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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:

Company	Number of Employees
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	Average Annual				
	2014	2013	2012	2011	2010	2009
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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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

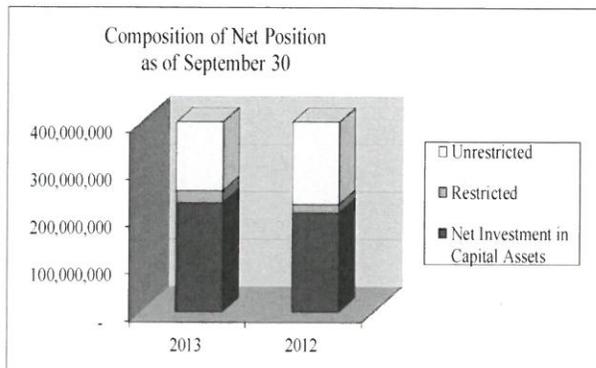
In addition to the basic financial statements and accompanying notes to those financial statements, certain required supplementary information schedules are also presented in this report with additional information regarding the results of the County's financial activities.

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:

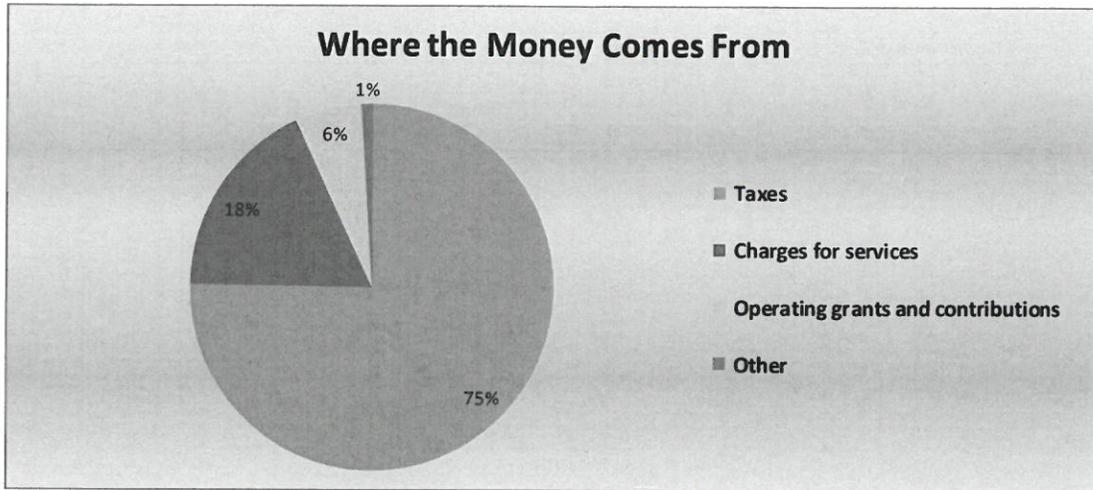


Statement of Net Position As of September 30 (\$ in thousands)		
	2013	2012
Assets:		
Current and Other Assets	\$ 391,213	\$ 361,489
Capital Assets	438,119	453,016
Total Assets	829,332	814,505
Liabilities:		
Current Liabilities	22,236	22,921
Long-term Liabilities	433,803	429,654
Total Liabilities	456,039	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.

