesalers). The issue price is based upon the representations of the Underwriters set forth in Exhibit A hereto. No Underwriters' discount, issuance costs, or costs of carrying or repaying the Bonds is taken into account for purposes of computing the Yield on the Bonds.

The Yield with respect to that portion of the Bonds, if any, subject to optional redemption (other than the Bonds scheduled to mature on February 15, 2025 through February 15, 2034, inclusive (the "Yield-to-Call Bonds")), is computed by treating such Bonds as retired at the stated redemption price at the final maturity date because (a) the County has no present intention to redeem prior to maturity the Bonds that are subject to optional redemption; (b) no Bond is subject to optional redemption at any time for a price less than the retirement price at final maturity plus accrued interest; (c) no Bond is subject to optional redemption within five years of the Issue Date of the Bonds; (d) no Bond subject to optional redemption (other than the Yield-to-Call Bonds) is issued at an issue price that exceeds the stated redemption price at maturity of such Bond by more than one-fourth of one percent multiplied by the product of the stated redemption price at maturity of such Bond and the number of complete years to the first optional redemption date for such Bond; and (e) no Bond subject to optional redemption bears interest at a rate that increases during the term of the Bond.

Yield with respect to the Yield-to-Call Bonds is computed by treating such Bonds as retired at the stated redemption price on the dates that produce the lowest combined Yield on the Bonds because the Underwriters have represented that such portion of the Bonds is issued at an issue price that exceeds the stated redemption price at maturity of each such Bond by more than one-fourth of one percent multiplied by the product of the stated redemption price at maturity of each such Bond and the number of complete years to the first optional redemption date for each such Bond. Such lowest Yield determination is made separately for each individual group of Bonds.

As set forth on Exhibit B, the Yield on the Bonds, calculated in the manner set forth above, is 2.843693 percent.

The County has not entered into a hedging transaction with respect to the Bonds. The County will not enter into a hedging transaction with respect to the Bonds unless there is first received a Favorable Opinion of Bond Counsel.

11. Temporary Periods and Yield Restriction. The County will incur within six months of the date hereof a binding obligation to a third party which is not subject to any contingencies within the control of the County or a related party pursuant to which the County is obligated to expend at least five percent of the Sale Proceeds of the Bonds on the Projects. The County reasonably expects that work on or acquisition of the Projects will proceed with due diligence to completion and that the Proceeds of the Bonds will be expended on the Projects with reasonable dispatch. The County reasonably expects that 85 percent of the Sale Proceeds of the

Bonds will have been expended on the Projects prior to the date that is three years after the Issue Date. Any Sale Proceeds not expended prior to the date that is three years after the Issue Date, will be invested at a Yield not "materially higher" than the Yield on the Bonds, except as set forth in the "Minor Portion and Yield Reduction Payments" paragraph below. The County reasonably expects that any amount derived from the investment of moneys received from the sale of the Bonds and from the investment of such investment income will not be commingled with substantial other receipts or revenues of the County and will be expended prior to the date that is three years after the Issue Date, or one year after receipt of such investment income, whichever is later. Any such Investment Proceeds not expended prior to such date will be invested at a Yield not "materially higher" than the Yield on the Bonds, except as set forth in the "Minor Portion and Yield Reduction Payments" paragraph below.

12. Funds.

(a) Interest and Sinking Fund. Pursuant to the Authorizing Document, the County has continued the Interest and Sinking Fund and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds are to be deposited in such Interest and Sinking Fund. The County expects that taxes levied, assessed and collected for and on account of the Bonds, will be sufficient each year to pay such debt service. All amounts which will be depleted at least once each bond year, except for a reasonable carryover amount not in excess of the greater of the earnings on such portion of the Interest and Sinking Fund for the immediately preceding bond year or one-twelfth of the principal and interest payments on the Bonds for the immediately preceding bond year, will constitute a bona fide debt service fund component of the Interest and Sinking Fund (the "Bona Fide Portion"). Such Bona Fide Portion of the Interest and Sinking Fund will be used primarily to achieve a proper matching of revenues and principal and interest payments on the Bonds within each bond year. Amounts held in the Bona Fide Portion of the Interest and Sinking Fund will be invested at an unrestricted Yield because such amounts will be expended within 13 months of the date such amounts are received. The remaining portion of the Interest and Sinking Fund (the "Reserve Portion"), if any, will be treated separately for purposes of this certificate. Amounts on deposit from time to time in the Bona Fide Portion and the Reserve Portion are allocable between the Bonds and any other obligations of the County secured by the Interest and Sinking Fund on the basis of one of the methods set forth in section 1.148-6(e)(6) of the Regulations. The portion of the Reserve Portion allocable to the Bonds will not exceed at any time the least of (a) ten percent of the stated principal amount of the Bonds (or Sale Proceeds in the event that the amount of original issue discount exceeds two percent multiplied by the stated redemption price at maturity of the Bonds), (b) the maximum annual principal and interest requirements of the Bonds, and (c) 125 percent of average annual principal and interest requirements of the Bonds. Therefore, all amounts therein may be invested at an unrestricted Yield. Any amounts held in the Bona Fide Portion for longer than 13 months or held in the Reserve Portion in excess of the least of the amounts described above, will be invested in obligations the Yield on which is not in excess of the Yield on the Bonds, except as set forth in the "Minor Portion and Yield Reduction Payments" paragraph below.

(b) Construction Fund. All of the Proceeds of the Bonds in the Construction Fund are expected to be invested and disbursed as described in the Authorizing Document and

the "Temporary Periods and Yield Restriction" paragraph of this Federal Tax Certificate; therefore, all of such amounts will be invested without regard to Yield restriction. Nevertheless, any such Proceeds not expended prior to the dates set forth in the "Temporary Periods and Yield Restriction" paragraph will be Yield restricted to the extent set forth in such paragraph.

13. Minor Portion and Yield Reduction Payments. All Gross Proceeds will be invested in accordance with the "Temporary Periods and Yield Restriction" paragraph and the "Funds" paragraph above. To the extent such amounts remain on hand following the periods set forth in the "Temporary Periods and Yield Restriction" paragraph and the "Funds" paragraph above or exceed the limits set forth in the "Funds" paragraph above, the County will invest such amounts at a restricted Yield as set forth in such paragraphs; provided, however, that the Minor Portion may be invested at a Yield which is higher than the Yield on the Bonds and, provided further, that the County may satisfy the Yield restriction requirements by making Yield reduction payments to the federal government in accordance with Section 1.148-5(c) of the Regulations.

14. Issue. Other than the County's Limited Tax Refunding and Improvement Bonds, Series 2014 that were sold within 15 days of the sale date of the Bonds, there are no other obligations which (a) are sold at substantially the same time as the Bonds (i.e., less than 15 days apart), (b) are sold pursuant to the same plan of financing with the Bonds, and (c) will be paid out of substantially the same source of funds as the Bonds. The County hereby does not elect to treat the Bonds as part of the same issue as the County's Unlimited Tax Refunding and Improvement Bonds, Series 2014.

