



(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated May 11, 2010

Ratings:
Fitch: "AA"
Moody's: "Aa2"
S&P: "AA"
See ("Other Information – Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

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

\$8,815,000
ROCKWALL COUNTY, TEXAS
LIMITED TAX REFUNDING BONDS, SERIES 2010

Dated Date: May 1, 2010

Due: February 1, as shown on page 2

PAYMENT TERMS . . . Interest on the \$8,815,000 Rockwall County, Texas, Limited Tax Refunding Bonds, Series 2010 (the "Refunding Bonds") will accrue from May 1, 2010 (the "Dated Date") and will be payable February 1 and August 1 of each year commencing February 1, 2011, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank, National Association, Dallas, Texas (see "The Bonds - Paying Agent/Registrar").

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

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the County's outstanding debt as described in Schedule I (the "Refunded Obligations"), and (ii) pay costs of issuance with the sale of the Refunding Bonds.

CUSIP PREFIX: 774268

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

SEPARATE ISSUES . . . The Refunding Bonds are being offered by the County concurrently with its \$2,460,000 Unlimited Tax Road Bonds, Series 2010 (the "Unlimited Tax Bonds"), offered under a common Preliminary official Statement, and the Refunding Bonds and the Unlimited Tax Bonds are hereinafter sometimes referred to as the "Bonds". The Refunding Bonds and the Unlimited Tax Bonds are separate and distinct securities offerings being issued and sold independently except for the common Preliminary Official Statement, and while the Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holder, the tax status of its interest and other features.

LEGALITY . . . The Refunding Bonds are offered for delivery when, as, and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Vinson & Elkins L.L.P., Bond Counsel, Dallas, Texas (see Appendix C - "Form of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by West & Associates, L.L.P., Dallas, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the Refunding Bonds will be available for delivery through DTC on June 10, 2010.

MORGAN KEEGAN & COMPANY, INC.

RAYMOND JAMES & ASSOCIATES, INC.

MATURITY SCHEDULE

Principal Amount	Maturity 1-Feb	Rate	Price or Yield	CUSIP Suffix
\$475,000	2011	2.000%	0.650%	JW(7)
575,000	2012	3.000%	1.090%	JX(5)
585,000	2013	3.000%	1.450%	JY(3)
610,000	2014	3.500%	1.780%	JZ(0)
630,000	2015	3.500%	2.120%	KA(3)
660,000	2016	4.000%	2.550%	KB(1)
685,000	2017	4.000%	2.850%	KC(9)
715,000	2018	4.500%	3.050%	KD(7)
385,000	2019	4.500%	3.250%	KE(5)
400,000	2020	4.500%	3.420%	KF(2)
425,000	2021	4.000%	3.600%	KG(0)

\$325,000 Term Bond due February 1, 2023 @ 4.000%, priced to yield 3.750%, CUSIP suffix: KH(8)

\$350,000 Term Bond due February 1, 2025 @ 4.000%, priced to yield 3.900%, CUSIP suffix: KJ(4)

\$380,000 Term Bond due February 1, 2027 @ 4.000%, priced to yield 4.100%, CUSIP suffix: KK(1)

\$410,000 Term Bond due February 1, 2029 @ 4.125%, priced to yield 4.250%, CUSIP suffix: KL(9)

\$450,000 Term Bond due February 1, 2031 @ 4.300%, priced to yield 4.400%, CUSIP suffix: KM(7)

\$755,000 Term Bond due February 1, 2034 @ 4.500%, priced to yield 4.550%, CUSIP suffix: KN(5)

(Accrued Interest from May 1, 2010 to be added)

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

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Refunding Bonds having stated maturities on and after February 1, 2021, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2020, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption").

MANDATORY SINKING FUND REDEMPTION . . . The Refunding Bonds maturing on February 1 in the years 2023, 2025, 2027, 2029, 2031 and 2034 (the "Refunding Term Bonds") are subject to mandatory sinking fund redemption as described herein (see "The Bonds – Mandatory Sinking Fund Redemption").



(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated May 11, 2010

Ratings:
Fitch: "AA"
Moody's: "Aa2"
S&P: "AA"
See ("Other Information – Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Unlimited Tax Bonds is excludable from gross income for federal income tax purposes, subject to the matters described under "Tax Matters" herein, and is not a specific preference item or included in a corporation's adjusted current earnings for purposes of the federal alternative minimum tax. See "Tax Matters" herein for a discussion of the opinion of Bond Counsel.

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

\$2,460,000
ROCKWALL COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS, SERIES 2010

Dated Date: May 1, 2010

Due: February 1, as shown on page 4

PAYMENT TERMS . . . Interest on the \$2,460,000 Rockwall County, Texas, Unlimited Tax Road Bonds, Series 2010 (the "Unlimited Tax Bonds") will accrue from May 1, 2010 (the "Dated Date"), and will be payable February 1 and August 1 of each year commencing February 1, 2011, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Unlimited Tax Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Unlimited Tax Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Unlimited Tax Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Unlimited Tax Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Unlimited Tax Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank, National Association, Dallas, Texas (see "The Bonds - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Unlimited Tax Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly, Article III, Section 52 of the Texas Constitution, as amended, Chapter 1471, Texas Government Code, as amended, and a County-wide election held on November 2, 2004, and are direct obligations of Rockwall County, Texas (the "County"), payable from a continuing annual ad valorem tax levied on all taxable property within the County, without legal limit as to rate or amount, as provided in the order authorizing the Unlimited Tax Bonds (the "Unlimited Tax Bond Order" and together with the Refunding Bond Order, the "Bond Orders") (see "The Bonds - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Unlimited Tax Bonds will be used to (i) for the construction, maintenance and operation of macadamized, graveled or paved roads and turnpikes, or in aid thereof, throughout the County, including participating in the cost of joint projects with various state, city and regional council of government entities; and (ii) to pay costs of issuance associated with the sale of the Unlimited Tax Bonds.

CUSIP PREFIX: 774268

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 4

SEPARATE ISSUES . . . The Unlimited Tax Bonds are being offered by the County concurrently with its \$8,815,000 Limited Tax Refunding Bonds, Series 2010 (the "Refunding Bonds"), offered under a common Preliminary Official Statement, and the Unlimited Tax Bonds and the Refunding Bonds are hereinafter sometimes referred to as the "Bonds". The Unlimited Tax Bonds and the Refunding Bonds are separate and distinct securities offerings being issued and sold independently except for the common Preliminary Official Statement, and while the Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the tax status of its interest and other features.

LEGALITY . . . The Unlimited Tax Bonds are offered for delivery when, as, and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Vinson & Elkins L.L.P., Bond Counsel, Dallas, Texas (see Appendix C - "Form of Bond Counsel's Opinions"). Certain legal matters will be passed upon for the Underwriters by West & Associates, L.L.P., Dallas, Texas, Counsel for the Underwriters.

DELIVERY . . . It is expected that the Unlimited Tax Bonds will be available for delivery through DTC on June 10, 2010.

MORGAN KEEGAN & COMPANY, INC.

RAYMOND JAMES & ASSOCIATES, INC.

MATURITY SCHEDULE

<u>Principal Amount</u>	<u>Maturity 1-Feb</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>CUSIP Suffix</u>
\$50,000	2011	2.000%	0.650%	KP(0)
70,000	2012	2.000%	1.100%	KQ(8)
75,000	2013	2.000%	1.450%	KR(6)
75,000	2014	2.000%	1.800%	KS(4)
75,000	2015	2.250%	2.150%	KT(2)
80,000	2016	2.750%	2.550%	KU(9)
80,000	2017	3.000%	2.850%	KV(7)
85,000	2018	3.000%	3.050%	KW(5)
85,000	2019	3.250%	3.250%	KX(3)
90,000	2020	3.375%	3.450%	KY(1)

\$285,000 Term Bond due February 1, 2023 @ 4.000%, priced to yield 3.750%, CUSIP suffix: KZ(8)

\$440,000 Term Bond due February 1, 2027 @ 4.000%, priced to yield 4.100%, CUSIP suffix: LA(2)

\$515,000 Term Bond due February 1, 2031 @ 4.300%, priced to yield 4.400%, CUSIP suffix: LB(0)

\$455,000 Term Bond due February 1, 2034 @ 4.500%, priced to yield 4.550%, CUSIP suffix: LC(8)

(Accrued Interest from May 1, 2010 to be added)

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OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Unlimited Tax Bonds having stated maturities on and after February 1, 2021, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2020, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption").

MANDATORY SINKING FUND REDEMPTION . . . The Unlimited Tax Bonds maturing on February 1 in the years 2023, 2027, 2031 and 2034 (the "Unlimited Tax Term Bonds") are subject to mandatory sinking fund redemption as described herein (see "The Bonds - Mandatory Sinking Fund Redemption").

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

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

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

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

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

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE COUNTY The County is a legal subdivision of the State of Texas, located in North Central Texas. The County covers approximately 149 square miles. The City of Rockwall is the County Seat.

THE REFUNDING BONDS The Refunding Bonds are issued as \$8,815,000 Limited Tax Refunding Bonds, Series 2010. A portion of the Refunding Bonds mature serially on February 1, 2011 through February 1, 2021 and a portion are issued as Term Bonds maturing February 1 in the years 2023, 2025, 2027, 2029, 2031 and 2034 (see "The Bonds - Description of the Bonds").

THE UNLIMITED TAX BONDS..... The Unlimited Tax Bonds are issued as \$2,460,000 Unlimited Tax Road Bonds, Series 2010. A portion of the Unlimited Tax Bonds mature serially on February 1, 2011 through February 1, 2020 and a portion are issued as Term Bonds maturing February 1 in the years 2023, 2027, 2031 and 2034 (see "The Bonds – Description of the Bonds").

PAYMENT OF INTEREST Interest on the Refunding Bonds will accrue from May 1, 2010, and is payable February 1, 2011, and each August 1 and February 1 thereafter until maturity or prior redemption (see "The Bonds - Description of the Bonds", "The Bonds - Optional Redemption" and "The Bonds – Mandatory Sinking Fund Redemption").

Interest on the Unlimited Tax Bonds will accrue from May 1, 2010 and is payable February 1, 2011, and each August 1 and February 1 thereafter until maturity or prior redemption (see "The Bonds - Description of the Bonds", "The Bonds - Optional Redemption" and "The Bonds – Mandatory Sinking Fund Redemption").

AUTHORITY FOR ISSUANCE..... The Refunding Bonds are issued pursuant to the general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and the Refunding Bond Order passed by the Commissioners Court of the County (see "The Bonds - Authority for Issuance").

The Unlimited Tax Bonds are issued pursuant to the Constitution and general laws of the State, particularly, Article III, Section 52 of the Texas Constitution, as amended, Chapter 1471, Texas Government Code, as amended and a County-wide election held on November 2, 2004, and the Unlimited Tax Bond Order adopted by the Commissioners Court of the County (see "The Bonds - Authority for Issuance").

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

The Unlimited Tax Bonds constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, without legal limit as to rate or amount, on all taxable property located within the County (see "The Bonds - Security and Source of Payment").

QUALIFIED TAX-EXEMPT

OBLIGATIONS..... The County has designated the Refunding Bonds and the Unlimited Tax Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "Tax Matters - Purchase of tax-exempt obligations by Financial Institutions").

REDEMPTION The County reserves the right, at its option, to redeem Refunding Bonds having stated maturities on and after February 1, 2021, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2020, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption"). Additionally, certain of the Refunding Bonds are subject to mandatory sinking fund redemption as more particularly described herein (see "The Bonds – Mandatory Sinking Fund Redemption").

The County reserves the right, at its option, to redeem Unlimited Tax Bonds having stated maturities on and after February 1, 2021, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2020, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption"). Additionally, certain of the Unlimited Tax Bonds are subject to mandatory sinking fund redemption as more particularly described herein (see "The Bonds – Mandatory Sinking Fund Redemption").

TAX EXEMPTION In the opinion of Bond Counsel, interest on the Refunding Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. In the opinion of Bond Counsel, interest on the Unlimited Tax Bonds is excludable from gross income for federal income tax purposes, subject to the matters described under "Tax Matters – Tax Exemption" herein, and is not a specific preference item or included in a corporation's adjusted current earnings for purposes of the federal alternative minimum tax. See "Tax Matters - Tax Exemption" for a discussion of the opinions of Bond Counsel, including a description of the alternative minimum tax consequences for corporations as applied to the Refunding Bonds.

USE OF PROCEEDS Proceeds from the sale of the Refunding Bonds will be used to (i) refund a portion of the County's outstanding debt described in Schedule I (the "Refunded Obligations"), and (ii) pay costs of issuance associated with the sale of the Refunding Bonds.

Proceeds from the sale of the Unlimited Tax Bonds will be used to (i) for the construction, maintenance and operation of macadamized, graveled or paved roads and turnpikes, or in aid thereof, throughout the County, including participating in the cost of joint projects with various state, city and regional council of government entities; and (ii) to pay costs of issuance associated with the sale of the Unlimited Tax Bonds.

RATINGS The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"), "AA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Service LLC business ("S&P") and "AA" by Fitch Ratings ("Fitch"), without regard to third-party credit enhancement. The presently outstanding tax supported debt of the County is rated "Aa2" by Moody's, "AA" by S&P and "AA" by Fitch, without regard to third-party credit enhancement. (see "Other Information - Ratings"). Moody's and Fitch have recently recalibrated their long-term municipal ratings to their global rating scales.

Information regarding Moody's recalibration may be found on Moody's website at http://v3.moody.com/researchdocumentcontentpage.aspx?docid=PBM_PBM123300. Information regarding Fitch's recalibration may be found on Fitch's website at http://www.fitchratings.com/creditrisk/reports/report_frame.cfm?rpt_id=506212.

BOOK-ENTRY-ONLY

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

PAYMENT RECORD The County has not defaulted in payment of its tax debt since 1937 when a portion of the debt was refunded at par, at the same rate of interest. Prior to such refunding the County was late from 12 to 18 months in the payment of debt service on all classes of indebtedness.

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated County Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Tax Debt ⁽³⁾	Per Capita Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2006	63,000	\$ 4,894,044,477	\$ 77,683	\$ 10,915,000	\$ 173	0.22%	99.81%
2007	68,800	5,646,745,268	82,075	21,860,000	318	0.39%	99.07%
2008	78,000	6,261,535,398	80,276	52,045,000	667	0.83%	101.39%
2009	84,081	6,736,418,294	80,118	60,060,000	714	0.89%	97.92%
2010	85,251	6,909,734,429	81,052	62,230,000 ⁽⁴⁾	730 ⁽⁴⁾	0.90% ⁽⁴⁾	93.45% ⁽⁵⁾

(1) Source: County Officials.

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

(3) Projected.

(4) Includes the Bonds and excludes the Refunded Obligations. The County plans to contribute a \$1,000,000 equity contribution towards the Refunded Obligations.

(5) Partial collections through March 31, 2010.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2009	2008	2007	2006	2005
Beginning Balance	\$ 19,826,660	\$ 18,513,756	\$ 13,836,914	\$ 11,219,390 ⁽¹⁾	\$ 7,870,101
Total Revenue	24,448,016	23,742,676	21,300,897	20,498,525	16,924,949
Total Expenditures	21,692,013	23,969,349	19,229,764	17,528,513	14,470,348
Net Transfers	(1,587,874)	1,898,602	2,047,317	(220,943)	505,372
Prior Period Adjustment	-	(359,025)	558,392	(131,545)	38,191
Ending Balance	<u>\$ 20,994,787</u>	<u>\$ 19,826,660</u>	<u>\$ 18,513,756</u>	<u>\$ 13,836,914</u>	<u>\$ 10,868,265</u>

(1) Restated.