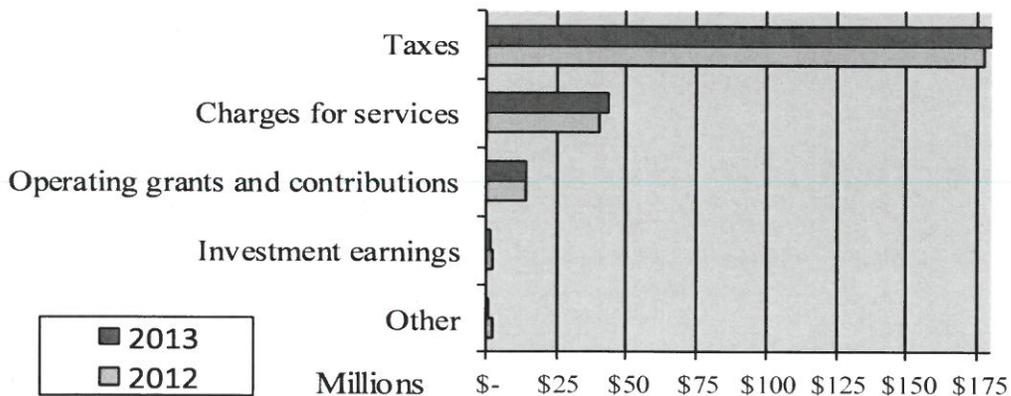
Reflected below is a comparison of Collin County revenues by source.

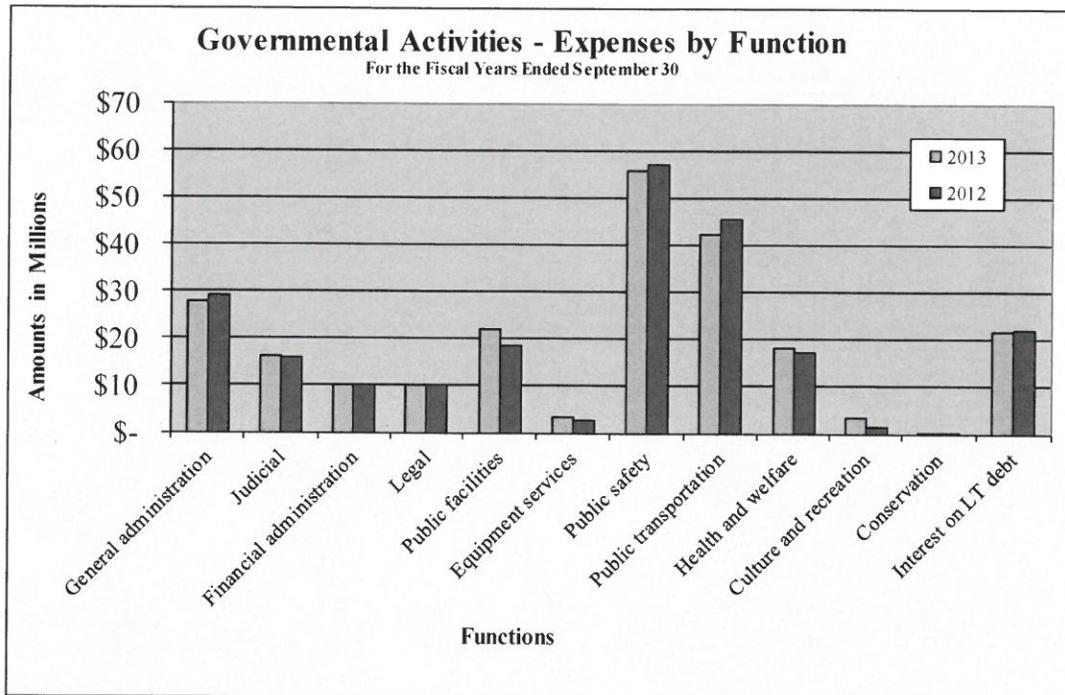


Overall government-wide revenues increased in 2013 over 2012 by \$6.2 million (2.6%), due primarily to higher taxes collected (\$5.1 million, or 2.9%) and more collected in charges for services (\$3.0 million, or 7.6%). A summary of the amounts and more detailed explanation is provided in the table below.