15. Compliance With Rebate Requirements.

(a) General. The County has covenanted in the Authorizing Document that it will take all necessary steps to comply with the requirement that "rebutable arbitrage earnings" on the investment of the Gross Proceeds of the Bonds, within the meaning of section 148(f) of the Code be rebated to the federal government. Specifically, the County will (a) maintain records regarding the investment of the Gross Proceeds of the Bonds as may be required to calculate such "rebutable arbitrage earnings" separately from records of amounts on deposit in the funds and accounts of the County that are allocable to other bond issues of the County or moneys that do not represent Gross Proceeds of any bonds of the County, (b) calculate at such intervals as may be required by applicable Regulations, the amount of "rebutable arbitrage earnings," if any, earned from the investment of the Gross Proceeds of the Bonds, and (c) pay, not less often than every fifth anniversary date of the delivery of the Bonds and within 60 days following the final maturity of the Bonds, or on such other dates required or permitted by applicable Regulations, all amounts required to be rebated to the federal government. Further, the County will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's-length and had the Yield on the issue not been relevant to either party.

(b) Two-Year Spending Exception. The County hereby makes the elections, if any, set forth below for purposes of the two-year spending exception from arbitrage rebate:

| ELECT | DO NOT ELECT | N/A | |
|-------------------------------------|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. To use actual facts to apply the provisions of paragraphs (e) through (m) (excluding (f)(1)(i)) of section 1.148-7 of the Regulations. Section 1.148-7(f)(2) of the Regulations. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. To exclude earnings on a reasonably required reserve or replacement fund from the definition of "available construction proceeds" for purposes of the spending requirements. Section 1.148-7(i)(2) of the Regulations. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. To treat the Bonds as two, and only two, separate issues, one of which (a) meets the definition of a construction issue and (b) is reasonably expected as of the date hereof to finance all of the construction expenditures to be financed by the tax-exempt Bonds. Section 1.148-7(j)(1) of the Regulations. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. To pay a penalty (the "1-1/2% penalty") to the United States in lieu of the obligation to pay arbitrage rebate on "available construction proceeds" in the event that the tax-exempt Bonds fail to satisfy any of the semiannual spending requirements for the two-year rebate exception. Section 1.148-7(k)(1) of the Regulations. |

The County reasonably expects that at least 75 percent of the "available construction proceeds" of the Bonds, within the meaning of section 1.148-7(i) of the Regulations, will be allocated to "construction expenditures," within the meaning of section 1.148-7(g) of the Regulations, for property owned by the County.

16. Not an Abusive Transaction.

(a) General. No action taken in connection with the issuance of the Bonds will enable the County to (i) exploit, other than during an allowable temporary period, the difference between tax-exempt and taxable interest rates to obtain a material financial advantage (including as a result of an investment of any portion of the Gross Proceeds of the Bonds over any period of time, notwithstanding that, in the aggregate, the Gross Proceeds of the Bonds are not invested in higher yielding investments over the term of the Bonds), and (ii) issue more bonds, issue bonds earlier, or allow bonds to remain outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes of the Bonds. To the best of our

knowledge, no actions have been taken in connection with the issuance of the Bonds other than actions that would have been taken to accomplish the governmental purposes of the Bonds if the interest on the Bonds were not excludable from gross income for federal income tax purposes (assuming the hypothetical taxable interest rate would be the same as the actual tax-exempt interest rate on the Bonds).

(b) No Sinking Fund. No portion of the Bonds has a term that has been lengthened primarily for the purpose of creating a sinking fund or similar fund with respect to the Bonds.

(c) No Window. No portion of the Bonds has been structured with maturity dates the primary purpose of which is to make available released revenue that will enable the County to avoid transferred proceeds or to make available revenues that may be invested to be ultimately used to pay debt service on another issue of obligations.

17. No Arbitrage. On the basis of the foregoing facts, estimates and circumstances, it is expected that the Gross Proceeds of the Bonds will not be used in a manner that would cause any of the Bonds to be an "arbitrage bond" within the meaning of section 148 of the Code and the Regulations. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change such expectations.

18. No Private Use, Payments or Loan Financing.

(a) General. The County reasonably expects, as of the date hereof, that no action or event during the entire stated term of the Bonds will cause either the "private business tests" or the "private loan financing test," as such terms are defined in the Regulations, to be met.

(i) Based on the reasonable belief of the County, no portion of the Proceeds of the Bonds will be used and no portion of the Proceeds of the Refunded Bonds has been used in a trade or business of a nongovernmental person. For purposes of determining use, the County will apply rules set forth in applicable Regulations and Revenue Procedures promulgated by the Internal Revenue Service, including, among others, the following rules: (A) Any activity carried on by a person other than a natural person or a state or local governmental unit will be treated as a trade or business of a nongovernmental person, provided that, such use will be treated as general public use (and not use in a trade or business) if the property is intended to be available, and is in fact reasonably available, for use on the same basis by natural persons not engaged in a trade or business; (B) the use of all or any portion of the Project financed by the Prior Bonds is treated as the direct use of Proceeds; (C) a nongovernmental person will be treated as a private business user of Proceeds of the Bonds or the Prior Bonds as a result of ownership, actual or beneficial use of the Proceeds pursuant to a lease, or a management or incentive payment contract, or certain other arrangements such as a take-or-pay or other output-type contract; and (D) the private business use test is met if a nongovernmental person has special legal entitlements to use directly or indirectly the Project.

(ii) The County has not taken and will not take any deliberate action that would cause or permit the use of any portion of the Project to change such that such portion will be deemed to be used in the trade or business of a nongovernmental person for so long as

any of the Bonds remains outstanding (or until the County receives a Favorable Opinion of Bond Counsel). For this purpose any action within the control of the County is treated as a deliberate action. A deliberate action occurs on the date the County enters into a binding contract with a nongovernmental person for use of the Project that is not subject to any material contingencies.

(iii) Payments of the debt service on the Bonds will be paid from and/or secured by a generally applicable tax. For this purpose, a generally applicable tax is a tax (A) which is an enforced contribution exacted pursuant to legislative authority in the exercise of the taxing power that is imposed and collected for the purpose of raising revenue to be used for governmental purposes and (B) which has a uniform tax rate that is applied to all persons of the same classification in the appropriate jurisdiction using a generally applicable manner of determination and collection. No portion of the payment of the debt service on the Bonds will be directly or indirectly derived from payments (whether or not to the County or any related party) in respect of property, or borrowed money, used or to be used for a private business use. Furthermore, no portion of the payment of the debt service on the Bonds will be directly or indirectly secured by any interest in property used or to be used for a private business use or payments in respect of property used or to be used for a private business use.