For additional information regarding the County, please contact:

Lisa Constant
County Auditor
Rockwall County
101 East Rusk #101
Rockwall, Texas 75087
(972) 204-6050

Or

W. Boyd London, Jr.
Marti Shew
First Southwest Company
1700 Pacific Avenue, Suite 800
Dallas, Texas 75201
(214) 953-4000

COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Commisioners Court</u>	<u>Length of Service</u>	<u>Term Expires</u>
Chris Florance County Judge	3 Years	31-Dec-10
Jerry Wimpee County Commissioner	16 Years	31-Dec-12
Lorie Grinnan County Commissioner	3 Years	31-Dec-10
Dennis Bailey County Commissioner	Less than 1 Year	31-Dec-12
David Magness County Commissioner	7 Years	31-Dec-10

OTHER ELECTED AND APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service In Rockwall County</u>	<u>Total Municipal Government Experience</u>
Lisa Constant	County Auditor	Less than 1 Year	9 Years
Lea Carlson	County Clerk	Less than 1 Year	10 Years
Barbara Barber	Tax Assessor Collector	2 Years	13 Years
William F.H. Sinclair	County Treasurer	4 Years	4 Years

CONSULTANTS AND ADVISORS

Auditors	Patillo, Brown & Hill, L.L.P. Waco, Texas
Bond Counsel	Vinson & Elkins L.L.P. Dallas, Texas
Financial Advisor	First Southwest Company Dallas, Texas

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OFFICIAL STATEMENT
RELATING TO
\$8,815,000
ROCKWALL COUNTY, TEXAS
LIMITED TAX REFUNDING BONDS, SERIES 2010

\$2,460,000
ROCKWALL COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS, SERIES 2010

INTRODUCTION

This Official Statement, which includes the Appendices and Schedule I hereto, provides certain information regarding the issuance of \$8,815,000 Limited Tax Refunding Bonds, Series 2010 (the "Refunding Bonds") and \$2,460,000 Unlimited Tax Road Bonds, Series 2010 (the "Unlimited Tax Bonds" and together with the Refunding Bonds, the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the separate Refunding Bond Order and Unlimited Tax Bond Order (collectively the "Bond Orders") adopted on the date of sale of the Bonds which authorized the issuance of the Bonds, except as otherwise indicated herein.

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

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

DESCRIPTION OF THE COUNTY . . . The County was organized in 1873 and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical Commissioners Precincts. The County Judge is elected for a term of four years and the Commissioners for four year staggered terms. Other major County elective officers include the County Clerk and County Treasurer. The County Auditor is appointed for a term of two years by and serves at the will of the District Judges whose courts are located in Rockwall County. The 2000 Census population for the County was 43,080, while the estimated 2010 population is 85,251. The County covers approximately 149 square miles. The City of Rockwall is the County Seat.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Limited Tax Refunding Bonds will be used to (i) refund a portion of the County's outstanding debt described in Schedule I (the "Refunded Obligations"), and (i) pay costs of issuance associated with the sale of the Refunding Bonds.

Proceeds from the sale of the Unlimited Tax Bonds will be used to (i) for the construction, maintenance and operation of macadamized, graveled or paved roads and turnpikes, or in aid thereof, throughout the County, including participating in the cost of joint projects with various state, city and regional council of government entities; and (ii) to pay costs of issuance associated with the sale of the Unlimited Tax Bonds.

REFUNDED OBLIGATIONS . . . The principal and interest due on the Refunded Obligations are to be paid on the scheduled redemption dates of such Refunded Obligations, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the County and U.S. Bank, National Association, Dallas, Texas (the "Escrow Agent"). The Refunding Bond Order provides that from the proceeds of the sale of the Refunding Bonds received from the Underwriters plus any other lawfully available funds of the County, if any, the County will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and shall be used to purchase direct obligations of the United States of America (the "Federal Securities") to accomplish the discharge of the Refunded Obligations. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

Grant Thornton LLP, a nationally recognized accounting firm, will verify at the time of delivery of the Refunding Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. **Such maturing principal of and interest on the Federal Securities will not be available to pay the Refunding Bonds** (see "Other Information - Verification of Arithmetical and Mathematical Computations").

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

The County has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payment.

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

	<u>Refunding Bonds</u>	<u>Unlimited Tax Bonds</u>
Sources of Funds		
Par Amount of Bonds	\$ 8,815,000.00	\$ 2,460,000.00
Reoffering Premium	382,055.25	10,632.15
Transfer from Prior Issue Debt Service Funds	1,635,442.29	-
Accrued Interest from 5/1/10 to 6/10/10	36,664.06	9,929.56
Total Sources	<u>\$ 10,869,161.60</u>	<u>\$ 2,480,561.71</u>
Uses of Funds		
Original Issue Discount (OID)	\$ 22,697.65	\$ 16,392.80
Total Underwriters' Discount	53,666.32	18,261.87
Costs of Issuance	125,000.00	60,000.00
Deposit to Escrow Fund	10,625,874.45	-
Deposit to Debt Service Fund ⁽¹⁾	41,923.18	10,907.04
Deposit to Project Construction Fund	-	2,375,000.00
Total Uses	<u>\$ 10,869,161.60</u>	<u>\$ 2,480,561.71</u>

(1) Includes rounding amount.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Refunding Bonds are dated May 1, 2010, and mature on February 1 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1, commencing February 1, 2011.

The Unlimited Tax Bonds are dated May 1, 2010, and mature on February 1 in each of the years and in the amounts shown on page 4 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1, commencing February 1, 2011.

The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Refunding Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1207, Texas Government Code, as amended, and by the Refunding Bond Order passed by the Commissioners Court.

The Unlimited Tax Bonds are issued pursuant to the Constitution and general laws of the State, particularly, Article III, Section 52 of the Texas Constitution, as amended, Chapter 1471, Texas Government Code, as amended, and a County-wide election held on November 2, 2004, and by the Unlimited Tax Bond Order passed by the Commissioner Court.

SECURITY AND SOURCE OF PAYMENT

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

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

TAX RATE LIMITATION

General Operations; Bonds, Time Warrants, Certificates of Obligation, and Contractual Obligations . . . The Texas Constitution (Article VIII, Section 9) imposes a limit of \$0.80 per \$100 of assessed valuation for all purposes of the General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund, including debt service of bonds, warrants, tax notes, and certificates of obligation issued against such funds. The Refunding Bonds will be payable from the levy and collection of this tax. Administratively, the Attorney General of the State of Texas will permit allocation of \$0.40 of the \$0.80 Constitutional tax rate for Unlimited Tax Bond debt service.

Road Bonds . . . An unlimited tax rate for debt service on road bonds is authorized by Article III, Section 52 of the Texas Constitution. The County's Unlimited Tax Road Bonds are being issued pursuant to Article III, Section 52. The total amount of Article III, Section 52 bond indebtedness outstanding at any time cannot exceed 25% of the assessed real property of the County.

Road Maintenance (Special Road and Bridge Tax) . . . A road maintenance tax is imposed by the Texas Constitution (Article VIII, Section 9) of \$0.15 per \$100 of assessed valuation, no part of which may be used for debt service.

Farm-to-Market Purposes . . . A tax is imposed by the Texas Constitution (Article VIII, Section 1-a) of \$0.30 per \$100 assessed valuation after exemption of homesteads up to \$3,000; no allocation is prescribed by statute between debt service and maintenance.

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

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Refunding Bonds having stated maturities on and after February 1, 2021, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2020, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Refunding Bonds are to be redeemed, the County may select the maturities of Refunding Bonds to be redeemed. If less than all the Refunding Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Refunding Bonds are in Book-Entry-Only form) shall determine by lot the Refunding Bonds, or portions thereof, within such maturity to be redeemed. If a Refunding Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Refunding Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

The County reserves the right, at its option, to redeem Unlimited Tax Bonds having stated maturities on and after February 1, 2021, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2020, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Unlimited Tax Bonds are to be redeemed, the County may select the maturities of Unlimited Tax Bonds to be redeemed. If less than all the Unlimited Tax Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Unlimited Tax Bonds are in Book-Entry-Only form) shall determine by lot the Unlimited Tax Bonds, or portions thereof, within such maturity to be redeemed. If a Unlimited Tax Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Unlimited Tax Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . .**Refunding Bonds**

The Refunding Bonds maturing on February 1 in the years 2023, 2025, 2027, 2029, 2031 and 2034 (the “Refunding Term Bonds”) are subject to mandatory sinking fund redemption in the amounts and at a price of par plus accrued interest to the redemption date on February 1 in the following years:

Refunding Term Bond February 1, 2023		Refunding Term Bond February 1, 2025		Refunding Term Bond February 1, 2027	
Year	Amount	Year	Amount	Year	Amount
2022	\$ 160,000	2024	\$ 170,000	2026	\$ 185,000
2023	165,000	2025	180,000	2027	195,000

Refunding Term Bond February 1, 2029		Refunding Term Bond February 1, 2031		Refunding Term Bond February 1, 2034	
Year	Amount	Year	Amount	Year	Amount
2028	\$ 200,000	2030	\$ 220,000	2032	\$ 240,000
2029	210,000	2031	230,000	2033	250,000
				2034	265,000

The particular Refunding Term Bonds to be redeemed shall be chosen by the Paying Agent/Registrar at random by lot or other customary method; provided, however, that the principal amount of the Refunding Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the County, by the principal amount of said Refunding Term Bonds which at least 45 days prior to the mandatory redemption date, (1) shall have been acquired by the County at a price not exceeding the principal amount of such Refunding Term Bonds plus accrued interest to the date of purchase thereof and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Unlimited Tax Bonds

The Unlimited Tax Bonds maturing on February 1 in the years 2023, 2027, 2031 and 2034 (the “Refunding Term Bonds”) are subject to mandatory sinking fund redemption in the amounts and at a price of par plus accrued interest to the redemption date on February 1 in the following years:

Unlimited Tax Term Bond February 1, 2023		Unlimited Tax Term Bond February 1, 2027		Unlimited Tax Term Bond February 1, 2031	
Year	Amount	Year	Amount	Year	Amount
2021	\$ 90,000	2024	\$ 105,000	2028	\$ 120,000
2022	95,000	2025	110,000	2029	125,000
2023	100,000	2026	110,000	2030	130,000
		2027	115,000	2031	140,000

Unlimited Tax Term Bond February 1, 2034	
Year	Amount
2032	\$ 145,000
2033	150,000
2034	160,000

The particular Unlimited Tax Term Bonds to be redeemed shall be chosen by the Paying Agent/Registrar at random by lot or other customary method; provided, however, that the principal amount of the Unlimited Tax Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the County, by the principal amount of said Unlimited Tax Term Bonds which at least 45 days prior to the mandatory redemption date, (1) shall have been acquired by the County at a price not exceeding the principal amount of such Unlimited Tax Term Bonds plus accrued interest to the date of purchase thereof and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . Not less than thirty (30) days prior to a redemption date for the Bonds, the County shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the Owners of the Bonds to be redeemed at the address of the Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

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

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND SUBJECT, IN THE CASE OF AN OPTIONAL REDEMPTION, TO ANY RIGHTS OR CONDITIONS RESERVED BY THE COUNTY IN THE NOTICE, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Bond Orders provide that the County may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of, premium, if any, and all interest to accrue on such Bonds to maturity or redemption or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investment earnings thereon, to provide for the payment and/or redemption of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the County adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the County adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds, as the case may be. If any of the Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Bonds at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Bond Orders.

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

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

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

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

The County may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). Discontinuation of the system of book-entry transfers by the County may require the consent of Participants under DTC's Operational Arrangements. In that event, Bond certificates, as appropriate, will be printed and delivered.

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

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System of the Bonds is discontinued, printed Bonds will be issued to the DTC Participants or the holder, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "The Bonds - Transfer, Exchange and Registration" below.

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

Principal of the Bonds at stated maturity or earlier redemption will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "The Bonds - Record Date for Interest Payment" herein), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment as due. So long as CEDE & Co. is the registered owner of the Bonds, principal and interest on the Bonds will be made as described in "The Bonds - Book-Entry-Only-System" above.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the owners of the Bonds and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated 1 of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the County nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

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

BONDHOLDERS' REMEDIES . . . The Bond Orders establish as "events of default" (i) the failure to make payment of the principal of, redemption premium, if any, or interest on the Bonds when due and payable; or (ii) default in the observance or performance of any of the covenants, conditions, or obligations of the County, which default materially and adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Orders, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the County. Under State law there is no right to the acceleration of maturity of the Bonds upon the failure of the County to observe and covenant under the Bond Orders. Although a registered owner of Bonds could presumably obtain a judgment against the County if a default occurred in the payment of principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the County. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the County to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. County of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("*Tooke*") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. Because it is unclear whether the Texas legislature has effectively waived the County's sovereign immunity from a suit for money damages, a Bondholder may not be able to bring such a suit against the County for breach of the Bonds or Bond Orders covenants. As noted above, Bondholders may exercise the remedy of mandamus to enforce the obligations of the County under the Bond Orders. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the County, permits the County to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the County is not using the authority provided by Chapter 1371 and has not waived sovereign immunity in the proceedings authorizing its Bonds.

The Bond Orders do not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the County to perform in accordance with the terms of the Bond Orders, or upon any other condition. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("*Chapter 9*"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Bond Orders and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

TAX INFORMATION

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

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

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

Under Article VIII, Section 1-b, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

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

In addition to any other exemptions provided by the Texas Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000 depending upon the degree of disability or whether the exemption is applicable to a surviving spouse or children. Notwithstanding, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. The above-referenced tax limitation is transferable to (1) a different residence homestead within the city and (2) to a surviving spouse so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repeated or rescinded. The County has authorized the tax freeze on homesteads of taxpayers 65 years of age or older. For additional information, see "Ad Valorem Tax Information - County Application of Tax Code" and "Table 1 – Valuation, Exemptions and General Obligation Bond Debt."

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

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

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

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

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

The County also may enter into tax abatement agreements to encourage economic development. Under tax abatement agreements, a property owner agrees to construct certain improvements on its property. The County in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The tax abatement agreement could last for a period of up to ten years.

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

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . The Commissioners Court will be required to adopt the annual tax rate per \$100 taxable value for the County before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the County. If the Commissioners Court does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the County for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Furthermore, the Texas Property Tax Code provides the Commissioners Court may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearing (including the requirement that notice be posted on the County's website if the County owns, operates or controls an Internet website and public notice be given by television if the County has free access to a television channel) and the Commissioners Court has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the County by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

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

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

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

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

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the County is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on January 31 of each year and the final installment due on July 31.

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

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

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge Linebarger, Goggan, et al (collection agency for the County) assesses a legal cost of 15% for legal costs incurred collecting delinquent taxes). Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the County's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

COUNTY APPLICATION OF TAX CODE . . . The County grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$35,000; disabled veterans are also granted an exemption of a percentage of the disability (no flat rate).

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

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

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

The County does not tax freeport property.

The County does tax “goods-in-transit”.

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

The County has established a freeze on the taxes on residence homesteads of persons 65 years of age or older, or who are disabled, other than disabled veterans.

TAX ABATEMENT POLICY . . . The County has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Maximum term of any abatement agreement is ten years.

TAX INCREMENT FINANCING ZONE . . . The County has entered into a contract to participate in the Rockwall Tax Increment Reinvestment Zone Number One (“Reinvestment Zone”). The County agrees to pay into the Tax Increment Fund (“TIF”), from the taxes levied and collected against the captured appraised value of real property for each fiscal year end 2005 through 2016, inclusive, a percentage of said taxes that will produce an amount equal to the sum of (i) 100% of the taxes levied and collected against the captured appraised value of real property in the replatted MJ Barksdale Abstract, The Harbor Addition plus (ii) 50% of the taxes levied and collected against the captured appraised value of real property in the balance of the Reinvestment Zone properties. The base value of the TIF was established in 2004 as \$15,279, 969 and has increased to \$77,177,439 for 2009. The taxable assessed value for the County for 2009 was \$58,136,861 after offsets for exemptions and other adjustments.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2009/10 Market Valuation Established by Rockwall County Appraisal District		\$7,575,779,601
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions and Over 65	\$ 129,678,573	
Disabled Veterans Exemptions	13,596,830	
Freeport Exemption	25,710,974	
Pollution Control	609,166	
Prorated Exempt Property	67,290	
Homestead Cap Adjustment	4,714,468	
Productivity Loss	491,667,871	666,045,172
2009/10 Taxable Assessed Valuation		\$ 6,909,734,429
Tax Debt Payable from Ad Valorem Taxes (as of 3/1/2010) ⁽¹⁾		
Outstanding Tax Debt ⁽²⁾	\$50,955,000	
The Refunding Bonds	8,815,000	
The Unlimited Tax Bonds	2,460,000	
Total Debt Payable from Ad Valorem Taxes		\$ 62,230,000
Interest and Sinking Fund (as of 3/31/2010)		\$ 2,853,786
Ratio Tax Debt to Taxable Assessed Valuation		0.90%

2010 Estimated Population - 85,251
Per Capita Taxable Assessed Valuation - \$81,052
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$730

(1) Does not include lease/purchase obligations.