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

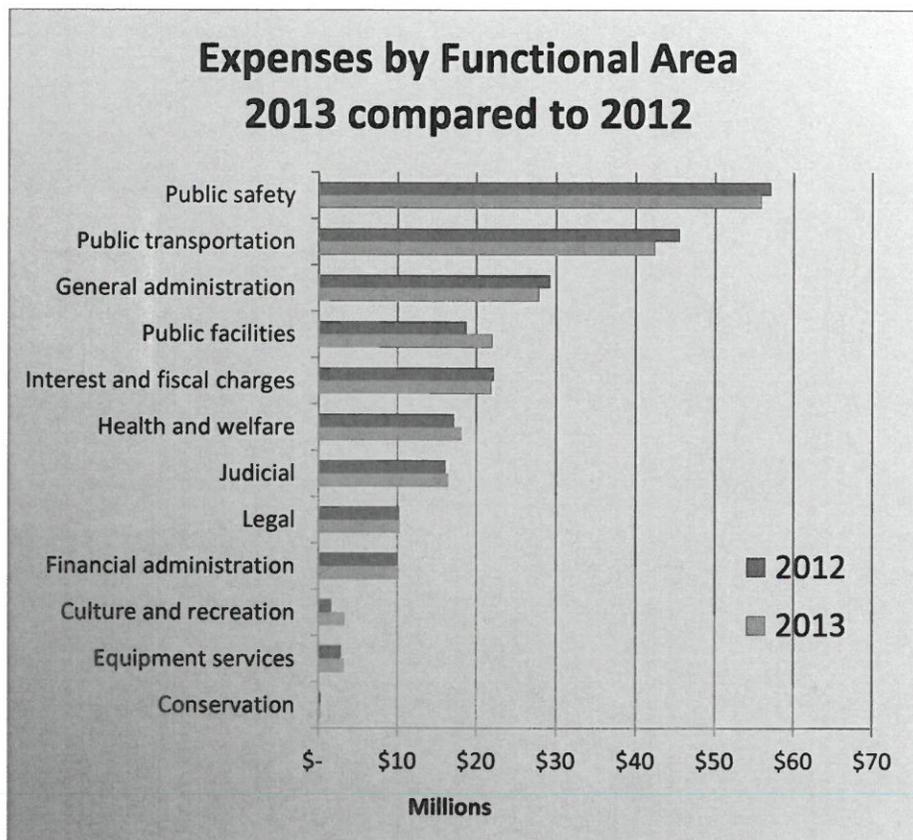




Summarized above are details of government-wide activities of the County for 2013 and 2012.

- 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)				
<u>Fund Balance:</u>			<u>Use</u>	
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	148,080	39.7%	General Fund	
	\$ 372,799	100.0%		

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.

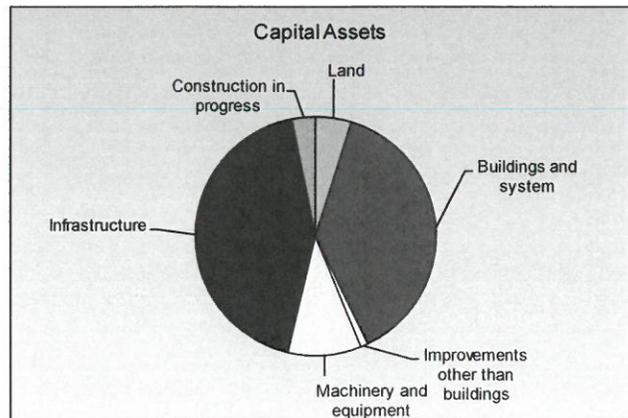
- Legal actual expenditures for the District Attorney’s Office were less than budget by \$517 thousand under budget. This is broken down as follows:
 - Salaries and benefits were lower than budgeted by \$420 thousand,
 - Maintenance and operating was \$96 thousand less than budget at year end, and
 - 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	<u>675,788</u>	<u>674,805</u>
Less: Accumulated Depreciation	<u>(237,669)</u>	<u>(221,789)</u>
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	<u>130,585</u>	<u>136,975</u>
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	-	-
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.

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		(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 \$ 11,361,478

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

	Business-type Activities – Collin County Toll Road Authority	Governmental Activities – Internal Service Funds
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)	-
	-	-
Net cash used by capital financing activities	(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
Net cash provided by investing activities	411,058	1,488,370
Net increase (decrease) in cash and cash equivalents	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 compromise 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 its 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.