(iv) No portion of the Proceeds of the Bonds will be directly or indirectly used to make or finance a loan to any person other than a state or local governmental unit. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the County shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, Gross Proceeds are considered to be "loaned" to a person or entity if (A) property acquired, constructed or improved with Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes, (B) capacity in or service from such property is committed to such person or entity under a take-or-pay, output, or similar contract or arrangement, or (C) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or such property are otherwise transferred in a transaction that is the economic equivalent of a loan.

(b) Dispositions of Personal Property in the Ordinary Course. The County does not reasonably expect that it will sell or otherwise dispose of personal property components of the Projects other than in the ordinary course of an established governmental program that satisfies the following requirements:

(i) The weighted average maturity of the portion of the Bonds financing personal property is not greater than 120 percent of the reasonably expected actual use of such personal property for governmental purposes;

(ii) The reasonably expected fair market value of such personal property on the date of disposition will be not greater than 25 percent of its cost;

(iii) Such personal property will no longer be suitable for its governmental purposes on the date of disposition; and

(iv) The County is required to deposit amounts received from such disposition in a commingled fund with substantial tax or other governmental revenues and the County reasonably expects to spend such amounts on governmental programs within 6 months from the date of commingling.

Furthermore, the County will not sell or otherwise dispose of all or any portion of the Projects in circumstances in which the foregoing requirements are not satisfied unless it has received a Favorable Opinion of Bond Counsel.

(c) Other Agreements. The County will not enter into any agreement with any nongovernmental person regarding the use of all or any portion of the Projects during the stated term of the Bonds unless it has received in each and every case a Favorable Opinion of Bond Counsel; provided that, the County will not be required to obtain a Favorable Opinion of Bond Counsel with respect to (i) any contracts for services that are solely incidental to the primary governmental function or functions of the Project (e.g., contracts for janitorial or similar services), (ii) any contract for services if the only compensation is the reimbursement of the service provider for actual and direct expenses paid by the service provider to unrelated parties; or (iii) any contract related to use of the Project by a member of the general public, so long as the term of such contract is not greater than 200 days.

19. Weighted Average Maturity. The Weighted Average Maturity of the Bonds set forth on Exhibit B attached to this Certificate is the sum of the products of the Issue Price of each group of identical Bonds and the number of years to maturity (determined separately for each group of identical Bonds and taking into account mandatory redemptions), divided by the aggregate Sale Proceeds of the Bonds.

20. Record Retention. The County will retain all pertinent and material records relating to the use and expenditure of the Proceeds of the Bonds and the calculation of or qualification of an exception from rebate until three years after the date the last Bond is redeemed, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the County to retrieve and reproduce such books and records in the event of an examination of the Bonds by the Internal Revenue Service.

21. Registration. The Bonds will be issued in registered form.

22. Bonds are not Hedge Bonds. Not more than 50 percent of the Proceeds of the Bonds is or will be invested in nonpurpose investments (as defined in section 148(f)(6)(A) of the Code) having a substantially guaranteed Yield for four years or more within the meaning of section 149(g)(3)(A)(ii) of the Code, and the County reasonably expects, with respect to the Bonds, that at least 85 percent of the spendable Proceeds of the Bonds will be used to carry out the governmental purposes of the Bonds within the three-year period beginning on the date of issue of the Bonds.

[EXECUTION PAGE FOLLOWS]

WITNESS MY HAND, this 31st day of July, 2014.

COLLIN COUNTY, TEXAS

By: Jeff May
Printed Name: Jeff May
Title: County Auditor

Signature Page to Federal Tax Certificate

EXHIBIT A

ISSUE PRICE CERTIFICATE

I, the undersigned officer of Citigroup Global Markets, Inc., the representative (the "Representative") of the group of Underwriters, make this certification for the benefit of all persons interested in the exclusion from gross income for federal income tax purposes of the interest on the \$25,045,000 Collin County, Texas Unlimited Tax Road Bonds, Series 2014 (the "Bonds"). Each capitalized term used herein has the meaning or is the amount, as the case may be, specified for such term in the Federal Tax Certificate to which this Exhibit A is attached (the "Federal Tax Certificate"). I hereby certify as follows in good faith as of the Issue Date:

1. I am the duly chosen, qualified and acting officer of the Representative for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this Issue Price Certificate on behalf of the Underwriters. I am the officer of the Representative charged, along with other officers of the Underwriters, with responsibility for the Bonds.

2. The Underwriters have made a bona fide public offering to the public of all Bonds at the applicable initial offering prices for each maturity set out on the cover page of the Official Statement, dated July 9, 2014, prepared in connection with the offering of the Bonds (the "Official Statement"). The initial offering prices set forth on the cover page of the Official Statement (the "Initial Offering Prices") represent (i) the Underwriters' reasonable determination of the fair market value of each maturity of the Bonds on the sale date, and (ii) the prices at which the Underwriters, based on market conditions on the sale date, reasonably expected to sell the Bonds. The Underwriters reasonably expected, as of the sale date of the Bonds, to sell a substantial amount (at least 10 percent) of such Bonds to the public at prices no higher than those respective prices set forth on the cover page of the Official Statement. The aggregate of such Initial Offering Prices of all of the Bonds is \$27,761,593.60. The term "public," as used herein, does not include bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers. The term "sale date," as used herein, means the first day on which there is a binding contract in writing for the sale or exchange of the bond.

The County may rely on the statements made herein in connection with making the representations set forth in the Federal Tax Certificate and in its efforts to comply with the conditions imposed by the Code on the exclusion of interest on the Bonds from the gross income of their owners. Bracewell & Giuliani LLP also may rely on this Issue Price Certificate for purposes of its opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes and the preparation of the Internal Revenue Service Form 8038-G.

[EXECUTION PAGE FOLLOWS]

EXECUTED as of this 31st day of July, 2014.

CITIGROUP GLOBAL MARKETS, INC.

By:



Name:

DEVEN PHILLIPS

Title:

DELEGATE

Signature Page of Issue Price Certificate

EXHIBIT B

CERTIFICATE OF FINANCIAL ADVISOR

I, the undersigned officer of First Southwest Company (the "Financial Advisor"), make this certificate for the benefit of all persons interested in the exclusion from gross income for federal income tax purposes of the interest on the \$25,045,000 Collin County, Texas Unlimited Tax Road Bonds, Series 2014 (the "Bonds"). Each capitalized term used herein has the meaning or is the amount, as the case may be, specified for such term in the Federal Tax Certificate to which this Exhibit B is attached (the "Federal Tax Certificate"). I hereby certify as follows as of the Issue Date to the best of my knowledge, information and belief based upon the facts available at this time and current market conditions:

1. I am the duly chosen, qualified and acting officer of the Financial Advisor for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Financial Advisor. I am the officer of the Financial Advisor who has worked with representatives of the County in structuring the financial terms of the Bonds.