(2) Excludes the Refunded Obligations. The County plans to contribute a \$1,000,000 equity contribution towards the Refunded Obligations.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2010		2009		2008	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$4,868,070,456	64.26%	\$4,721,703,987	63.82%	\$4,472,856,799	65.35%
Real, Residential, Multi-Family	38,169,520	0.50%	38,083,570	0.51%	37,827,738	0.55%
Real, Vacant Lots/Tracts	234,158,170	3.09%	235,530,991	3.18%	214,934,610	3.14%
Real, Acreage (Land Only)	615,911,400	8.13%	635,549,952	8.59%	569,261,421	8.32%
Real, Farm and Ranch Improvements	213,434,715	2.82%	208,548,918	2.82%	201,864,177	2.95%
Real, Commercial & Industrial	965,453,445	12.74%	891,858,551	12.05%	733,124,315	10.71%
Real and Tangible Personal, Utilities	137,514,080	1.82%	126,474,150	1.71%	133,176,430	1.95%
Tangible Personal, Commercial & Industrial	358,002,305	4.73%	374,847,923	5.07%	313,160,171	4.58%
Tangible Personal, Mobile Homes	11,800,380	0.16%	12,585,824	0.17%	13,445,580	0.20%
Real Property, Inventory	120,527,520	1.59%	143,414,293	1.94%	144,309,092	2.11%
Special Inventory	12,737,610	0.17%	9,692,050	0.13%	10,043,790	0.15%
Total Appraised Value Before Exemptions	\$ 7,575,779,601	100.00%	\$ 7,398,290,209	100.00%	\$ 6,844,004,123	100.00%
Less: Total Exemptions/Reductions	666,045,172		661,871,915		582,468,725	
Taxable Assessed Value	<u>\$ 6,909,734,429</u>		<u>\$ 6,736,418,294</u>		<u>\$ 6,261,535,398</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2007		2006	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$4,022,832,955	64.67%	\$3,505,682,262	65.46%
Real, Residential, Multi-Family	30,700,790	0.49%	17,389,700	0.32%
Real, Vacant Lots/Tracts	186,459,393	3.00%	172,760,730	3.23%
Real, Acreage (Land Only)	568,971,280	9.15%	443,872,260	8.29%
Real, Farm and Ranch Improvements	181,528,065	2.92%	161,142,780	3.01%
Real, Commercial & Industrial	642,681,223	10.33%	540,044,095	10.08%
Real and Tangible Personal, Utilities	127,388,598	2.05%	95,665,460	1.79%
Tangible Personal, Commercial & Industrial	280,359,860	4.51%	265,291,723	4.95%
Tangible Personal, Mobile Homes	14,013,217	0.23%	16,093,642	0.30%
Real Property, Inventory	156,593,240	2.52%	127,836,920	2.39%
Special Inventory	8,720,863	0.14%	9,830,720	0.18%
Total Appraised Value Before Exemptions	\$ 6,220,249,484	100.00%	\$ 5,355,610,292	100.00%
Less: Total Exemptions/Reductions	573,504,216		461,565,815	
Taxable Assessed Value	<u>\$ 5,646,745,268</u>		<u>\$ 4,894,044,477</u>	

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2006	63,000	\$ 4,894,044,477	\$ 77,683	\$ 10,915,000	0.22%	\$ 173
2007	68,800	5,646,745,268	82,075	21,860,000	0.39%	318
2008	78,000	6,261,535,398	80,276	52,045,000	0.83%	667
2009	84,081	6,736,418,294	80,118	60,060,000	0.89%	714
2010	85,251	6,909,734,429	81,052	62,230,000 ⁽³⁾	0.90% ⁽³⁾	730 ⁽³⁾

(1) Source: County Officials.

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

(3) Excludes the Refunded Obligations; includes the Refunding Bonds and the Unlimited Tax Bonds. The County plans to contribute a \$1,000,000 equity contribution towards the Refunded Obligations.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Maintenance and Operation Rate ⁽²⁾	Interest and Sinking Rate	Tax Levy	% Current Collections	% Total Collections
2006	\$ 0.3507	\$ 0.3026	\$ 0.0481	\$ 17,135,454	98.12%	99.81%
2007	0.3507	0.3071	0.0436	19,619,640	96.45%	99.07%
2008	0.3500	0.2995	0.0505	21,915,374	99.23%	101.39%
2009	0.3750	0.3016	0.0734	25,261,569	96.78%	97.92%
2010	0.3750	0.2969	0.0781	25,393,274 ⁽²⁾	92.59% ⁽¹⁾	93.45% ⁽¹⁾

(1) Collections for partial year only, through March 31, 2010.

(2) Calculated at 98% collections.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

	Fiscal Year Ended September 30,				
Constitutional Tax Rate	2010	2009	2008	2007	2006
General Fund	\$ 0.2944	\$ 0.2991	\$ 0.2970	\$ 0.3046	\$ 0.3001
Road and Bridge Fund	0.0025	0.0025	0.0025	0.0025	0.0025
Interest and Sinking Fund	0.0781	0.0734	0.0505	0.0436	0.0481
Total Tax Rate	<u>\$ 0.3750</u>	<u>\$ 0.3750</u>	<u>\$ 0.3500</u>	<u>\$ 0.3507</u>	<u>\$ 0.3507</u>

TABLE 6 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2009/10 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
ONCOR Electric Delivery Co	Utility	\$ 79,645,980	1.15%
CNLRs Rockwall LP	Real Estate	50,948,210	0.74%
Continental PET Technology	Plastic Manufacturing	37,595,890	0.54%
Rockwall Regional Hospital LLP	Medical Facility	36,925,810	0.53%
Mariah Bay Development Inc.	Real Estate	32,985,860	0.48%
Lake Pointe Medical Center	Medical Facility	32,350,750	0.47%
Rockwall Hotel and Conference Group Inc.	Hotel	29,160,780	0.42%
Rockwall HH LLC	Multifamily Apartment	25,000,000	0.36%
Wal-Mart Real Estate	Retail	23,474,360	0.34%
Rockwall Crossing Ltd.	Real Estate	23,019,565	0.33%
		<u>\$ 371,107,205</u>	<u>5.37%</u>

TABLE 7 - TAX ADEQUACY ⁽¹⁾

2010 Net Principal and Interest Requirements	\$4,761,867
\$0.0704 Tax Rate at 98% Collection Produces	\$4,767,164
Average Net Principal and Interest Requirements (2010-2034)	\$3,738,709
\$0.0553 Tax Rate at 98% Collection Produces	\$3,744,661
Maximum Principal and Interest Requirements (2010)	\$4,761,867
\$0.0704 Tax Rate at 98% Collection Produces	\$4,767,164

(1) Excludes the Refunded Obligations; includes the Refunding Bonds and the Unlimited Tax Bonds.

TABLE 8 - ESTIMATED CONSOLIDATED OVERLAPPING DEBT

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

Governmental Subdivision	2009/10 Taxable Assessed Value	2009/10 Tax Rate	Total Tax Debt	Estimated % Applicable	County's Overlapping Tax Debt As of 3/1/10	Authorized But Unissued Debt As Of 3/1/2010
Rockwall County	\$6,909,734,429	\$0.3750	\$ 62,230,000 ⁽¹⁾	100.00%	\$62,230,000 ⁽¹⁾	
Rockwall County Consolidated MUD #1	202,365,661	\$0.7200	\$ 15,200,000	100.00%	15,200,000	83,905,000
Cities						
City of Fate	413,875,487	0.2144	360,000	100.00%	360,000	-
City of Rockwall	3,340,496,040	0.5031	147,635,000	100.00%	147,635,000	8,425,000
County-Line Cities						
City of Dallas	87,194,760,781	0.7479	1,829,459,913	0.01%	182,946	739,192,600
City of Heath	1,099,105,596	0.3433	23,470,000	100.00%	23,470,000	-
City of Rowlett	3,280,325,124	0.7472	92,870,437	14.48%	13,447,639	3,960,000
City of Royse City	574,109,031	0.6576	19,391,000	80.78%	15,664,050	-
Total Cities					200,759,635	
County-Line School Districts						
Rockwall ISD	5,886,453,694	1.4700	341,263,119	99.43%	339,317,919	65,700,000
Royse City ISD	1,356,436,355	1.4300	119,878,987	78.47%	94,069,041	-
Total School Districts					433,386,961	
Total Direct and Consolidated Overlapping Tax Debt					\$ 711,576,596	
Ratio of Direct and Consolidated Overlapping Tax Debt to Taxable Assessed Valuation					10.30%	
Per Capita Consolidated Overlapping Tax Debt					\$ 8,463	

(1) Includes the Refunding Bonds and the Unlimited Tax Bonds; excludes the Refunded Obligations. The County plans to contribute a \$1,000,000 equity contribution towards the Refunded Obligations.

DEBT INFORMATION

TABLE 9 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Tax Debt Service ⁽¹⁾			Refunding Bonds ⁽²⁾			Unlimited Tax Bonds ⁽³⁾			Net Total	% of
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Debt Service	Principal Retired
2010	\$ 1,890,000	\$ 2,871,867	\$ 4,761,867	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,761,867	
2011	2,050,000	1,628,351	3,678,351	475,000	418,297	893,297	50,000	114,072	164,072	4,735,719	
2012	1,945,000	1,511,052	3,456,052	575,000	320,313	895,313	70,000	89,958	159,958	4,511,322	
2013	1,895,000	1,389,806	3,284,806	585,000	302,913	887,913	75,000	88,508	163,508	4,336,226	
2014	1,975,000	1,260,165	3,235,165	610,000	283,463	893,463	75,000	87,008	162,008	4,290,635	24.06%
2015	1,850,000	1,127,534	2,977,534	630,000	261,763	891,763	75,000	85,414	160,414	4,029,710	
2016	1,590,000	1,678,386	3,268,386	660,000	237,538	897,538	80,000	83,470	163,470	4,329,394	
2017	1,645,000	1,618,821	3,263,821	685,000	210,638	895,638	80,000	81,170	161,170	4,320,628	
2018	1,715,000	1,555,543	3,270,543	715,000	180,850	895,850	85,000	78,695	163,695	4,330,088	
2019	1,775,000	1,487,155	3,262,155	385,000	156,100	541,100	85,000	76,039	161,039	3,964,294	42.86%
2020	1,850,000	1,414,340	3,264,340	400,000	138,438	538,438	90,000	73,139	163,139	3,965,916	
2021	1,930,000	1,337,600	3,267,600	425,000	120,938	545,938	90,000	69,820	159,820	3,973,358	
2022	2,015,000	1,256,184	3,271,184	160,000	109,238	269,238	95,000	66,120	161,120	3,701,542	
2023	2,100,000	1,169,119	3,269,119	165,000	102,738	267,738	100,000	62,220	162,220	3,699,076	
2024	2,190,000	1,076,138	3,266,138	170,000	96,038	266,038	105,000	58,120	163,120	3,695,295	61.39%
2025	2,285,000	977,309	3,262,309	180,000	89,038	269,038	110,000	53,820	163,820	3,695,167	
2026	2,395,000	873,013	3,268,013	185,000	81,738	266,738	110,000	49,420	159,420	3,694,170	
2027	2,500,000	762,894	3,262,894	195,000	74,138	269,138	115,000	44,920	159,920	3,691,951	
2028	1,725,000	665,181	2,390,181	200,000	66,113	266,113	120,000	40,040	160,040	2,816,334	
2029	1,810,000	580,094	2,390,094	210,000	57,656	267,656	125,000	34,773	159,773	2,817,523	80.52%
2030	1,905,000	487,631	2,392,631	220,000	48,595	268,595	130,000	29,290	159,290	2,820,516	
2031	2,005,000	388,406	2,393,406	230,000	38,920	268,920	140,000	23,485	163,485	2,825,811	
2032	2,105,000	284,106	2,389,106	240,000	28,575	268,575	145,000	17,213	162,213	2,819,894	
2033	2,215,000	174,475	2,389,475	250,000	17,550	267,550	150,000	10,575	160,575	2,817,600	
2034	2,330,000	59,131	2,389,131	265,000	5,963	270,963	160,000	3,600	163,600	2,823,694	100.00%
	<u>\$52,845,000</u>	<u>\$29,299,127</u>	<u>\$82,144,127</u>	<u>\$8,815,000</u>	<u>\$3,447,543</u>	<u>\$12,262,543</u>	<u>\$2,460,000</u>	<u>\$1,420,886</u>	<u>\$3,880,886</u>	<u>\$98,287,556</u>	

(1) "Outstanding Debt" does not include the Refunded Obligations or lease/purchase obligations.

(2) Average life of the issue – 9.309 years. The County plans to contribute a \$1,000,000 equity contribution towards the Refunded Obligations.

(3) Average life of the issue – 13.989 years.

TABLE 10 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/10 ⁽¹⁾		\$ 4,761,867
Interest and Sinking Fund, Fiscal Year Ending 9/30/09	\$ 1,034,692	
Delinquent Taxes, Penalty and Interest Fiscal Year Ending 9/30/09	152,807	
Interest Income	12,029	
Budgeted Interest and Sinking Fund Tax Levy 2009/2010	<u>3,914,111</u>	<u>5,113,639</u>
Estimated Fund Balance, Fiscal Year Ending 9/30/10		\$ 351,772

(1) Excludes the Refunded Obligations; includes the Bonds.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Roads	11/2/2004	\$ 17,250,000	\$ 8,120,000	\$ 2,460,000	\$ 6,670,000
Roads	11/4/2008	100,000,000	2,500,000	-	97,500,000
Total		<u>\$117,250,000</u>	<u>\$10,620,000</u>	<u>\$ 2,460,000</u>	<u>\$104,170,000</u>

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . .

The County does not anticipate the issuance of additional general obligation debt in the next 12 months.

TABLE 12 – OTHER OBLIGATIONS

The County is a sponsoring local government in the Rockwall County Emergency Services Corporation (the "Corporation") which was designed to finance projects where joint facilities and operations may be utilized between participating members. The Corporation was created to provide emergency services and public safety services on behalf of and as may be determined from time to time by the City of Fate, the City of Heath, the City of McLendon Chisholm, the City of Mobile City, the City of Rockwall, the City of Rowlett, the City of Royse City and Rockwall County, Texas (collectively, the "Sponsoring Local Governments").

The Corporation's initial major initiative was to provide effective and efficient ambulance services to participating entities in Rockwall County on a cost-sharing basis. This is now an ongoing function of the Corporation and is carried out via a contract with an ambulance service firm. The contract was recently re-written and established as a five year contract with five optional renewal periods of one-year each.

The Corporation entered into a contract with the County to organize and staff an emergency preparedness activity. Initial staffing began toward the latter part of fiscal year 2007 with the hiring of a qualified coordinator and other support staff. This is now an on-going operation of the corporation as a contracted activity.

The Corporation also strives to ensure all area law enforcement personnel are properly trained through a regional firearms training facility, the cost of which is shared among the participating entities on a prorated basis. To achieve this, it authorized the issuance of revenue bonds and received proceeds of \$2,700,000 for construction of a county-wide firearms training facility on October 5, 2006. This training facility is for the use of each entity in the Corporation. This is an on-going function of the Corporation, primarily involving the retirement of the construction debt.

These initiatives have resulted in the Corporation providing services via the following three key activities:

1. Ambulance Services
2. Emergency Management Services
3. Law Enforcement Firing Range Services

The following table details the County's fiscal year 2009 expenditures and budgeted fiscal year 2010 obligations to the Corporation:

Emergency Services Corporation	Fiscal Year 2009 Actual	Fiscal year 2010 Budgeted
Administrative Costs	\$ 660	\$ 575
Administrative Ambulance Consulting	6,615	6,615
Ambulance Subsidy	226,045	229,163
Firing Range Operations ⁽¹⁾	3,495	4,164
Firing Range Debt ⁽¹⁾	21,994	104,827
Emergency Management	114,741	110,421

(1) The Corporation issued bonds in 2006 to fund the Law Enforcement Training Facility. The table above does not include contributions made by other Sponsoring Local Governments.