2. The Issue Price (including Pre-Issuance Accrued Interest) of the Bonds, based on the representations set forth in Exhibit A to the Federal Tax Certificate, is not more than \$27,761,593.60. The Yield on the Bonds, based on such Issue Price is not less than 2.843693 percent. For purposes of this certificate, the term "yield" means that yield which is computed as described in the "Yield on the Bonds" paragraph of the Federal Tax Certificate. The purchase price of the Bonds used in computing Yield on the Bonds is based solely on the Issue Price Certificate attached as Exhibit A to the Federal Tax Certificate.

3. The Financial Advisor computed the Weighted Average Maturity of the Bonds to be 11.4221 years, as set forth in the "Weighted Average Maturity" paragraph of the Federal Tax Certificate.

4. To the best of my knowledge the statements set forth in the "Not an Abusive Transaction" paragraph of the Federal Tax Certificate are true.

The Financial Advisor hereby authorizes the County to rely on the statements made herein in connection with making the representations set forth in the Federal Tax Certificate to which this certificate is attached and in its efforts to comply with the conditions imposed by the Code on the exclusion of interest on the Bonds from the gross income of their owners. The Financial Advisor hereby authorizes Bracewell & Giuliani LLP to rely on this certificate for purposes of its opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes and the preparation of the Internal Revenue Service Form 8038-G. Capitalized terms used herein and not otherwise defined have the meaning ascribed to such terms in the Federal Tax Certificate to which this certificate is attached.

[EXECUTION PAGE FOLLOWS]

EXECUTED as of this 31st day of July, 2014.

FIRST SOUTHWEST COMPANY

By: Nick Blaich
Name: Nick Blaich
Title: SVP

Signature Page of Certificate of Financial Advisor

BRACEWELL
& GIULIANI

Texas
New York
Washington, DC
Connecticut
Seattle
Dubai
London

R. Todd Greenwalt
Partner
713.221.1138 Office
713.221.1212 Fax
Todd.Greenwalt@bgllp.com
Bracewell & Giuliani LLP
711 Louisiana Street
Suite 2300
Houston, Texas
77002-2770

August 11, 2014

**BY CERTIFIED MAIL
RETURN RECEIPT REQUESTED
7013 2250 0001 3585 3144**

District Director
Internal Revenue Service
Ogden, UT 84201

Re: \$25,045,000 Collin County, Texas Unlimited Tax Road Bonds, Series 2014

Dear Sir:

Enclosed please find originally executed Form 8038-G (Information Return for Tax-Exempt Governmental Obligations) for the above-captioned bond issue.

Very truly yours,

Bracewell & Giuliani LLP


R. Todd Greenwalt

cc: Shana Hight

| | | | |
|--|--|---|------------------------------------|
| Part I Reporting Authority | | If Amended Return, check here <input type="checkbox"/> | |
| 1 Issuer's name Collin County, Texas | | 2 Issuer's employer identification number (EIN) 75-6000874 | |
| 3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions) | | 3b Telephone number of other person shown on 3a | |
| 4 Number and street (or P.O. box if mail is not delivered to street address) 2300 Bloomdale Road | | Room/suite | 5 Report number (For IRS Use Only) |
| 6 City, town, or post office, state, and ZIP code McKinney, Texas 75071 | | 7 Date of issue 07/31/2014 | |
| 8 Name of issue Unlimited Tax Road Bonds, Series 2014 | | 9 CUSIP number 194738GV2 | |
| 10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Jeff May, County Auditor | | 10b Telephone number of officer or other employee shown on 10a (972) 548-4641 | |

| | |
|--|-------------------------|
| Part II Type of Issue (enter the issue price). See the instructions and attach schedule. | |
| 11 Education | 11 |
| 12 Health and hospital | 12 |
| 13 Transportation | 13 27,761,593.60 |
| 14 Public safety | 14 |
| 15 Environment (including sewage bonds) | 15 |
| 16 Housing | 16 |
| 17 Utilities | 17 |
| 18 Other. Describe ► | 18 |
| 19 If obligations are TANs or RANs, check only box 19a <input type="checkbox"/> | |
| If obligations are BANs, check only box 19b <input type="checkbox"/> | |
| 20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/> | |

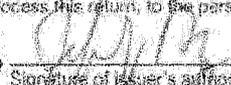
| | | | | | |
|---|-------------------------|------------------|---|-------------------------------|-----------|
| Part III Description of Obligations. Complete for the entire issue for which this form is being filed. | | | | | |
| | (a) Final maturity date | (b) Issue price | (c) Stated redemption price at maturity | (d) Weighted average maturity | (e) Yield |
| 21 | 02/15/2034 | \$ 27,761,593.60 | \$ 25,045,000 | 11.4221 years | 2.8437% |

| | | | | |
|--|--|----|----------------------|--|
| Part IV Uses of Proceeds of Bond Issue (including underwriters' discount) | | | | |
| 22 | Proceeds used for accrued interest | 22 | | |
| 23 | Issue price of entire issue (enter amount from line 21, column (b)) | 23 | 27,761,593.60 | |
| 24 | Proceeds used for bond issuance costs (including underwriters' discount) | 24 | 276,593.60 | |
| 25 | Proceeds used for credit enhancement | 25 | 0.00 | |
| 26 | Proceeds allocated to reasonably required reserve or replacement fund | 26 | 0.00 | |
| 27 | Proceeds used to currently refund prior issues | 27 | 0.00 | |
| 28 | Proceeds used to advance refund prior issues | 28 | 0.00 | |
| 29 | Total (add lines 24 through 28) | 29 | 276,593.60 | |
| 30 | Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here) | 30 | 27,485,000.00 | |

| | |
|---|---|
| Part V Description of Refunded Bonds. Complete this part only for refunding bonds. N/A | |
| 31 | Enter the remaining weighted average maturity of the bonds to be currently refunded ► _____ years |
| 32 | Enter the remaining weighted average maturity of the bonds to be advance refunded ► _____ years |
| 33 | Enter the last date on which the refunded bonds will be called (MM/DD/YYYY) ► _____ |
| 34 | Enter the date(s) the refunded bonds were issued ► MM/DD/YYYY |