PENSION FUND . . . The County provides pension, disability and death benefits for eligible employees through a nontraditional, joint contributory, defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). Under the state law governing TCDRS, the required contribution rate of the County is based upon benefit options selected by the County on an annual basis combined with an actuarial analysis and it becomes effective at the beginning of each calendar year. For calendar year 2010 the required contribution rate was 7.6%; however, for the past several years the County has chosen to contribute at an elected rate of 9.0% as adopted by the governing body of the County; employee contributions are fixed at 7.0% each calendar year. However, the plan of benefits adopted by the employer at the time of plan inception and when benefit increases are adopted is limited by statute to what the actuary determines can be adequately financed by the commitment of the employer to contribute the required rate. The statute specifies that the actuary's determination is based on a maximum period for amortizing the unfunded pension benefit obligation of 20 years. The County may elect from time to time to make a lump sum contribution into the plan and did so in December 2006 by paying in \$1,000,000. The County repeated the lump sum practice in November 2007 [\$2,000,000] and November 2009 [\$1,500,000]. (For more detailed information concerning the retirement plan, see Appendix B "Excerpts from the County's Annual Financial Report – Note I)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2006	12/31/2007	12/31/2008
Actuarial cost method	entry age level percentage	entry age level percentage	entry age level percentage
Amortization method	of payroll, open	of payroll, open	of payroll, open
Amortization period	7.4	30	30
Asset valuation method	SAF: 10-yr smoothed value	SAF: 10-yr smoothed value	SAF: 10-yr smoothed value
UAAL as a Percentage of Covered Payroll	ESF: Fund value	ESF: Fund value	ESF: Fund value
Actuarial Assumptions			
Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.3%	5.3%	5.3%
inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

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**Trend Information for the
Retirement Plan for the Employees of Rockwall County, Texas**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2005	\$ 744,379	100%	\$ -
9/30/2006	805,029	100%	-
9/30/2007	876,568 ⁽¹⁾	100%	-
9/30/2008	1,053,232 ⁽¹⁾	100%	-
9/30/2009	1,152,890 ⁽¹⁾	100%	-

(1) The County contributed optional lump sum payments of \$1 million in FYE 2007 and \$2 million in FYE 2008. An Additional optional lump sum payment of \$1.5 million was made in November 2009.

**Schedule of Funding Progress for the Retirement Plan
For the Employees of Rockwall County, Texas**

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ Overfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Coverage Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2007	\$ 19,635,206	\$ 19,255,541	\$ (379,665)	101.97%	\$ 10,695,783	-3.55%
2008	20,062,445	21,573,217	1,510,772	93.00%	12,159,972	12.42%
2009	25,243,417	25,254,555	11,138	99.96%	13,528,784	0.08%

OTHER POST-EMPLOYMENT BENEFITS . . . In addition to the pension benefits described above, the County provides certain other post-retirement benefits to retired employees and their dependents. For employees who retire prior to the age of 65, the County allows a bridging of coverage under its health insurance plan for active employees. In addition to the benefits of the health insurance program itself, the County contributes \$200.00 per month toward the monthly contribution requirement that is established annually using COBRA rules. For retired employees who are Medicare eligible; i.e., age 65 and older, the County contributes up to \$200.00 per month toward the monthly premium of the insurance chosen by the employee. These retirees have the opportunity to select coverage under the County Choice Silver program administered by the Texas Association of Counties at the time of their retirement.

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2009	2008	2007	2006	2005
<u>REVENUES</u>					
Program Revenues:					
Charges for Services	\$ 5,772,058	\$ 5,890,857	\$ 7,899,370	\$ 7,919,510	\$ 5,985,550
Operating Grants and Contributions	592,280	754,289	318,581	379,080	413,694
Capital Grants and Contributions	174,944	189,753	-	249,624	-
General Revenues:					
Property Taxes	25,818,987	22,540,006	19,529,973	17,229,938	15,894,950
Interest Earnings	544,417	1,243,200	1,657,302	1,112,183	559,564
Miscellaneous	65,812	586,173	581,455	538,215	317,629
Total Revenues	<u>\$ 32,968,498</u>	<u>\$ 31,204,278</u>	<u>\$ 29,986,681</u>	<u>\$ 27,428,550</u>	<u>\$ 23,171,387</u>
<u>EXPENSES</u>					
General government	\$ 3,430,482	\$ 4,911,158	\$ 5,607,410	\$ 3,258,914	\$ 3,107,680
Judicial	2,481,227	2,371,285	2,088,514	2,316,420	2,088,878
Legal	1,406,330	1,289,152	1,170,020	1,047,173	978,229
Financial Administration	1,712,324	1,437,998	1,455,287	1,329,449	1,284,196
Public Facilities	768,406	894,060	917,639	844,255	704,179
Public Safety	10,226,058	9,677,827	8,109,613	7,548,286	6,535,582
Public Service	949,547	870,537	804,559	309,945	70,869
Roads and Bridges	1,647,367	1,692,275	1,469,238	1,383,151	1,113,833
Health and Welfare	1,043,861	934,664	766,869	623,740	863,916
Culture and Recreation	1,498,637	1,316,823	703,138	640,766	567,371
Conservation	143,294	117,413	125,278	94,101	81,278
Capital Outlay	-	-	-	-	-
Interest on Long-Term Debt	1,859,758	1,184,575	585,944	495,453	545,811
Other	-	-	-	1,029,883	888,565
Total Expenses	<u>\$ 27,167,291</u>	<u>\$ 26,697,767</u>	<u>\$ 23,803,509</u>	<u>\$ 20,921,536</u>	<u>\$ 18,830,387</u>
CHANGE IN NET ASSETS	<u>5,801,207</u>	<u>4,506,511</u>	<u>6,183,172</u>	<u>6,507,014</u>	<u>4,341,000</u>
INCREASE IN NET ASSET	<u>\$ 5,801,207</u>	<u>\$ 4,506,511</u>	<u>\$ 6,183,172</u>	<u>\$ 6,507,014</u>	<u>\$ 4,341,000</u>
NET ASSETS, BEGINNING	<u>37,302,287</u>	<u>30,578,312</u>	<u>23,859,439</u>	<u>17,509,681</u> ⁽¹⁾	<u>13,116,877</u>
Prior Period Adjustment	<u>2,000,000</u>	<u>2,217,464</u>	<u>535,701</u>	<u>(157,256)</u>	<u>51,806</u>
NET ASSETS, ENDING	<u>\$ 45,103,494</u>	<u>\$ 37,302,287</u>	<u>\$ 30,578,312</u>	<u>\$ 23,859,439</u>	<u>\$ 17,509,683</u>

(1) Restated.

TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2009	2008	2007	2006	2005
Revenues:					
Taxes	\$ 20,268,186	\$ 19,166,052	\$ 16,963,100	\$15,665,955	\$13,143,606
Fees and Commissions	2,348,462	2,227,346	2,602,540	2,723,064	2,423,123
Fines and Forfeitures	1,090,953	1,242,546	1,199,902	1,298,501	1,054,823
Interest	231,018	670,769	-	-	-
Intergovernmental	21,080	26,962	25,092	14,496	60,533
Miscellaneous and Other	488,317	409,001	510,263	796,509	242,864
Total Revenues	<u>\$ 24,448,016</u>	<u>\$ 23,742,676</u>	<u>\$ 21,300,897</u>	<u>\$ 20,498,525</u>	<u>\$ 16,924,949</u>
Expenditures:					
General Administration	\$ 2,426,227	\$ 4,363,495	\$ 2,852,104	\$ 2,592,066	\$ 1,427,065
Judicial and Law Enforcement	2,397,850	2,336,181	2,081,265	2,302,725	2,083,829
Legal	1,375,908	1,300,873	1,159,882	1,020,825	951,621
Financial Administration	1,702,817	1,451,139	1,374,125	1,187,947	1,168,234
Public Facilities	945,362	870,644	917,639	844,255	728,837
Public Safety	9,397,882	9,437,815	7,835,494	7,276,803	6,312,865
Health and Welfare	1,041,453	937,942	766,869	623,740	866,039
Culture and Recreation	1,325,414	1,066,922	596,324	619,159	532,522
Conservation	145,075	120,691	106,909	94,101	81,278
Roads and Bridges	-	-	-	305,484	281,856
Capital Improvements	-	-	-	395,473	-
Nondepartmental	642,138	747,347	343,931	265,935	-
Capital Outlay	291,887	1,311,337	1,152,259	-	36,202
Debt Service	-	24,963	42,963	-	-
Total Expenditures	<u>\$ 21,692,013</u>	<u>\$ 23,969,349</u>	<u>\$ 19,229,764</u>	<u>\$ 17,528,513</u>	<u>\$ 14,470,348</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,756,003	\$ (226,673)	\$ 2,071,133	\$ 2,970,012	\$ 2,454,601
Proceeds from Debt Issuance	-	2,000,000	1,250,000	-	-
Interest Income/ Sale of Assets	23,209	8,374	1,149,952	937,473	494,532
Operating Transfers In	-	41,676	-	13,200	31,889
Operating Transfers Out	(1,611,083)	(151,448)	(352,635)	(1,171,616)	(21,049)
Total Transfers	<u>\$ (1,587,874)</u>	<u>\$ 1,898,602</u>	<u>\$ 2,047,317</u>	<u>\$ (220,943)</u>	<u>\$ 505,372</u>
Residual Equity Transfer	\$ -	\$ -	\$ -	\$ -	\$ -
Beginning Fund Balance	19,826,660	18,513,756	13,836,914	11,219,390 ⁽¹⁾	7,870,101
Prior Period Adjustment	-	(359,025)	558,392	(131,545)	38,191
Ending Fund Balance	<u>\$ 20,994,789</u>	<u>\$ 19,826,660</u>	<u>\$ 18,513,756</u>	<u>\$13,836,914</u>	<u>\$10,868,265</u>

(1) Restated.

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

FINANCIAL POLICIES

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

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

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

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

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

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

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under Texas law, the County is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by Limited Tax Bonds described in clauses (1) through (6) or in any other manner and amount provided by law for County deposits, or (ii) where; (a) the funds are invested by the County through a depository institution that has a main office or branch office in this state and that is selected by the County; (b) the depository institution selected by the County arranges for the deposit of funds in one or more federally insured depository institutions, wherever located; (c) the certificates of deposit are insured by the United States or an instrumentality of the United States; (d) the depository institution acts as a custodian for the County with respect to the certificates of deposit; and (e) at the same time that the certificates of deposit are issued, the depository institution selected by the County receives deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the funds invested by the County through the depository institution selected under clause (ii)(a) above, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are

described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the County, held in the County's name and deposited at the time the investment is made with the County or a third party designated by the County; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent rating by at least one nationally recognized rating service and meet other requirements listed in Section 2256.016 of the Texas Public Funds Investment Act (the "PFIA"). The County may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the County retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the County must do so by order, ordinance, or resolution.

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

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

Under State law, County investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest County funds without express written authority from the Commissioners Court. At least quarterly, the investment officers of the County must submit an investment report to the Commissioners Court which is prepared jointly and signed by all investment officers and which meets the reporting requirements of Section 2256.023 of the PFIA.

ADDITIONAL PROVISIONS . . . Under State law, the County is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution; (3) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the County to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (4) require the registered principal of firms seeking to sell securities to the County to: (a) receive and review the County's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the County's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, and other investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict

the investment in nonmoney market mutual funds in the aggregate to no more than 15% of the County's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and prohibit the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the County.

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

TABLE 14 - CURRENT INVESTMENTS

As of February 28, 2010, the County's investable funds were invested in the following categories:

Type of Investment	Book Value	% of Investments	Market Value	% of Investments
Federal Agency Securities	\$12,215,000	15.94%	\$ 12,248,539	15.98%
Checking & MMA	2,543,385	3.32%	2,543,385	3.32%
LOGIC-General Fund ⁽¹⁾	4,980,744	6.50%	4,980,744	6.50%
LOGIC-Road Bonds ⁽¹⁾	4,529,080	5.91%	4,529,080	5.91%
LOGIC-Courthouse Bonds ⁽¹⁾	29,535,916	38.54%	29,535,916	38.53%
MBIA/Cutwater-General Fund	14,070,996	18.36%	14,070,996	18.35%
MBIA/Cutwater-Multiple Fund	3,412,586	4.45%	3,412,586	4.45%
TexPool-Multiple Funds	3,800,098	4.96%	3,800,098	4.96%
TexSTAR-Multiple Funds ⁽²⁾	1,040,517	1.36%	1,040,517	1.36%
Certificates of Deposit	500,000	0.65%	500,000	0.65%
	<u>\$76,628,322</u>	<u>100.00%</u>	<u>\$ 76,661,861</u>	<u>100.00%</u>

- (1) Local Government Investment Cooperative ("LOGIC") is a local government investment pool for whom First Southwest Asset Management, Inc., an affiliate of First Southwest Company, provides customer service and marketing for the pool. LOGIC currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds are allowed by the participants. LOGIC operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by third party advisors. There is no regulatory oversight by the State of Texas over LOGIC.
- (2) TexSTAR is a local government investment pool for whom First Southwest Asset Management, Inc., an affiliate of First Southwest Company, provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from Standard & Poors and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

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TAX MATTERS

TAX EXEMPTION . . . In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on Bonds is excludable from gross income for federal income tax purposes (ii) the refunding Bonds are not “private activity bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and, as such, interest on the Refunding Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations, and (iii) interest on the Unlimited Tax Bonds is not (A) a specific preference item subject to the alternative minimum tax on individuals and corporations, or (B) included in a corporation’s adjusted current earnings for purposes of the alternative minimum tax..

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

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

The Code also imposes a 20% alternative minimum tax on the “alternative minimum taxable income” of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation’s regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its “adjusted current earnings” exceeds its other “alternative minimum taxable income.” However, interest on tax-exempt bonds issued in 2009 and 2010 for new money projects or to refund tax-exempt bonds originally issued anytime between 2004 through 2008, inclusive, is not includable in the “adjusted current earnings” of a corporation for purposes of computing its alternative minimum tax liability. Therefore, interest on the Unlimited Tax Bonds is not includable in the adjusted current earnings of a corporation for purposes of computing its alternative minimum tax liability, but interest on the Refunding Bonds is so included and, as such, could subject a corporation investing in the Refunding Bonds to alternative minimum tax consequences.

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

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

PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS

Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of any deduction by a financial institution of its pro rata interest expense to reflect such financial institution’s investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides a limited exception for a limited amount of new money tax-exempt obligation holdings if such obligations were issued in 2009 and 2010. In addition, Section 265(b) also provides an exception for financial institutions for tax-exempt obligations that are properly designated by an issuer as “qualified tax-exempt obligations.”

The Bonds have been designated as “qualified tax-exempt obligations” based, in part, on the County’s representation that the amount of the Bonds, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than “qualified 501(c)(3) bonds”) issued or reasonably anticipated to be issued by or on behalf of the County during 2010, is not expected to exceed \$30,000,000. Further, the County and entities aggregated with the County under the Code have not designated more than \$30,000,000 in “qualified tax-exempt obligations” (including the Bonds) during 2010.

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

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences

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

Tax Accounting Treatment of Original Issue Premium

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Orders, the County has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org <http://www.emma.msrb.org/>.

ANNUAL REPORTS . . . The County will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement under Tables numbered 1 through 7 and 9 through 14 and in Appendix B. The County will update and provide this information within six months after the end of each fiscal year.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the County may be required to employ from time to time pursuant to State law or regulation.

The County's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify the MSRB of the change.

MATERIAL EVENT NOTICES . . . The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Certificate calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. (Neither the Bonds nor the Bond Orders make any provision for debt service reserves, credit enhancement or liquidity enhancement.) In addition, the County will provide timely notice of any failure by the County to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION . . . The County has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . Over the last five years the County has complied in all material respects with its prior undertakings pursuant to SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Bonds have been rated "Aa2" by Moody's, "AA" by S&P and "AA" by Fitch, without regard to third-party credit enhancement. The presently outstanding tax supported debt of the County is rated "Aa2" by Moody's, "AA" by S&P and "AA" by Fitch, without regard to third-party credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the County makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision, or withdrawal of such ratings, may have an adverse effect on the market price of the Bonds. Moody's and Fitch have recently recalibrated their long-term municipal ratings to their global rating scales. Information regarding Moody's recalibration may be found on Moody's website at http://v3.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_PBM123300. Information regarding Fitch's recalibration may be found on Fitch's website at http://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=506212.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL MATTERS

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

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

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

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Refunding Bonds from the County, at the prices set forth on page 2 of the Official Statement at an underwriting discount of \$53,666.32. The Underwriters will be obligated to purchase all of the Refunding Bonds if any Refunding Bonds are purchased. The Refunding Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Refunding Bonds into investment trusts) at prices lower than the public offering prices of such Refunding Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Unlimited Tax Bonds from the County, at the prices set forth on page 4 of the Official Statement at an underwriting discount of \$18,261.87. The Underwriters will be obligated to purchase all of the Unlimited Tax Bonds if any Unlimited Tax Bonds are purchased. The Unlimited Tax Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Unlimited Tax Bonds into investment trusts) at prices lower than the public offering prices of such Unlimited Tax Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

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

/s/ CHRIS FLORANCE

County Judge
Rockwall County, Texas

ATTEST:

/s/ LEA CARLSON

County Clerk

SCHEDULE OF REFUNDED OBLIGATIONS

Limited Tax Certificates of Obligation, Series 1998

Original Dated Date	Original Maturity Date	Interest Rates	Amount
1/15/1998	8/15/2010	4.400%	\$ 240,000
	8/15/2011	4.450%	250,000
	8/15/2012	4.500%	260,000
	8/15/2013	4.550%	270,000
	8/15/2014	4.600%	285,000
	8/15/2016 ⁽¹⁾	4.700%	605,000
	8/15/2018 ⁽²⁾	4.750%	665,000
			<u>\$ 2,575,000</u>

The 2010 – 2014, 2016 and 2018 maturities will be redeemed prior to original maturity on July 10, 2010 at par.

- (1) Represents a Term Certificate with mandatory sinking fund payments in 2015 and a final maturity in 2016.
(2) Represents a Term Certificate with mandatory sinking fund payments in 2017 and a final maturity in 2018.

Permanent Improvement Bonds, Series 2001

Original Dated Date	Original Maturity Date	Interest Rates	Amount
5/1/2001	8/1/2010	5.500%	\$ 175,000
	8/1/2011	4.500%	185,000
	8/1/2012	4.600%	195,000
	8/1/2013	4.700%	200,000
	8/1/2014	4.750%	210,000
	8/1/2015	4.800%	220,000
	8/1/2016	4.850%	235,000
	8/1/2017	4.900%	245,000
	8/1/2019 ⁽¹⁾	5.000%	535,000
	8/1/2021 ⁽²⁾	5.000%	595,000
			<u>\$ 2,795,000</u>

The 2010 – 2017, 2019 and 2021 maturities will be redeemed prior to original maturity on February 1, 2011 at par.

- (1) Represents a Term Bond with mandatory sinking fund payments in 2018 and a final maturity in 2019.
(2) Represents a Term bond with mandatory sinking fund payments in 2020 and a final maturity in 2021.

Limited Tax Notes, Series 2008

Original Dated Date	Original Maturity Date	Interest Rates	Amount
6/17/2008	6/1/2015	0.969%	\$ 5,000,000
			<u>\$ 5,000,000</u>

The 2015 maturity will be redeemed prior to original maturity on July 10, 2010 at par

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APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

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ROCKWALL COUNTY

THE COUNTY . . . Rockwall County is a north central Texas county, a component of the Dallas Primary Metropolitan Statistical Area, and the smallest county in Texas. The County was created and organized in 1873 from Kaufman County, and was named for wall-like rock formations. The City of Rockwall (the "City") is the County Seat and principal commercial center in the County. Other cities and towns include Fate, Heath and McLendon-Chisholm. Royse City is partially located in the County, Hunt County and Collin County, while small portions of Rowlett and Wylie are predominantly located in Dallas and Collin Counties, respectively.

The Commissioners Court is comprised of the County Judge, who is the presiding officer, and four County Commissioners who hold the responsibility for the financial administration of the County. The Commissioners Court relies upon the County Auditor and County Treasurer for reporting and control of the County's finances. The Commissioners are elected for a four-year term to represent one of four precincts. Their tasks while they are in office is to approve the County's budget, set the County's tax rates, call elections, approve contracts and determine when to issue debt authorized by the voters of the County.

CITY OF ROCKWALL

LOCATION . . . The City of Rockwall, Texas, County Seat and principal commercial center of Rockwall County, is located 30 miles east of Dallas on Interstate Highway 30 and State Highways 66 and 205. Included in the City's corporate boundaries are 15.15 square miles of land. Lake Ray Hubbard, a major water supply facility for the City of Dallas, forms the City's western corporate limits.

ECONOMY . . . Development of primarily single-family residences have been stimulated by the City's prime location on the shores of Lake Ray Hubbard and its close proximity to the Dallas Metropolitan Area. A water supply provided by the North Texas Municipal Water District, an active Industrial Development Program and available industrial sites place the City in a favorable position for future commercial and industrial expansion.

The recreational facilities provided by Lake Ray Hubbard and accessibility to the Dallas Metropolitan Area have resulted in increased tourist trade and residential development in the City at a rapid rate. Population in the City has increased from 5,939 in 1980 to 17,050 in 2000. The 2010 estimated population is 35,348. In addition, office and retail development is continuing at a steady pace.

The City is accessible via Interstate Highway 30 and State Highways 66 and 205. The City is served by major bus and motor freight lines, and a municipal airport.

INDUSTRY AND BUSINESS . . . Listed below is a selection of businesses within Rockwall County per the Rockwall Economic Development Corporation (www.rockwalledc.org):

Company	Product	Estimated Number of Employees
Rockwall ISD	Education	1800
Royse City ISD	Education	780
Lake Pointe Medical Center	Hospital	700
Texas Star Express	Trucking	484
Wal-Mart Superstore	Retail Store	450
Rockwall County	Government	298
City of Rockwall	Government	205
Special Products & Mfg	Precision Sheet Metal	205
Target	Retail Store	200
Rockwall Nursing Home	Nursing Home	160
Kohl's Department Store	Retail Store	140
Home Depot	Retail Store	130
L3 Communications	Eng. Services & Software	110
Col-Met Spray	Automotive Spray Booth	100
Lowe's Home Centers	Retail Store	100
Kroger Food	Food Store	100
Emphysis Medical Management	Medical Billing	100

EDUCATIONAL FACILITIES . . . The County is served by both the Rockwall Independent School District and the Royse City ISD. The RISD consists of twelve elementary schools, three middle schools and two high schools. The present enrollment of the District is over 13,700 students and employs approximately 800 teachers. The RCISD consists of four elementary schools, two intermediate schools, one middle school and one high school. The present enrollment of the District is 4,400 students and employs approximately 530 teachers plus an additional 250 employees.

LABOR FORCE STATISTICS . . . Employment statistics for Rockwall County are as follows:

	Average Annual				
	2010 ⁽¹⁾	2009	2008	2007	2006
Civilian Labor Force	39,042	38,488	37,554	37,065	33,691
Total Employment	35,938	35,684	35,841	35,591	32,177
Total Unemployment	3,104	2,804	1,713	1,474	1,514
Percent Unemployment	7.95%	7.29%	4.56%	3.98%	4.49%

(1) Averages as of February 2010.

Source: Texas Workforce Commission.

APPENDIX B

EXCERPTS FROM THE
ROCKWALL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2009

The information contained in this Appendix consists of excerpts from the Rockwall County, Texas Annual Financial Report for the Year Ended September 30, 2009, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rockwall County, Texas (the "County"), as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2010, on our consideration of Rockwall County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 51 through 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rockwall County, Texas' basic financial statements. The introductory section and combining and individual nonmajor fund financial statements and schedules 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Patillo, Brown & Hill, LLP

May 7, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCKWALL COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the County of Rockwall, Texas' (the "County") Annual Financial Report presents a discussion and analysis of the County's financial performance during the fiscal year that ended September 30, 2009. Readers should consider the information in this section when reading the overall report, including the transmittal letter, financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

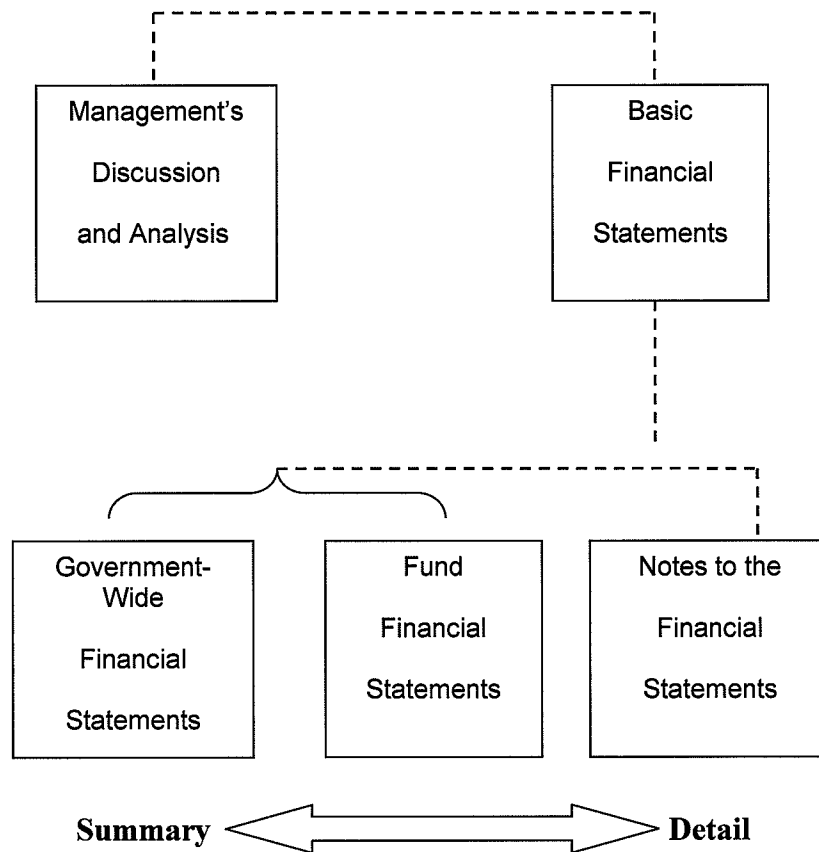
As illustrated in Figure A-1, the government-wide financial statements provide information about the County as a whole using the economic resources measurement focus and accrual basis of accounting.

- The assets of Rockwall County exceeded its liabilities at the close of the fiscal year by \$45,103,494 (net assets).
- The County's total net assets increased by \$5,801,207, not including prior period adjustments, due to increases in the government-type activities net assets.
- As of the close of the current fiscal year, Rockwall County's governmental funds reported combined ending fund balances of \$62,853,410, an increase of \$7,417,378, not including prior period adjustments, in comparison with the prior year. Approximately 43% of this total amount, or \$27,072,479, is available for spending of which \$6,077,690 must be spent for the purposes specified for the special purpose funds. Included in this amount is \$2,511,731 for the Road and Bridge Fund, and \$1,369,971 for the County Clerk's Record Management and Preservation Fund.
- At the end of the current fiscal year, unreserved, undesignated fund balance was \$20,994,789, or 97% of total General Fund expenditures.
- Rockwall County's total bonded debt increased by \$8,015,000 or 15% during the current fiscal year, reflecting issuance of \$10,620,000 in road bonds partially offset by amortization of existing debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Rockwall County.

Figure A-1
Required Components of
Rockwall County's Annual Financial Report



Basic Financial Statements

The first two statements (pages 14 and 15) in the basic financial statements are the *government-wide financial statements*. They provide both short and long-term information about the County's financial status.

The next statements (pages 16 through 24) are *fund financial statements*. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. After the notes, *supplemental information* is provided to show details about the County's individual funds. Budgetary information required by the general statutes also can be found in this part of the statements.

Government-wide Financial Statements – The government-wide financial statements, which begin on page 14 of this report, are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both the government-wide financial statements distinguish functions of Rockwall County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business activities). The governmental activities of the County include general government, public safety, judicial, and community services.

Fund Financial Statements – The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Rockwall, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the general statutes or the County's budget ordinance. All of the funds of the County of Rockwall, Texas can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County of Rockwall, Texas adopts an annual budget for its General Fund, as required by the general statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Commissioners' Court about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows three columns: (1) the final budget as amended by the Commissioners; 2) the actual resources, variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – are used to report the same functions presented as business-type activities in the government-wide financial statements. Rockwall County uses proprietary funds to account for its internal service activity. These funds are the same as those functions shown in the business-type activities in the in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds – are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Rockwall County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 23 and 24 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 to 50 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and budget to actual schedule for the General Fund. Required supplementary information can be found beginning on page 51 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54 to 66 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

The government-wide financial statements for the fiscal year ended September 30, 2009, continue the implementation of a new standard of financial reporting for Rockwall County, and many other units of government across the United States.

Figure A-2
ROCKWALL COUNTY'S NET ASSETS

	Governmental Activities	
	2009	2008
Current and other assets	\$ 70,543,156	\$ 59,815,185
Capital assets	<u>38,006,781</u>	<u>32,868,174</u>
Total assets	<u>108,549,937</u>	<u>92,683,359</u>
Long-term liabilities	60,587,137	52,500,053
Other liabilities	<u>2,859,306</u>	<u>2,881,019</u>
Total liabilities	<u>63,446,443</u>	<u>55,381,072</u>
Net assets:		
Invested in capital assets, net of related debt	13,714,108	12,633,499
Restricted	6,712,964	4,658,169
Unrestricted	<u>24,676,422</u>	<u>20,010,619</u>
Total net assets	\$ <u>45,103,494</u>	\$ <u>37,302,287</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition; Figure A-2 provides a one-year comparison. The total assets of Rockwall County exceeded liabilities by \$45,103,494 as of September 30, 2009. The County's net assets increased by \$5,801,207, excluding prior period adjustments of \$2,000,000, for the fiscal year ended September 30, 2009, [see Section IV.J in the notes for an explanation of these adjustments.] However, a large portion, 30.4% reflects the County's investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. Rockwall County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Rockwall County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

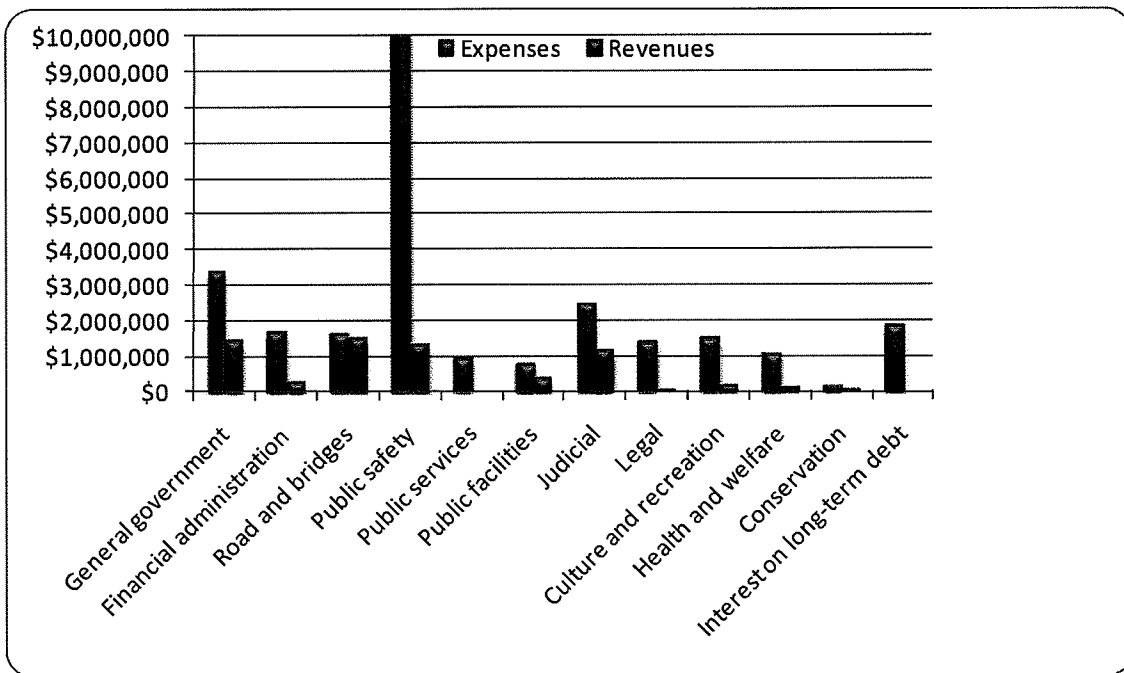
Analysis of the County's Operations – Figure A-3 provides a summary of the County's operations for the year ended September 30, 2009, and comparative data from 2008.