Part VI Miscellaneous

| | | | |
|------------|---|------------|----------|
| 35 | Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) | 35 | 0 |
| 36a | Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) | 36a | 0 |
| b | Enter the final maturity date of the GIC ▶ _____ | | |
| c | Enter the name of the GIC provider ▶ _____ | | |
| 37 | Poolled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units | 37 | 0 |
| 38a | If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the following information: | | |
| b | Enter the date of the master pool obligation ▶ _____ | | |
| c | Enter the EIN of the issuer of the master pool obligation ▶ _____ | | |
| d | Enter the name of the issuer of the master pool obligation ▶ _____ | | |
| 39 | If the issuer has designated the issue under section 265(b)(3)(B)(i)(iii) (small issuer exception), check box <input type="checkbox"/> | | |
| 40 | If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/> | | |
| 41a | If the issuer has identified a hedge, check here <input type="checkbox"/> and enter the following information: | | |
| b | Name of hedge provider ▶ _____ | | |
| c | Type of hedge ▶ _____ | | |
| d | Term of hedge ▶ _____ | | |
| 42 | If the issuer has superintegrated the hedge, check box <input type="checkbox"/> | | |
| 43 | If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box <input type="checkbox"/> | | |
| 44 | If the issuer has established written procedures to monitor the requirements of section 146, check box <input type="checkbox"/> | | |
| 45a | If some portion of the proceeds was used to reimburse expenditures, check here <input type="checkbox"/> and enter the amount of reimbursement ▶ _____ | | |
| b | Enter the date the official intent was adopted ▶ _____ | | |

| | | | | | |
|-------------------------------|---|--|---------------------------------|---|------------------|
| Signature and Consent | Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above. | | | | |
| |  | 07/31/2014 | Jeff May, County Auditor | | |
| | Signature of issuer's authorized representative | Date | Type or print name and title | | |
| Paid Preparer Use Only | Print/Type preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed | PTIN |
| | R. Todd Greenwalt |  | 07/31/2014 | | P01080971 |
| | Firm's name ▶ Bracewell & Giuliani LLP | Firm's EIN ▶ 74-1024827 | | | |
| | Firm's address ▶ 711 Louisiana St., Suite 2300, Houston, TX 77002 | Phone no. (713) 221-1138 | | | |

RECEIPT OF PAYING/AGENT REGISTRAR AND ESCROW AGENT
AND CERTIFICATE OF DELIVERY

The undersigned, authorized representative of The Bank of New York Mellon Trust Company, N.A. as Paying Agent/Registrar and Escrow Agent, hereby makes the following acknowledgments and certifications in connection with the issuance and delivery of \$25,045,000 principal amount of Collin County, Texas Unlimited Tax Road Bonds, Series 2014 (the "Unlimited Tax Bonds") and the Collin County, Texas Limited Tax Refunding and Improvement Bonds, Series 2014 (the "Limited Tax Bonds") in the principal amount of \$23,380,000 (collectively, the "Bonds"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the respective Orders authorizing the issuance thereof adopted by the governing body of Collin County, Texas (the "County"). The undersigned hereby:

Unlimited Tax Road Bonds

1. Acknowledges receipt of \$27,618,598.83 from Citigroup Global Markets Inc. as representative of the underwriters (the "Underwriters"), representing the principal amount of the Unlimited Tax Bonds plus premium of \$2,716,593.60 less the underwriting discount of \$142,994.77.

Limited Tax Bonds

2. Acknowledges receipt of \$26,808,722.53 from the Underwriters, representing the principal amount of the Limited Tax Bonds plus premium of \$3,555,578.45 less the underwriting discount of \$126,855.92.

3. Acknowledges receipt of \$504,837.50 from the County, representing prior issue debt service funds for the Limited Tax Bonds.

4. Acknowledges and certifies the application of amounts described in paragraphs 1 thru 3 hereof as required by and in accordance with the Closing Memorandum (the "Closing Memorandum"), prepared by the City's Financial Advisor, First Southwest Company and attached hereto as Exhibit A.

5. Certifies that the Initial Bonds for the Bonds, registered by the Comptroller of Public Accounts of the State of Texas and representing the aggregate principal amount of the Bonds, were delivered to or upon order of the Underwriters and were duly canceled this date upon delivery of the definitive Bonds to the Underwriters through The Depository Trust Company.

DATED: July 31, 2014.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.

as Paying Agent/Registrar and Escrow Agent

By: _____
Title: _____


Vice President

EXHIBIT A



777 Main Street
Suite 1200
Fort Worth, Texas 76102

817-332-9710 Direct
877-999-3792 Toll Free
817-336-5572 Fax

Nick Bulaich
Senior Vice President

nick.bulaich@firstsw.com

July 28, 2014

Ms. Monika Arris
Collin County
2300 Bloomdale Rd., Suite 4100
McKinney, Texas 75071

Mr. Jeff May
Collin County
2300 Bloomdale Rd., Suite 3100
McKinney, Texas 75071

Mr. Rob Collins
Bracewell & Giuliani LLP
1445 Ross Avenue Suite 3800
Dallas, Texas 75202-2711

Mr. John Bryant
Citigroup
300 Crescent Court, Suite 940
Dallas, TX 75201

Mr. Jeff Leuschel
McCall Parkhurst & Horton
717 N. Harwood, Suite 900
Dallas, Texas 75201

Ms. Caresse Tankersley
The Bank of New York Trust Company
2001 Bryan Street, 10th Floor
Dallas, TX 75201

RE: \$25,045,000 Collin County, Texas Unlimited Tax Road Bonds, Series 2014 ("Unlimited Tax Bonds"),
and
\$23,380,000 Collin County, Texas Limited Tax Refunding and Improvement Bonds, Series 2014
("Limited Tax Bonds")

Ladies and Gentlemen:

Payment for the above referenced Unlimited Tax Bonds and Limited Tax Bonds is scheduled to occur at or prior to 10:00 AM, CDT, on July 31, 2014 (the "Closing Date") and funds for the payment of the Unlimited Tax Bonds and the Limited Tax Bonds are to be cleared through The Bank of New York Mellon Trust Company as follows:

(A) On the Closing Date, The Bank of New York Mellon Trust Company, ABA #021000018, GLA #211-065, TAS #441705, Attention: Caresse Tankersley, will receive from Citigroup (the "Underwriter") in immediately available funds in payment as follows:

(1) **Unlimited Tax Bonds**

| | |
|---|------------------|
| Principal Amount..... | \$ 25,045,000.00 |
| Plus: Premium..... | 2,716,593.60 |
| Less: Underwriting Discount..... | (142,994.77) |
| Total to be Received from the Underwriter of the Unlimited Tax Bonds..... | \$ 27,618,598.83 |

Total Received by The Bank of New York Mellon for the Unlimited Tax Bonds... \$ 27,618,598.83

| | |
|--|------------------|
| (2) Limited Tax Bonds | |
| Principal Amount..... | \$ 23,380,000.00 |
| Plus: Net Premium/Original Issue Discount | 3,555,578.45 |
| Less: Underwriting Discount..... | (126,855.92) |
| Total to be Received from the Underwriter of the Limited Tax Bonds | \$ 26,808,722.53 |

Transfer from the County's Prior Issue Debt Service Funds for the Limited Tax Bonds 504,837.50

Total Received by The Bank of New York Mellon for the Limited Tax Bonds..... \$ 27,313,560.03