Figure A-3
ROCKWALL COUNTY'S NET ASSETS

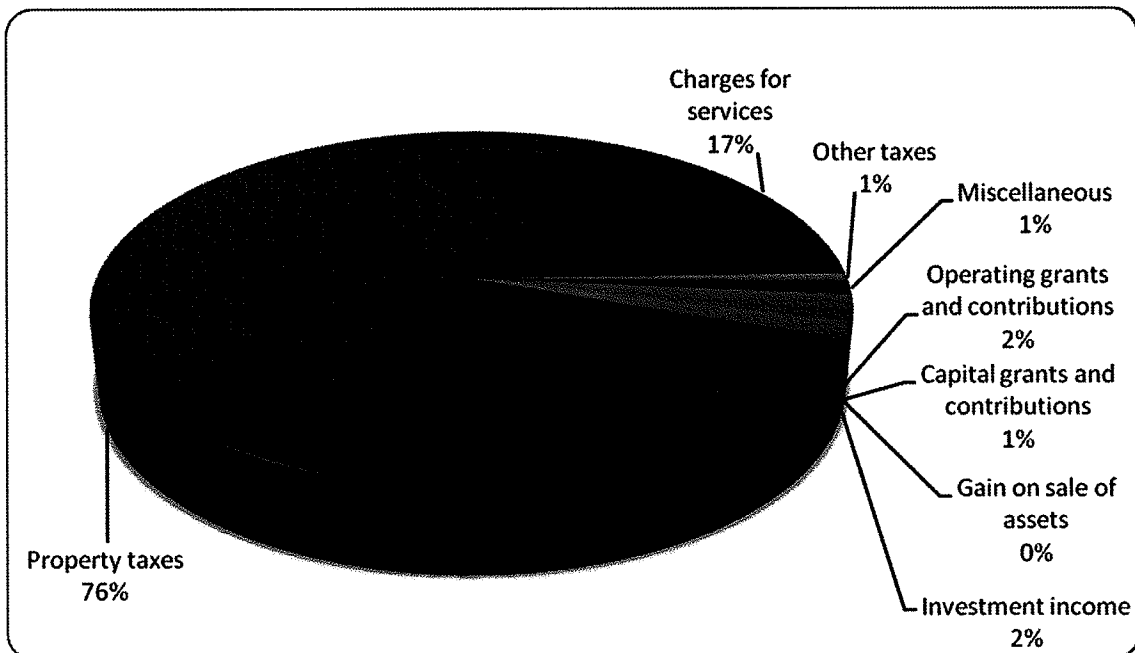
	Governmental Activities	
	2009	2008
REVENUES		
Program revenues:		
Charges for services	\$ 5,772,058	\$ 5,890,857
Operating grants and contributions	592,280	754,289
Capital grants and contributions	174,944	189,753
General revenues:		
Property taxes	25,376,377	22,540,006
Mixed drink taxes	207,816	179,886
Sales tax	234,794	272,014
Investment earnings	544,417	1,243,200
Gain on sale of assets	-	100,369
Miscellaneous	65,812	33,904
Total revenues	<u>32,968,498</u>	<u>31,204,278</u>
EXPENSES		
General government	3,430,482	4,911,158
Financial administration	1,712,324	1,437,998
Roads and bridges	1,647,367	1,692,275
Public safety	10,226,058	9,677,827
Public services	949,547	870,537
Public facilities	768,406	894,060
Judicial	2,481,227	2,371,285
Legal	1,406,330	1,289,152
Culture and recreation	1,498,637	1,316,823
Health and welfare	1,043,861	934,664
Conservation	143,294	117,413
Interest on long-term debt	1,859,758	1,184,575
Total expenditures	<u>27,167,291</u>	<u>26,697,767</u>
INCREASE IN NET ASSETS	5,801,207	4,506,511
NET ASSETS, BEGINNING	37,302,287	30,578,312
PRIOR PERIOD ADJUSTMENT	<u>2,000,000</u>	<u>2,217,464</u>
NET ASSETS, ENDING	<u>\$ 45,103,494</u>	<u>\$ 37,302,287</u>

Governmental-type Activities – Governmental-type activities increased the County's net assets \$5,801,207, thereby accounting for 100% of the total growth in the net assets of the County of Rockwall. Key elements of this increase are property tax revenues, which increased by \$2,836,371, or 12.6%.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Rockwall County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the Rockwall County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. Specifically, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Rockwall County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$20,994,789. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 97% of total General Fund expenditures.

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
- Courthouse Construction Fund
- Road Improvement Bond 2008 Fund
- Debt Service Fund

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

The County adopts an annual appropriated budget for most of its governmental funds. A budgetary comparison statement is provided for County governmental funds, where a budget is adopted, to demonstrate compliance with the approved budget. Budgetary comparison statements for major governmental funds are presented as required supplementary information in the basic financial statements.

General Fund Budgetary Highlights – During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were slightly more than the budgeted amounts mainly in the areas of fees and sales taxes. However, expenditures were generally in line with budgeted amounts.

Proprietary Funds – Currently, the County has only one type of proprietary fund – Internal Service. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County’s various functions. The services provided benefit the various government functions they support, which is why they have been included within governmental activities in the government-wide financial statements. The County uses Internal Service funds to account for the following activities:

- Insurance Claims
- Employee Benefits Paid

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

Fiduciary Funds – The County’s fiduciary fund consists of one trust fund and several agency funds. Agency funds are 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.

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

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

CAPITAL ASSETS

Rockwall County’s investment in capital assets for its governmental activities as of September 30, 2009, totals \$38,006,781 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- The County continued work on road improvements;
- The County initiated design efforts on its new Courthouse and budgeted for the Veteran’s Memorial to be constructed adjacent to the Courthouse.

ROCKWALL COUNTY'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities	
	2009	2008
Land and improvements	\$ 6,371,813	\$ 6,371,813
Machinery and equipment	6,842,732	7,074,117
Buildings	11,976,438	11,954,340
Infrastructure	5,289,180	5,289,180
Construction in progress	17,236,296	11,465,145
Less: accumulated depreciation	(9,709,678)	(9,286,421)
Total	<u>\$ 38,006,781</u>	<u>\$ 32,868,174</u>

Additional information on the County's capital assets can be found in Note C on pages 37 - 38.

DEBT ADMINISTRATION

Long-term Debt – As of September 30, 2009, Rockwall County had total bonded debt outstanding of \$59,943,922.

ROCKWALL COUNTY'S OUTSTANDING BONDS AS OF SEPTEMBER 30, 2009

	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of obligation and tax notes	\$ <u>52,045,000</u>	\$ <u>35,325,000</u>	\$ <u>27,310,000</u>	\$ <u>60,060,000</u>

Rockwall County's bonded debt increased by \$8,015,000 (15%) during the current fiscal year, reflecting issuance of \$10,620,000 in road bonds partially offset by amortization of existing debt.

GENERAL FUND BUDGET HIGHLIGHTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2010

Governmental Activities – Total property tax revenue estimates were moderately affected by the recession, resulting in only a modest increase in the portion allocated to the General Fund due to the tax rate remaining at \$0.3750 per \$100 assessed value. Revenues from fees, fines, forfeitures and investment earnings are projected to decline. As a result, the forecast total revenue projection declines slightly to \$24,396,254 versus the results for fiscal year 2009. Budgeted expenditures of \$27,197,285 reflect a 1.04% decline from fiscal year 2009 results due to management's challenge to reduce budgets in the face of the recession. The net result (revenues less expenditures) for the fiscal year 2010 was a deficit budget of approximately \$2.8 million. At midyear, the outlook is favorable.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning the information found in this report or requests for additional information should be directed to the Treasurer, or County Auditor, in Rockwall County, Texas.

ROCKWALL COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

ASSETS

Cash and investments	\$ 55,968,498
Receivables (net of allowance for uncollectibles)	1,696,647
Restricted assets:	
Cash and cash equivalents	10,048,113
Prepaid expense	63,292
Interest receivable	13,117
Deferred charges	718,033
Net pension asset	2,035,456
Capital assets:	
Non-depreciable	23,608,109
Depreciable (net)	<u>14,398,672</u>
Total assets	<u>108,549,937</u>

LIABILITIES

Accounts payable	1,330,888
Claims payable	183,351
Accrued liabilities	421,170
Due to others	15,502
Unearned revenue	261,611
Interest payable	646,784
Noncurrent liabilities:	
Due within one year:	
Certificates of obligation	240,000
Tax notes	2,042,556
Compensated absences	91,808
Due in more than one year:	
Certificates of obligation	2,335,000
Tax notes	55,326,366
Compensated absences	367,234
Net OPEB obligation	<u>184,173</u>
Total liabilities	<u>63,446,443</u>

NET ASSETS

Invested in capital assets, net of related debt	13,714,108
Restricted for:	
Roads and bridges	2,515,747
Debt service	631,258
Other purposes	3,565,959
Unrestricted	<u>24,676,422</u>
Total net assets	<u>\$ 45,103,494</u>

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

ROCKWALL COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in
					Net Assets
					Governmental Activities
Primary government					
Governmental activities:					
General government	\$ 3,430,482	\$ 1,279,907	\$ 91,026	\$ 76,622	\$(1,982,927)
Financial administration	1,712,324	290,981	-	-	(1,421,343)
Roads and bridges	1,647,367	1,504,285	-	-	(143,082)
Public safety	10,226,058	1,210,899	60,084	72,142	(8,882,933)
Public services	949,547	-	-	-	(949,547)
Public facilities	768,406	89,117	298,878	-	(380,411)
Judicial	2,481,227	1,127,793	45,200	-	(1,308,234)
Legal	1,406,330	21,902	36,390	-	(1,348,038)
Culture and recreation	1,498,637	154,347	11,988	26,180	(1,306,122)
Health and welfare	1,043,861	89,827	48,714	-	(905,320)
Conservation	143,294	3,000	-	-	(140,294)
Interest on long-term debt	<u>1,859,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,859,758)</u>
Total governmental activities	<u>27,167,291</u>	<u>5,772,058</u>	<u>592,280</u>	<u>174,944</u>	<u>(20,628,009)</u>
 Total primary government	 <u>\$ 27,167,291</u>	 <u>\$ 5,772,058</u>	 <u>\$ 592,280</u>	 <u>\$ 174,944</u>	 <u>(20,628,009)</u>
General revenues:					
Taxes:					
Property					25,376,377
Beverage					207,816
Other					234,794
Investment earnings					544,417
Miscellaneous					<u>65,812</u>
Total general revenues					<u>26,429,216</u>
 Change in net assets					5,801,207
 Net assets - beginning					<u>37,302,287</u>
 Prior period adjustment					<u>2,000,000</u>
 Net assets - ending					<u>\$ 45,103,494</u>

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

ROCKWALL COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2009

	General	Courthouse Construction	Road Improvements Bond 2008	Debt Service	Other Governmental Funds	Total
ASSETS						
Cash and investments						
Unrestricted	\$ 20,817,007	\$ 29,926,855	\$ 4,680,240	\$ -	\$ 544,396	\$ 55,968,498
Restricted	1,308,383	-	-	1,140,698	6,023,359	8,472,440
Receivables (net of allowances for uncollectibles)						
Taxes	644,529	-	-	136,912	33,712	815,153
Accounts	622,667	-	-	-	32,268	654,935
Interest	12,029	-	-	-	-	12,029
Due from other funds	40,962	-	-	932	-	41,894
Prepaid expenses	63,292	-	-	-	-	63,292
Total assets	\$ 23,508,869	\$ 29,926,855	\$ 4,680,240	\$ 1,278,542	\$ 6,633,735	\$ 66,028,241
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 981,008	\$ 183,451	\$ 85,779	\$ 500	\$ 80,150	\$ 1,330,888
Accrued liabilities	398,627	-	-	-	22,543	421,170
Accrued interest payable	-	-	-	125,543	-	125,543
Due to others	15,502	-	-	-	-	15,502
Deferred revenue	1,118,011	-	-	117,807	4,016	1,239,834
Due to other funds	932	-	-	-	40,962	41,894
Total liabilities	2,514,080	183,451	85,779	243,850	147,671	3,174,831
Fund balances:						
Reserved for:						
Debt service	-	-	-	1,034,692	-	1,034,692
Unreserved reported in:						
General fund	20,994,789	-	-	-	-	20,994,789
Special revenue funds	-	-	-	-	6,077,690	6,077,690
Capital projects funds	-	29,743,404	4,594,461	-	408,374	34,746,239
Total fund balances	20,994,789	29,743,404	4,594,461	1,034,692	6,486,064	62,853,410
Total liabilities and fund balances	\$ 23,508,869	\$ 29,926,855	\$ 4,680,240	\$ 1,278,542	\$ 6,633,735	\$ 66,028,241

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

ROCKWALL COUNTY, TEXAS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

AS OF SEPTEMBER 30, 2009

Total fund balances - governmental funds balance sheet	\$ 62,853,410
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,006,781
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	2,978,223
Long-term liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, NPO, and bonds payable), are not due and payable in the current period and are therefore not reported in the funds.	(60,354,889)
Internal Service Funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	<u>1,619,969</u>
Net assets of governmental activities in the Statement of Net Assets	\$ <u>45,103,494</u>

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

ROCKWALL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General	Courthouse Construction	Road Improvements Bond 2008	Debt Service	Other Governmental Funds	Total Governmental
REVENUES						
Property taxes	\$ 20,034,753	\$ -	\$ -	\$ 4,889,960	\$ 326,480	\$ 25,251,193
Beverage taxes	207,816	-	-	-	-	207,816
Fines and forfeitures	1,090,953	-	-	-	249,923	1,340,876
Other taxes	25,617	-	-	-	209,177	234,794
Fees and commissions	2,348,462	-	-	-	1,919,346	4,267,808
Intergovernmental	21,080	-	-	-	215,500	236,580
Election	-	-	-	-	59,014	59,014
Investment earnings	231,018	252,717	6,841	13,376	40,465	544,417
Grants	403,372	-	-	-	177,117	580,489
Donations	-	-	-	-	26,180	26,180
Miscellaneous	84,945	-	-	-	9,202	94,147
Total revenues	<u>24,448,016</u>	<u>252,717</u>	<u>6,841</u>	<u>4,903,336</u>	<u>3,232,404</u>	<u>32,843,314</u>
EXPENDITURES						
Current:						
General government	2,044,951	588,043	-	-	49,130	2,682,124
Financial administration	1,702,817	-	-	-	-	1,702,817
Commissioner expenses	381,276	-	-	-	-	381,276
Roads and bridges	-	-	9,500	-	1,381,412	1,390,912
Public safety	9,397,882	-	-	-	667,134	10,065,016
Public facilities	945,362	-	-	-	-	945,362
Public services	642,138	-	-	-	93,555	735,693
Judicial	2,397,850	-	-	-	20,416	2,418,266
Legal	1,375,908	-	-	-	40,597	1,416,505
Culture and recreation	1,325,414	-	-	-	181,749	1,507,163
Health and welfare	1,041,453	-	-	-	-	1,041,453
Conservation	145,075	-	-	-	-	145,075
Capital outlay	291,887	-	5,169,799	-	718,932	6,180,618
Debt service:						
Principal	-	-	-	3,155,000	-	3,155,000
Interest and fiscal charges	-	-	-	1,664,829	-	1,664,829
Bond issuance cost and fees	-	336,001	163,613	2,230	-	501,844
Total expenditures	<u>21,692,013</u>	<u>924,044</u>	<u>5,342,912</u>	<u>4,822,059</u>	<u>3,152,925</u>	<u>35,933,953</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,756,003</u>	<u>(671,327)</u>	<u>(5,336,071)</u>	<u>81,277</u>	<u>79,479</u>	<u>(3,090,639)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of long-term debt	-	24,705,000	10,620,000	-	-	35,325,000
Transfers in	-	-	-	14,465	1,154,274	1,168,739
Transfers out	(1,611,083)	(12,357)	(2,108)	(8,371)	(70,624)	(1,704,543)
Premium on issuance of bonds	-	58,132	103,605	-	-	161,737
Discount on issuance of bonds	-	(237,330)	(57,883)	-	-	(295,213)
Payment to bond refunding agent	-	(24,177,444)	-	-	-	(24,177,444)
Proceeds from sale of assets	23,209	-	-	-	6,532	29,741
Total other financing sources and uses	<u>(1,587,874)</u>	<u>336,001</u>	<u>10,663,614</u>	<u>6,094</u>	<u>1,090,182</u>	<u>10,508,017</u>
NET CHANGE IN FUND BALANCES	<u>1,168,129</u>	<u>(335,326)</u>	<u>5,327,543</u>	<u>87,371</u>	<u>1,169,661</u>	<u>7,417,378</u>
FUND BALANCES, BEGINNING	<u>19,826,660</u>	<u>30,078,730</u>	<u>(733,082)</u>	<u>947,321</u>	<u>5,316,403</u>	<u>55,436,032</u>
FUND BALANCES, ENDING	<u>\$ 20,994,789</u>	<u>\$ 29,743,404</u>	<u>\$ 4,594,461</u>	<u>\$ 1,034,692</u>	<u>\$ 6,486,064</u>	<u>\$ 62,853,410</u>

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

ROCKWALL COUNTY, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

AS OF SEPTEMBER 30, 2009

Net change in fund balances - total governmental funds	\$ 7,417,378
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,138,607
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	123,080
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,584,821)
Some expenses 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.	(148,717)
Internal service funds are used by management to charge the costs of health insurance to individual funds.	<u>855,680</u>
Change in net assets of governmental activities	<u>\$ 5,801,207</u>

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

ROCKWALL COUNTY, TEXAS

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS

SEPTEMBER 30, 2009

	<u>Governmental Activities Internal Service</u>
ASSETS	
Current assets:	
Receivables (net of allowances for uncollectibles)	\$ 226,559
Interest receivable	1,088
Restricted assets:	
Cash and cash equivalents	<u>1,575,673</u>
Total assets	<u>1,803,320</u>
LIABILITIES	
Current liabilities:	
Claims payable	<u>183,351</u>
Total liabilities	<u>183,351</u>
NET ASSETS	
Restricted	<u>1,619,969</u>
Total net assets	<u>\$ 1,619,969</u>

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

ROCKWALL COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Governmental Activities Internal Service</u>
OPERATING REVENUES	
Charges for services	\$ 2,791,445
Total operating revenues	<u>2,791,445</u>
OPERATING EXPENSES	
Insurance claims	1,884,858
Stop-loss insurance premiums	407,268
Administrative and other	<u>190,712</u>
Total operating expenses	<u>2,482,838</u>
OPERATING INCOME	<u>308,607</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	11,269
Transfers in	750,000
Transfers out	<u>(214,196)</u>
Total nonoperating revenues (expenses)	<u>547,073</u>
NET INCOME	<u>855,680</u>
NET ASSETS, BEGINNING	764,289
NET ASSETS, ENDING	<u>\$ 1,619,969</u>

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

ROCKWALL COUNTY, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Governmental Activities Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 2,564,886
Cash paid to employees	(192,226)
Cash paid to suppliers	(2,282,821)
Net cash provided by operating activities	<u>89,839</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers	<u>535,804</u>
Net cash provided by investing activities	<u>535,804</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>10,181</u>
Net cash provided by investing activities	<u>10,181</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	635,824
CASH AND CASH EQUIVALENTS, BEGINNING	<u>939,849</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,575,673</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 308,607
Change in assets and liabilities:	
Decrease (increase) in receivables	(226,559)
Increase (decrease) in accounts payable	(8,753)
Increase (decrease) in claims payable	18,058
Increase (decrease) in accrued liabilities	(1,514)
Total adjustments	<u>(218,768)</u>
Net cash provided by operating activities	<u>\$ 89,839</u>

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

ROCKWALL COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

SEPTEMBER 30, 2009

	Indigent Health Care Private-Purpose Trust	Agency Funds
ASSETS		
Cash and investments	\$ 183,796	\$ 3,441,605
Total assets	\$ 183,796	\$ 3,441,605
LIABILITIES		
Accounts payable	\$ 21,059	\$ -
Accrued expenses	2,624	-
Due to others	-	2,386,796
Due to other governments	-	1,054,809
Total liabilities	23,683	3,441,605
NET ASSETS		
Held in trust	160,113	-
Total net assets	\$ 160,113	\$ -

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

ROCKWALL COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Indigent Health Care Private-Purpose Trust
	<u>Trust</u>
ADDITIONS	
County contributions	\$ 225,000
Interest earnings	<u>2,615</u>
Total additions	<u>227,615</u>
DEDUCTIONS	
Administrative expenses	<u>319,682</u>
Total deductions	<u>319,682</u>
CHANGES IN NET ASSETS	(92,067)
NET ASSETS, BEGINNING	<u>252,180</u>
NET ASSETS, ENDING	<u>\$ 160,113</u>

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

ROCKWALL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Rockwall County (the "County") reflected in the accompanying financial statements conform to Generally Accepted Accounting Principles (GAAP). The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The most significant accounting and reporting policies of the County are described in the notes to the financial statements.

A. Reporting Entity

Rockwall County (the "County") was founded in 1873 and operates under the laws of the State of Texas and subsequent court orders providing the following services: public safety (law enforcement and detention facilities, contracts for fire and ambulance service), public welfare (social services, public health), highways and streets, judicial administration and records, library, public improvements, and general administrative services.

The accompanying financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. We have adopted the provisions of Statement No. 39 of the Governmental Accounting Standards Board, *Determining Whether Certain Organizations are Component Units*, an amendment of Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, as of September 30, 2009. There are no organizations that meet the requirements of GASB 39 which require inclusion in the basic financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. The County has no business-type activities.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 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 among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, proprietary, and fiduciary fund 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. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The primary revenue sources susceptible to accrual are property taxes, which are recognized as deferred revenue until cash is received, and grant income, which is accrued when the legal and contractual requirements of the individual programs are met. Expenditures are recorded when incurred. However, expenditures for principal and interest on general long-term debt, compensated absences, and claims and judgments are recorded when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

The Courthouse Construction Fund accounts for the design, construction and equipping of the new Rockwall County Justice Center. Tax notes were issued to finance this project.

The Road Improvements Bond 2008 Fund accounts for the planning, engineering and construction of roads within Rockwall County. Bonds will be issued to finance this project.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the County reports the following fund types:

Internal Service Funds account for the County's self-insurance program and employees benefit fund.

The Private-purpose Trust Fund is used to account for resources legally held in trust by a not-for-profit organization devoted to providing indigent health care. All resources of the fund may be used for the organization's activities.

Agency Funds are used to report resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as *program* revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenue includes all taxes.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

D. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows for the proprietary fund types, the County considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are reported at fair value, and the changes in the fair value of investments are recognized as investment revenue.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." The effect of interfund activity has been eliminated from the government-wide financial statements. All trade and property tax receivables are shown net of an allowance for uncollectibles.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are recorded at estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements which extend asset lives are capitalized and depreciated over the useful lives of the related assets, as applicable. Capital assets are capitalized if they have an original cost of \$5,000 or more and an expected useful life of over one year. When property or equipment is retired from service or otherwise disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is reported in the statement of activities.

Infrastructure capital assets, such as streets, built and/or acquired since fiscal year 1960 are included.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

<u>Assets</u>	<u>Years</u>
Infrastructure	10 - 40
Buildings	10 - 40
Improvements	5 - 40
Equipment	5 - 10

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Bond Issuance Costs

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period in the fund financial statements. Bond proceeds are reported as an "other financing source." Bond issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. In the government-wide financial statements, issuance cost are reported as deferred charges and amortized over the life of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

Compensated Absences

A liability for unused paid time off 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).

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Compensated Absences (Continued)

County employees earn annual leave up to a maximum of 20 days per year based on months of service. Fulltime regular employees earn 10 days of sick leave per year. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the County. Employees who have been employed for a year or more are eligible to be paid for all unused annual leave at their regular rate of pay upon termination of employment. Vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

Reserves of Fund Equity

In the fund financial statements, governmental funds report reservations for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Property Taxes

Property subject to taxation is real property and certain personal property situated in the County. Certain properties of religious, educational and charitable organizations are exempt from taxation. In addition, other special exemptions are allowed by the Commissioners' Court of the County.

The County's ad valorem taxes are levied and become a legal enforceable claim, on October 1 on 100% of assessed valuation at a rate of \$.3750 (\$.3016 for the maintenance and operations and \$.0734 for interest and sinking fund) per \$100 valuation as of the preceding January 1. These taxes are due and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. Taxes paid after February 1 of each year are subject to interest and penalty charges.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Property Taxes (Continued)

The County's taxes on real property are a lien (as of the date of levy) against such property until paid. The County may foreclose on real property upon which it has a lien for unpaid taxes. Delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title to the property.

Any liens and subsequent suits against the taxpayer for payment of delinquent personal property taxes are barred unless instituted within four years from the time such taxes became delinquent. Unlike real property, the sale or transfer of most personal property does not require any evidence that taxes thereon are paid.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The County Judge serves as the budget officer for the Commissioners' Court and submits the annual budget for approval where the legal level of control is by category. Amendments to the budget and additional appropriations must be approved by Commissioners' Court. Following is a summary of the budget calendar:

- The proposed budget is filed with the County Clerk and made available for public inspection.
- The Commissioners' Court holds a public hearing on the proposed budget and subsequently makes changes and approves the budget including the adoption of a property tax levy which is effective on October 1 preceding the beginning of the fiscal year.

(continued)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

- The approved budget is filed with the County Clerk.
- During the course of the budget year, it may be necessary to amend the budget. The Commissioners' Court may, by order, authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonable diligent thought and attention. The Commissioners' Court may issue an order to amend the budget by transferring an amount budgeted for one line item to another budgeted line item without authorizing an emergency expenditure.

To provide for a more meaningful budgetary comparison, the County's financial schedules of revenue and expenditures (budget versus actual) recognizes only the actual lease payments made on new capital leases, rather than recognizing the full acquisition price of the capital lease as both an expenditure and as an other financing source.

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bond payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets." The details of this \$(60,354,889) difference are as follows:

Certificates of obligation	\$(2,575,000)
Tax notes	(57,485,000)
Discounts on bonds	116,078
Accrued interest payable	(521,241)
Compensated absences	(459,042)
Deferred charge for bond issuance costs	718,033
Net OPEB obligation	(148,717)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$(60,354,889)

(continued)

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

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental fund and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$5,138,607 difference are as follows:

Capital outlay	\$ 6,171,934
Capital asset retirements	(48,331)
Depreciation expense	(984,996)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>5,138,607</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$123,080 difference are as follows:

Property taxes	\$ 125,184
Adjudicated fines	(2,104)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>123,080</u>

(continued)

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

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

Another element of that reconciliation states, "The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(7,584,821) difference are as follows:

Principal repayments	\$ 3,155,000
Interest payable	(155,649)
Limited tax notes proceeds	(35,325,000)
Bond discount/premium	133,476
Bond refunding	24,155,000
Deferred charges	473,739
Compensated absences	(21,387)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(7,584,821)</u>

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

State statutes authorize the County to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (b) secured by obligations that are described by (1) – (4); (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with a third party selected or approved the County, and placed through a primary government securities dealer.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Following are the County's investments at September 30, 2009:

	Fair Value	Weighted Average Maturity (Days)
TexPool	\$ 4,574,425	44
MBIA Class	7,810,319	41
TexStar	1,892,999	46
LOGIC	42,630,145	56
Fannie Mae	2,000,000	485
Federal Home Loan Bank	4,750,000	499
Total investments	<u>\$ 63,657,888</u>	

Investment pools are not categorized as to investment risk since specific securities relating to the government cannot be identified. Investments in 2a7-like pools are valued based upon the value of pool shares. No investments are reported at amortized cost. The County currently invests in three 2a7-like pools, the Texas Local Government Investment Pool (TexPool), Texas Short Term Asset Reserve Program (TexStar), and the Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS).

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

MBIA CLASS was created under the Texas Government Code Ch. 2256. Municipal Investors Service Corporation (MBIA) is the plan administrator. The Custodian and the Board of Trustees shall conduct the trust's activities. The Board of Trustees shall be made up of all the Trustees elected by the participants. The fair value of the County's position in these pools is the same as the value of the pool shares.

J. P. Morgan Fleming Asset Management (USA), Inc. ("JPMFAM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexStar under an agreement with the TexStar board of directors. JPMFAM provides investment service and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by J.P. Morgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services Co. TexStar bylaws provide for a five-member board of directors consisting of three representatives of participants and one member designated by each of the co-administrators.

Interest Rate Risk. As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities not exceed two years for all investment types.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2009, \$5,547,495 of the County's \$6,768,212 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance of \$1,220,717 was covered by FDIC insurance.

Credit Risk. State law and county policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The County's investments as of September 30, 2009, were rated as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>
TexPool	AAAm	Standard & Poor's
MBIA Class	AAA/V1+	Fitch
TexStar	AAAm	Standard & Poor's
LOGIC	AAAm	Standard & Poor's

B. Receivables and Deferred Revenues

Receivables as of year-end for the County's individual major funds and nonmajor funds including the applicable allowances for uncollectible accounts, as follows:

	<u>Governmental Funds</u>			
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 839,772	\$ 157,851	\$ 35,344	\$ 1,032,967
Adjudicated fines	1,915,899	-	-	1,915,899
Accounts	330,938	-	-	330,938
Interest	<u>12,029</u>	<u>-</u>	<u>32,268</u>	<u>44,297</u>
Gross receivables	3,098,638	157,851	67,612	3,324,101
Less: allowance for uncollectibles	<u>1,819,413</u>	<u>20,939</u>	<u>1,632</u>	<u>1,841,984</u>
Net total receivables	<u>\$ 1,279,225</u>	<u>\$ 136,912</u>	<u>\$ 65,980</u>	<u>\$ 1,482,117</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables and Deferred Revenues (Continued)

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

	<u>Unavailable</u>	<u>Unearned</u>
General fund:		
Delinquent property taxes receivable	\$ 559,671	\$ -
Adjudicated fines receivable	291,729	-
Grant drawdowns prior to meeting all eligibility requirements	-	261,460
Other	<u>5,151</u>	<u>-</u>
Total general fund	<u>856,551</u>	<u>261,460</u>
Debt service:		
Delinquent property taxes receivable	<u>117,807</u>	<u>-</u>
Total debt service	<u>117,807</u>	<u>-</u>
Other governmental funds:		
Delinquent property taxes receivable	<u>4,016</u>	<u>-</u>
Total other governmental funds	<u>4,016</u>	<u>-</u>
Total governmental funds	<u>\$ 978,374</u>	<u>\$ 261,460</u>

C. Capital Assets

Capital assets are recorded at cost or, if donated, at fair value at the date of receipt. In accordance with GASB 34, depreciation policies were adopted to include useful lives and classification by function. Infrastructure assets are valued in two ways: either actual historical cost where the amount can be determined from existing records or using current cost deflated to the year of construction. Once the historical cost is determined, regardless of how it is determined, the asset is then depreciated over its useful life.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Capital asset activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Prior Period Adjustment	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 6,371,813	\$ -	\$ -	\$ -	\$ 6,371,813
Construction in progress	11,465,145	5,771,151	-	-	17,236,296
Total assets not being depreciated	17,836,958	5,771,151	-	-	23,608,109
Capital assets, being depreciated:					
Buildings and improvements	11,954,340	22,098	-	-	11,976,438
Infrastructure	5,289,180	-	-	-	5,289,180
Machinery and equipment	7,074,117	378,685	(610,070)	-	6,842,732
Total capital assets being depreciated	24,317,637	400,783	(610,070)	-	24,108,350
Less accumulated depreciation:					
Buildings and improvements	3,790,785	316,279	-	-	4,107,064
Infrastructure	1,270,670	106,030	-	-	1,376,700
Machinery and equipment	4,224,966	562,687	561,739	-	5,349,392
Total accumulated depreciation	9,286,421	984,996	561,739	-	10,833,156
Total capital assets being depreciated, net	15,031,216	(584,213)	(48,331)	-	14,398,672
Governmental activities capital assets, net	\$ 32,868,174	\$ 5,186,938	\$ (48,331)	\$ -	\$ 38,006,781

Depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:	
General government	\$ 390,345
Financial administration	17,644
Roads and bridges	260,523
Public safety	241,702
Public facilities	5,365
Public services	35,917
Judicial	16,708
Legal	3,043
Culture and recreation	11,583
Health and welfare	2,166
Total depreciation expense - governmental activities	\$ 984,996

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables/Payables and Transfers

The composition of interfund balances as of September 30, 2009, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 40,962
Debt service	General	932
		<u>\$ 41,894</u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made; and unsettled overdrafts of pooled cash which will be removed by rebalancing the funds' share of pooled cash and investments.