(B) On the Closing Date, The Bank of New York Mellon Trust Company is instructed to disburse and expend funds described in (A) as follows:

| | |
|---|-----------|
| (1) Unlimited Tax Bonds | |
| (a) Retain in payment of services rendered as Paying Agent/Registrar, for the Unlimited Tax Bonds | \$ 750.00 |

| | |
|--|------------------|
| (2) Limited Tax Bonds | |
| (a) Pay Credit Suisse Securities on a delivery versus pay basis for purchase of Open Market Securities and deposit to the Escrow Fund the sum of | \$ 23,886,270.98 |
| (b) Deposit to Escrow Account as beginning cash balance..... | \$ 1,105,633.89 |
| (c) Retain in payment of services rendered as Paying Agent/Registrar, Escrow Agent and Settlement Fees for the Limited Tax Bonds | \$ 3,150.00 |

| | |
|---|------------------|
| (3) Transmit by wire funds, less costs of issuance, to TexStar ABA #021000021, JP Morgan Chase, C/O TexSTAR Participant Services, Dallas, Texas, BNF = TexSTAR Clearing/AC-9102733343, OBI: Collin County 000-04314, to be disbursed as follows:..... | \$ 29,685,000.00 |
|---|------------------|

The Unlimited Tax Bonds

Unlimited Tax 2014 – Acct# 00439 in the amount of.....\$27,485,000.00

Limited Tax Bonds

Limited Tax 2014 – Acct.#00419 in the amount of.....\$2,200,000.00

| | |
|---|---------------|
| (4) Transmit by wire transfer to The Bank of New York, ABA : #021000018, Beneficiary: First Southwest Company, Account #890 0271 779, Client Account #0054-038, Client Name: Collin County, Texas for payment of costs of issuance..... | \$ 251,353.99 |
|---|---------------|

Total Disbursement of Funds \$ 54,932,158.86

FUNDS WILL NOT BE DISBURSED INTO ANY ACCOUNTS UNTIL THE BOND ISSUES ARE CLOSED. THE BANK OF NEW YORK AND CITIGROUP ARE PARTIES TO THE CONVERSATION WITH DTC TO RELEASE THE BONDS AND ONLY AFTER THAT TIME, THE BANK OF NEW YORK CAN DISBURSE FUNDS.

Upon release of the Unlimited Tax Bonds and Limited Tax Bonds to the Underwriter all closing documents shall be dated the date of the closing.

Upon receipt of funds into the account of the County, the County shall endorse the Good Faith Checks and return them via overnight guaranteed mail to the contact as listed below.

Mr. John Bryant
Citigroup
300 Crescent Court, Suite 940
Dallas, TX 75201
(214) 720-5020

Your cooperation regarding the wiring, receipt and disbursement of funds in accordance with this letter is greatly appreciated. Should you have any further questions, please advise me at (817) 332-9710.

Very truly yours,



Nick Bulaich

cc: Mr. Bill Bilyeu
Collin County

Mr. David Medanich
Mr. Jack Addams
Mr. Joe Brawner
First Southwest Company

CERTIFICATE PURSUANT TO BOND PURCHASE CONTRACT

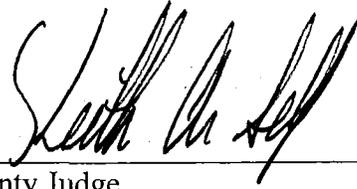
I, the undersigned authorized representative of Collin County, Texas (the "Issuer") make this certificate in connection with the issuance and delivery by the Issuer of the Collin County, Texas Limited Tax Refunding and Improvement Bonds, Series 2014 ("Limited Tax Bonds").

This Certificate is delivered pursuant to Section 8(e)(9) of the Purchase Contract, dated July 9, 2014 (the "Purchase Contract"), by and between the Issuer and Underwriters of the Bonds. Capitalized terms used herein as defined terms and not otherwise defined herein have the respective meanings assigned to them in the Purchase Contract. I hereby certify as follows:

1. The representations and warranties of the County contained in the Purchase Contract are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing.
2. Except to the extent disclosed in the Official Statement, no litigation is pending or, to my knowledge, threatened in any court to restrain or enjoin the issuance or delivery of the Limited Tax Bonds, or the collection or application of the ad valorem taxes pledged or to be pledged to pay the principal of and interest on the Limited Tax Bonds, or the pledge thereof, or in any way contesting or affecting the validity of the Limited Tax Bonds or the County Documents, or contesting the powers of the County or the authorization of the Limited Tax Bonds or the County Documents, or contesting in any way the accuracy, completeness or fairness of the Official Statement.
3. To my knowledge, no event affecting the County has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect.
4. There has not been any material and adverse change in the affairs or financial condition of the County since September 30, 2013, the latest date as to which audited financial information is available.

[Execution Page Follows]

DATED: July 31, 2014



County Judge
Collin County, Texas

MOODY'S
INVESTORS SERVICE

Plaza of the Americas
600 North Pearl Street, Suite 2165
Dallas, TX 75201
+1.214.979.6800 tel

July 2, 2014

Jeff May
COLLIN (COUNTY OF) TX
2300 Bloomdale Road, Suite 3100
Plano, TX 75071

Dear Jeff May :

We wish to inform you that on June 12, 2014, Moody's Investors Service reviewed and assigned a rating of

- Aaa to COLLIN (COUNTY OF) TX, Unlimited Tax Road Bonds, Series 2014
- Aaa to COLLIN (COUNTY OF) TX, Limited Tax Refunding and Improvement Bonds, Series 2014

In assigning such rating, Moody's has relied upon the truth, accuracy and completeness of the information supplied by you or on your behalf to Moody's. Moody's expects that you will, on an ongoing basis, continue to provide Moody's with updated information necessary for the purposes of monitoring the rating, including current financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

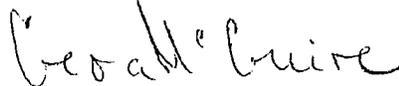
The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's Rating Desk.

In accordance with our usual policy, assigned ratings are subject to revision or withdrawal by Moody's at any time, without notice, in the sole discretion of Moody's. For the most current rating, please visit www.moodys.com.

This letter is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents, acting in their capacity as such; (iii) as required by the law or regulation; or (iv) with the prior written consent of Moody's, in which case Moody's reserves the right to impose conditions upon such consent such as requiring that you only disclose this letter in its entirety and/or requiring any third party to sign a confidentiality and/or non-reliance agreement.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Nathan Phelps at 214-979-6853.

Sincerely,



Gera McGuire
VP-Senior Analyst/Manager

cc: Mr. David Medanich
First Southwest Co
777 Main Street, Suite 1200
Fort Worth, TX 76102



500 North Akard Street
Lincoln Plaza, Suite 3200
Dallas, TX 75201
tel (214) 871-1400
reference no.:728872

June 13, 2014

Collin County
2300 Bloomdale Road - Suite 4100
McKinney, TX 75071
Attention: Ms. Monika Arris, Budget Director

Re: *US\$27,485,000 Collin County, Texas, Unlimited Tax Road Bonds, Series 2014, dated: June 15, 2014, due: February 15, 2034*

US\$23,480,000 Collin County, Texas, Limited Tax Refunding and Improvement Bonds, Series 2014, dated: June 15, 2014, due: February 15, 2034

Dear Ms. Arris:

Pursuant to your request for a Standard & Poor's Ratings Services ("Ratings Services") rating on the above-referenced obligations, Ratings Services has assigned a rating of "AAA". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: pubfin_statelocalgovt@standardandpoors.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

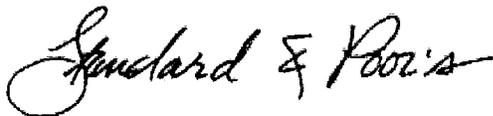
Please send hard copies to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

The logo for Standard & Poor's, featuring the company name in a stylized, cursive script.

Standard & Poor's Ratings Services

th
enclosures

cc: Mr. David K. Medanich
Ms. Gloria Lindsey



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT

July 25, 2014

THIS IS TO CERTIFY that Collin County, Texas (the "Issuer"), has submitted the Collin County, Texas Unlimited Tax Road Bond, Series 2014 (the "Bond"), in the principal amount of \$25,045,000, for approval. The Bond is dated June 15, 2014, numbered T-1, and was authorized by an Order of the Issuer passed on July 7, 2014 (the "Order"). The record of proceedings submitted with the Bond included the Order and a Pricing Certificate relating to the Bond.

The Office of the Attorney General has examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

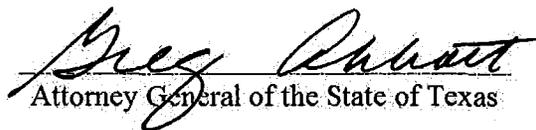
As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We express no opinion relating to the official statement or any other offering material relating to the Bond.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

- (1) The Bond has been issued in accordance with law and is a valid and binding obligation of the Issuer.
- (2) The Bond is payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, against all taxable property in the Issuer.
- (3) The proceedings conform to the requirements of law.

Therefore, the Bond is approved and, pursuant to Chapter 1371 of the Government Code, the proceedings are approved.


Attorney General of the State of Texas

No. 57346
Book No. 2014-C
JCH
* See attached Signature Authorization

OFFICE OF THE ATTORNEY GENERAL
OF THE STATE OF TEXAS

§
§
§

I, GREG ABBOTT, Attorney General for the State of Texas, do hereby authorize the employees of the Public Finance Division of the Office of the Attorney General to affix a digital image of my signature, in my capacity as Attorney General, to the opinions issued by this office approving the issuance of public securities by the various public agencies, non-profit corporations, districts, entities, bodies politic or corporate, or political subdivisions of this State as required by law, the opinions approving those contracts designated by the Legislature as requiring the approval of the Attorney General, and the obligations, proceedings and credit agreements required by law to be approved by the Attorney General. The authorized digital image of my signature is attached as Exhibit A and is hereby adopted as my own for the purposes set forth herein. This supercedes any prior signature authorizations for the same purpose.

The authority granted herein is to be exercised on those occasions when I am unavailable to personally sign said opinions, and upon the condition that the opinions to which the digital image signature is affixed have been approved by an authorized Assistant Attorney General following the completion of the Public Finance Division's review of the transcripts of proceedings to which the opinions relate.

Given under my hand and seal of office at Austin, Texas, this the 9 day of January, 2009.



GREG ABBOTT
Attorney General of the State of Texas

OFFICE OF COMPTROLLER
OF THE STATE OF TEXAS

I, Melissa Mora, Bond Clerk Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 25th day of July 2014, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

Collin County, Texas Unlimited Tax Road Bond, Series 2014 and the "Proceedings",

the bond is numbered T-1, dated June 15, 2014, and that in signing the certificate of registration I used the following signature:

Susan Combs

IN WITNESS WHEREOF I have executed this certificate this the 25th day of July 2014.

Melissa Mora

I, Susan Combs, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 83706.

GIVEN under my hand and seal of office at Austin, Texas, this the 25th day of July 2014.

Susan Combs

SUSAN COMBS
Comptroller of Public Accounts
of the State of Texas

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, SUSAN COMBS, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

Collin County, Texas Unlimited Tax Road Bond, Series 2014 and the "Proceedings"

the bond is numbered T-1, of the denomination of \$ 25,045,000, dated June 15, 2014, as authorized by issuer, interest various percent, under and by authority of which said bonds/certificates and Proceedings were registered electronically in the office of the Comptroller, on the 25th day of July 2014, under Registration Number 83706.

Given under my hand and seal of office, at Austin, Texas, the 25th day of July 2014.



SUSAN COMBS
Comptroller of Public Accounts
of the State of Texas

**Texas
New York
Washington, DC
Connecticut
Seattle
Dubai
London**

Bracewell & Giuliani LLP
1445 Ross Avenue
Suite 3800
Dallas, Texas
75202-2711

July 31, 2014

\$25,045,000
COLLIN COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS,
SERIES 2014

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 ROAD BONDS, SERIES 2014, dated June 15, 2014.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Commissioners Court of the Issuer on July 7, 2014 authorizing their issuance and the pricing certificate executed pursuant to the terms thereof (collectively, the "Order").

WE HAVE represented the Issuer as its bond counsel for the 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, on which we have relied in giving our opinion. The transcript contains 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. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, United States Department of the Treasury Regulations and published 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; and
- (B) 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 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 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 advisor and the underwriters of the Bonds with respect to matters solely within the knowledge of the Issuer, the Issuer’s financial advisor 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. If such 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.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, 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, low and middle income taxpayers qualifying for the health insurance premium assistance credit, 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).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may

BRACEWELL & GIULIANI

Page 4

hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the 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.

Bracewell & Giuliani LLP

BRACEWELL & GIULIANI

Texas
New York
Washington, DC
Connecticut
Seattle
Dubai
London

Bracewell & Giuliani LLP
1445 Ross Avenue
Suite 3800
Dallas, Texas
75202-2711

July 31, 2014

Collin County, Texas
2300 Bloomdale Rd., Suite 4100
McKinney, Texas 75071
Attention: County Auditor

Citigroup Global Markets Inc.
Estrada Hinojosa & Company, Inc.
Stephens Inc.
c/o Citigroup Global Markets, Inc.
300 Crescent Court, Suite 940
Dallas, Texas 75201

Re: Collin County, Texas Unlimited Tax Road Bonds, Series 2014
Collin County, Texas Limited Tax Refunding and Improvement Bonds, Series 2014

Ladies and Gentlemen:

We have served as Bond Counsel to Collin County, Texas (the "Issuer") in connection with the issuance of its \$25,045,000 Collin County, Texas Unlimited Tax Road Bonds, Series 2014 (the "Unlimited Tax Bonds") and its \$23,380,000 Collin County, Texas Limited Tax Refunding and Improvement Bonds, Series 2014 (the "Limited Tax Bonds" and together with the Unlimited Tax Bonds, the "Securities", issued pursuant to the provisions of separate orders authorizing the Securities, duly adopted by the Commissioners Court of the Issuer on July 7, 2014 (the "Bond Orders") and the separate pricing certificates executed pursuant thereto on July 9, 2014 (collectively, the "Pricing Certificate", and together with the Bond Orders, the "Orders"). This opinion is delivered pursuant to the provisions of Section 8(d)(7) of the Purchase Contract (hereinafter defined). Capitalized terms not otherwise defined in this opinion have the meanings assigned in the hereinafter defined Purchase Contract.

In our capacity as Bond Counsel to the Issuer, we have reviewed the following:

- (a) certified copies of the Orders;
- (b) executed pricing certificate;
- (b) an executed counterpart of the Purchase Contract dated July 9, 2014 (the "Purchase Contract") between the Issuer and the Underwriters named in such Purchase Contract;

- (c) executed copy of the Escrow Agreement between the Issuer and The Bank of New York Mellon, Trust Company, N.A.;
- (c) a copy of the Official Statement dated July 9, 2014; and
- (e) such other agreements, documents, certificates, opinions, letters, and other papers as we have deemed necessary or appropriate in rendering the opinions set forth below.

In making our review, we have assumed the authenticity of all documents and agreements submitted to us as originals, conformity to the originals of all documents and agreements submitted to us as certified or photostatic copies, the authenticity of the originals of such latter documents and agreements, and the accuracy of the statements contained in such documents.

Based upon the foregoing, and subject to the qualifications and exceptions hereinafter set forth, we are of the opinion that under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Purchase Contract has been duly authorized, executed and delivered by the County and constitutes a binding and enforceable agreement of the County in accordance with its terms.

2. In our capacity as Bond Counsel, we have reviewed the information in the Preliminary Official Statement and the Official Statement under the captions or subcaptions "PLAN OF FINANCING" (except for the subcaption "Sources and Uses of Proceeds"), "THE BONDS" (except for the subcaptions "Book-Entry-Only System" and "Bondholders' Remedies"), "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Obligations for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", "OTHER INFORMATION - Legal Matters", and "APPENDIX C - FORMS OF BOND COUNSELS OPINIONS", and we are of the opinion that such descriptions present a fair and accurate summary of the provisions of the laws and instruments therein described and such information conforms to the Orders.

3. The Securities are exempt from registration pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and the Orders are exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

The addressees may rely on our opinion, dated as of the date hereof, delivered in connection with the issuance of the Securities to the same extent as if such opinion was specifically addressed to them.

This opinion is furnished solely for your benefit and may be relied upon only by the addressees hereof or anyone to whom specific permission is given in writing by us.

Very truly yours,

Bracewell & Giuliani LLP

LAW OFFICES

MCCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE
SUITE 1800

AUSTIN, TEXAS 78701-3248

TELEPHONE: 512 478-3805

FACSIMILE: 512 472-0871

717 NORTH HARWOOD

SUITE 900

DALLAS, TEXAS 75201-6587

TELEPHONE: 214 754-9200

FACSIMILE: 214 754-9250

700 N. ST. MARY'S STREET

SUITE 1525

SAN ANTONIO, TEXAS 78205-3503

TELEPHONE: 210 225-2800

FACSIMILE: 210 225-2984

July 31, 2014

Citigroup Global Markets Inc.
Estrada Hinojosa & Company, Inc.
Stephens Inc.
c/o Citigroup Global Markets Inc.
300 Crescent Court, Suite 940
Dallas, Texas 75201

Re: \$25,045,000 Collin County, Texas Unlimited Tax Road Bonds, Series 2014

**\$23,380,000 Collin County, Texas Limited Tax Refunding and Improvement
Bonds, Series 2014**

Ladies and Gentlemen:

We have acted as counsel for you as the underwriters of the securities referenced above (the "Securities"), issued under and pursuant to separate orders (jointly, the "Bond Orders") of Collin County, Texas (the "County") on July 7, 2014, as supplemented by the Pricing Certificates as defined in the Bond Orders (the "Pricing Certificates", and, collectively with the Bond Orders, the "Orders") authorizing the issuance of the Securities, which Securities you are purchasing pursuant to a Purchase Contract, dated July 9, 2014. All capitalized undefined terms used herein shall have the meaning set forth in the Purchase Contract.

In connection with this opinion letter, we have considered such matters of law and of fact, and have relied upon such certificates and other information furnished to us, as we have deemed appropriate as a basis for our opinion set forth below. We are not expressing any opinion or views herein on the authorization, issuance, delivery, validity of the Securities and we have assumed, but not independently verified, that the signatures on all documents and Securities that we have examined are genuine.

Based on and subject to the foregoing, we are of the opinion that, under existing laws, the Securities are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Orders are not required to be qualified under the Trust Indenture Act of 1939, as amended.

Because the primary purpose of our professional engagement as your counsel was not to establish factual matters, and because of the wholly or partially non-legal character of many of the determinations involved in the preparation of the Official Statement dated July 9, 2014 (the "Official Statement") and because the information in the Official Statement under the headings "THE BONDS - Book-Entry-Only System," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION - Compliance with Prior Undertakings" and Appendices A, B and C thereto

were prepared by others who have been engaged to review or provide such information, we are not passing on and do not assume any responsibility for, except as set forth in the last sentence of this paragraph, the accuracy, completeness or fairness of the statements contained in the Official Statement (including any appendices, schedules and exhibits thereto) and we make no representation that we have independently verified the accuracy, completeness or fairness of such statements. In the course of our review of the Official Statement, we had discussions with representatives of the County regarding the contents of the Official Statement. In the course of our participation in the preparation of the Official Statement as your counsel, we had discussions with representatives of the County, Bond Counsel and Financial Advisor, regarding the contents of the Official Statement. In the course of such activities, no facts came to our attention that would lead us to believe that the Official Statement (except for the financial statements and other financial and statistical data contained therein, the information set forth under the headings "THE BONDS - Book-Entry-Only System," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION - Compliance with Prior Undertakings" and Appendices A, B and C thereto, as to which we express no opinion), as of its date contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This opinion letter may be relied upon by only you and only in connection with the transaction to which reference is made above and may not be used or relied upon by any other person for any purposes whatsoever without our prior written consent.

Respectfully,

McClellan, Pohlman & Butler C.L.P.