The following schedule briefly summarizes the County's transfer activity:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
Debt service	Courthouse construction	\$ 12,357
Debt service	Road Improvements Bond 2008	2,108
Nonmajor governmental	General	861,083
Enterprise	General	750,000
Nonmajor governmental	Nonmajor governmental	70,624
Nonmajor governmental	Enterprise	214,196
Nonmajor governmental	Debt service	8,371
		<u>\$ 1,918,739</u>

Transfers are used to: 1) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and 2) move unrestricted revenues collected in Special Revenue Funds to the General Fund.

E. Long-term Liabilities

The County issues general obligation bonds and tax notes to finance major capital projects. General obligations debt, certificates of obligation and contractual obligations are generally payable from property tax revenues. All other obligations, including capital leases and compensated absences, are payable from revenues of the General Fund.

Certificates of Obligation

The County periodically sells issues of certificates of obligation. Detailed information on outstanding certificates of obligation follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Due Within One Year</u>
\$4,500,000 Certificates of Obligation, Series 1998	01/15/98	3.8% - 4.6%	\$ 2,575,000	\$ 240,000

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Liabilities (Continued)

Certificates of Obligation, Series 1998, in the amount of \$4,500,000 were issued for the purpose of constructing, improving, renovating, expanding, and equipping county jail facilities. Principal maturities will occur annually in August of each year. Interest payments occur semi-annually in February and August ranging from 4% - 4.75%. The final principal and interest payment is due on August 15, 2018.

The requirements to amortize all certificates of obligation outstanding, as of September 30, 2009, are as follows:

Fiscal Year Ending September 30,	Certificates of Obligation		
	Principal	Interest	Total
2010	\$ 240,000	\$ 118,803	\$ 358,803
2011	250,000	108,242	358,242
2012	260,000	97,118	357,118
2013	270,000	85,417	355,417
2014	285,000	73,132	358,132
2015 - 2018	<u>1,270,000</u>	<u>153,917</u>	<u>1,423,917</u>
Total	<u>\$ 2,575,000</u>	<u>\$ 636,629</u>	<u>\$ 3,211,629</u>

Tax Notes

	Date of Issue	Interest Rate	Principal Balance	Due Within One Year
\$3,900,000 permanent improvements limited tax notes, Series 2001	05/01/01	4.8%	\$ 2,795,000	\$ 175,000
\$850,000 limited tax notes Series 2003	12/02/03	2.85%	155,000	155,000
\$950,000 limited tax notes Series 2004	11/04/04	3.51%	345,000	170,000
\$550,000 limited tax notes Series 2005	11/30/05	3.85%	300,000	95,000
\$11,500,000 limited tax notes Series 2007	06/18/07	4.0% - 4.037%	10,910,000	400,000
\$1,250,000 limited tax notes Series 2007	09/18/07	3.75% - 4.03%	920,000	170,000
\$30,000,000 limited tax notes Series 2008	06/17/08	2.62%	5,000,000	-
\$2,000,000 limited tax notes Series 2008A	09/25/08	4.09%	1,735,000	260,000
\$24,705,000 tax refunding note Series 2009	02/01/09	2.00%-5.00%	24,705,000	455,000
\$10,620,000 limited tax note Series 2009	02/01/09	2.75%-5.25%	<u>10,620,000</u>	<u>185,000</u>
			<u>\$ 57,485,000</u>	<u>\$ 2,065,000</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Liabilities (Continued)

Tax Notes (Continued)

The \$3,900,000 Limited Tax Notes, Series 2001, were issued for the purpose of acquiring land for a building to house the courts and expansion of the Criminal Justice and Detention Center and the purchase of land for a new library and library improvements. Principal maturities will occur annually beginning August 2002. Interest payments occur semi-annually in February and August ranging from 4.5% to 5.0%. The final principal and interest payment is due August 2021.

The \$850,000 Limited Tax Notes, Series 2003, were issued for the purpose of purchasing equipment for "general county purposes" consisting principally of filing cabinets, shelving, and other storage equipment. Principal maturities will occur annually beginning in February 2005. Interest payments occur semi-annually in February and August at 2.85%. The final principal and interest payment is due February 2010.

The \$950,000 Limited Tax Notes, Series 2004, were issued for the purpose of purchasing five public safety vehicles, a vehicle for the County Health Department, equipment for Road and Bridge, expansion of the County jail, and other capital equipment purchases for general County purposes. Principal maturities will occur annually beginning February 2006. Interest payments occur semi-annually in February and August at 3.51%. The final principal and interest payment is due February 2011.

The \$550,000 Limited Tax Notes, Series 2005, were issued for the purpose of (a) acquisition of (1) book binding machine, computer equipment and software, courtroom equipment and software, information systems, storage equipment and facilities and furniture and furnishing several offices, (2) GPS navigation system for 911 Coordinator, (3) vehicles and cleaning equipment for maintenance and operations, (4) vehicles for Sheriff's Department and Jail, and (5) trucks for road and bridge; (b) construction improvements to County Clerk's office courtrooms, and indigent health care offices and to pay the costs of issuance fees of the Notes. Principal maturities will occur annually beginning in February 2007. Interest payments will occur semi-annually in February and August at 3.85%. The final principal and interest payment is due February 2012.

The \$11,500,000 Permanent Improvement Limited Tax Notes, Series 2007, were issued for the purpose of designing constructing and equipping of a new 52,000 square foot library. Principal maturities will occur annually beginning in February 2008. Interest payments will occur semi-annually in February and August with a range of 4.0% - 4.375%. The final principal and interest payment is due February 2027.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Liabilities (Continued)

Tax Notes (Continued)

The \$1,250,000 Limited Tax Notes, Series 2007, were issued for the purpose of purchasing computer equipment and software, audio/video equipment, security equipment, information systems, courtroom equipment, technology upgrades, office equipment, furniture and furnishing for County offices, voter election management system, voting registration card imaging, vehicles for Public Safety Departments, vehicles and equipment for road and bridge, construction of holding cells for County Court at Law and District Court, and acquisition of land and improvements for expansion for the jail and other county facilities. Principal maturities will occur annually beginning in February 2008. Interest payments will occur semi-annually in February and August with a range of 3.75% - 4.03%. The final principal and interest payment is due February 2014.

The \$30,000,000 Limited Tax Notes, Series 2008, were issued for the purpose of paying contractual obligations to be incurred in connection with designing, constructing, and equipping a County Justice Center including the payment of the costs of issuance of the notes. The notes shall mature annually on June 1 beginning in the year 2009 and ending in the year 2015. Interest payments will occur annually on June 1 beginning in the year 2009 and ending in the year 2015 based on a variable rate currently estimated to be 2.99% over a three-year average.

The \$2,000,000 Limited Tax Notes, Series 2008A, were issued for the purpose of paying contractual obligations to be incurred in connection with acquiring, remodeling, improving, and equipping the Rockwall County Services Building located at 915 Whitmore Drive in Rockwall, Texas including the payment of the costs of issuance of the notes. The notes shall mature annually on February 1 beginning in the year 2009 and ending in the year 2015. Interest payments will occur semi-annually on February 1 and August 1 beginning in the year 2009 and ending February 1, 2015, at an annual rate of 4.09%.

The \$24,705,000 Limited Tax Refunding Bonds – Series 2009, were issued to liquidate all but \$5,000,000 of the \$30,000,000 Tax Notes Series 2008 for the purpose of extending the amortization period to 25 years instead of the shorter seven-year period associated with the \$30M Tax Notes 2008 bonds. This action had the effect of reducing the annual debt service associated with the liability and did not affect the original purpose of the funds, which is to pay for the construction of a new courthouse for the County. It is intended that the unamortized portion of the remaining \$5M will also be refunded for the same purpose.

\$10,620,000 Unlimited Tax Road Bonds – Series 2009, were issued for the purpose of funding road improvement projects authorized by the voters in the 2004 \$17.250M Road Bond Authorization and the 2008 \$100M Road Bond Authorization. The proceeds were split with \$8.120M allocated to projects authorized by the 2004 bond issue and \$2.500M was allocated to projects authorized by the 2008 bond issue.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Liabilities (Continued)

Tax Notes (Continued)

The requirements to amortize all tax notes outstanding, as of September 30, 2009, are summarized as follows:

Fiscal Year Ending September 30,	Tax Notes		
	Principal	Interest	Total
2010	\$ 2,065,000	\$ 2,558,429	\$ 4,623,429
2011	2,235,000	2,302,407	4,537,407
2012	2,140,000	2,081,588	4,221,588
2013	2,095,000	2,005,019	4,100,019
2014	2,185,000	1,921,082	4,106,082
2015-2019	14,810,000	8,423,292	23,233,292
2020-2024	10,680,000	6,298,381	16,978,381
2025-2029	10,715,000	3,858,491	14,573,491
2030-2034	10,560,000	1,393,750	11,953,750
Total	\$ 57,485,000	\$ 30,842,439	\$ 88,327,439

F. Changes in Long-term Debt

The following is a summary of long-term debt transactions of the County for the fiscal year ended September 30, 2009:

Description	Amounts Outstanding September 30, 2008	Issued	Retired	Refunded	Amounts Outstanding September 30, 2009	Due Within One Year
Certificates of obligation	\$ 2,805,000	\$ -	\$ 230,000	\$ -	\$ 2,575,000	\$ 240,000
Tax notes	49,240,000	35,325,000	2,925,000	24,155,000	57,485,000	2,065,000
Bond premiums/discounts	17,398	(132,509)	967	-	(116,078)	(22,444)
Compensated absences	437,655	473,933	452,546	-	459,042	91,808
Net OPEB obligation	-	184,173	-	-	184,173	-
	<u>\$ 52,500,053</u>	<u>\$ 35,850,597</u>	<u>\$ 3,608,513</u>	<u>\$ 24,155,000</u>	<u>\$ 60,587,137</u>	<u>\$ 2,374,364</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Pension Plans

Defined Benefit Plan – Texas County and District Retirement System (TCDRS)

Plan Description

Rockwall County provides retirement, disability, and death benefits for all of its regular fulltime and part-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer retirement system consisting of 586 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

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

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

Funding Policy

The employer has elected the annually determined contribution rate (Variable Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the required contribution rate of the employer is actuarially determined annually. The employer may contribute at an elected contribution rate that is higher. For the fiscal year 2009, the employer contributes at an elected rate of 9.0% verses the required rate of 6.36%.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Pension Plans (Continued)

Defined Benefit Plan – Texas County and District Retirement System (TCDRS) (Continued)

Plan Description (Continued)

The deposit rate payable by the employee members for calendar year 2009 is the rate of 7% as adopted by the Commissioners' Court of the County. The employee deposit rate and the employer deposit rate may be changed by the Commissioners' Court of the County within the options available in the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ended September 30, 2009, the annual pension cost for the TCDRS plan for its employees was \$1,141,902, and the actual contributions were \$1,141,902. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2007 and December 31, 2006, the basis for determining the contribution rates for calendar years 2009 and 2008. The December 31, 2008, actuarial valuation is the most recent valuation.

Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, closed
Amortization period	7.4	30	4.8
Asset valuation method	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.3%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend Information for the Retirement Plan for the Employees of Rockwall County

Fiscal year	2007	2008	2009
Annual required contribution (ARC)	\$ 876,568	\$ 1,038,716	\$ 1,141,902
Interest on net pension obligation	-	-	(160,000)
Adjustment to ARC	-	-	124,544
Annual pension cost	876,568	1,038,716	1,106,446
Contributions made	(876,568)	(3,038,716)	(1,141,902)
Net pension obligation (asset), beginning of year	-	-	(2,000,000)
Change in net pension obligation (asset)	-	(2,000,000)	(35,456)
Net pension obligation (asset), end of year	\$ -	\$(2,000,000)	\$(2,035,456)
Percentage of APC contributed	100.0%	292.5%	103.2%

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Pension Plans (Continued)

Defined Benefit Plan – Texas County and District Retirement System (TCDRS) (Continued)

Annual Pension Cost (Continued)

Schedule of Funding Progress for the Retirement Plan For the Employees of Rockwall County

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2006	\$ 15,868,908	\$ 17,491,389	\$ 1,622,481	90.72%	\$ 9,681,214	16.76%
2007	19,635,206	19,403,683	(231,523)	101.19%	10,467,796	(2.21%)
2008	20,062,445	21,573,217	1,510,772	93.00%	11,896,462	12.70%

- 1) The annual covered payroll is based on the employee contributions received by TCDRS for the year ended with the valuation date.
- 2) Revised economic and demographic assumptions due to an experience review were reflected in this valuation.

H. Other Post-retirement Health Care Benefits

The County provides certain health care and life insurance benefits, under county policy, for all active employees upon retirement that meet one of the following requirements: age 60 with 8 or more years of service, at least 30 years of service at any age, or a combined age plus service of at least 75.

A retiree may choose to receive health care coverage through the County's self-insured plan if retiring prior to age 65 or the retiree may choose to obtain coverage through the CountyChoice Silver plan offered by Texas Association of Counties if retiring at age 65 or older. As noted, it is the retiree's option to choose either based upon age and other qualifying requirements when retirement occurs. The retiree is free to choose an independent plan for coverage. To offset the cost of health care coverage, the County provides a \$200 monthly stipend to qualified retirees. Spouses are not eligible for the stipend unless they are also qualified County retirees. The stipend applies to both pre-65 and post-65 retirees. The stipend benefit is subject to approval by the Commissioners' Court on an annual basis. The stipend benefit has been offered to qualified retirees since 2002, although amounts have changed over time.

Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis. During the year, post-retirement health care benefits paid by the County were \$36,827.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Post-retirement Health Care Benefits

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The County's annual OPEB cost for the current year and the related information is listed below:

Annual Required Contribution (ARC)	\$ 221,000
Interest on Net OPEB Obligation	-
Adjustment to the ARC	-
Annual OPEB Cost	221,000
Employer Contributions with Interest	(36,827)
Increase (Decrease) in Net OPEB Obligation	184,173
Net OPEB Obligation, beginning of year	-
Net OPEB Obligation, end of year	<u>\$ 184,173</u>

Expenses for post-retirement health care benefits are funded on a pay-as-you-go basis.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.5% discount rate, and level percent of pay amortization).

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
09/30/09	\$ 221,000	\$ 36,827	17%	\$ 184,173

Funding Status and Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (AAL) (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>
09/30/08	\$ -	\$ 1,593,000	\$ 1,593,000	- %	\$ -

This is the year of implementation for GASB Statement No.45 for the County. Accordingly, the two previous years of funding status and funding progress are not available.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Post-retirement Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

The actuarial methods and significant assumptions used are as follows:

Actuarial Valuation Date	09/30/2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Payroll Growth Rate	3%
Projected Salary Increases	4%
General Inflation Rate	3%
Healthcare cost trend rate	11%
The number of active members is assumed to remain constant in the future	

(continued)

IV. OTHER INFORMATION (Continued)

J. Prior Period Adjustments

In the government-wide financial statements an adjustment was made to correct a lump sum payment the County made to Texas County and District Retirement System (TCDRS) towards the County's unfunded actuarial accrued liability. The result of this payment should have created a net pension asset in the financial statements. As a result, this adjustment increased beginning net assets by \$2,000,000.

K. Health Care Coverage (Self-insured Plan)

During the year ended September 30, 2009, employees of the County were covered by a health insurance plan (the "Plan"). The County contributed \$10,030 per year per employee. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid into the County's Insurance Trust Fund. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

L. Self-insurance Coverage

The County is exposed to various risks of loss in its normal daily operations. These risks include tort claims, theft/damage of county assets, errors and omissions, and natural disasters. The County has established a separate self-insurance fund (Internal Service) to account for these operations.

M. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the County carries commercial insurance. The County participates in a risk management program through Texas Association of Counties for workers' compensation coverage. The County currently provides health benefits for its employees.

The County has not had any significant reductions in insurance coverage from coverage in the prior year. The amount of settlements has not exceeded insurance coverage in any of the previous three years.

N. Commitments and Contingencies

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and, accordingly, no provision for losses has been recorded.

(continued)

IV. OTHER INFORMATION (Continued)

N. Commitments and Contingencies (Continued)

The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2009, may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Form of Bond Counsel Opinion]

[Closing Date]

\$8,815,000

ROCKWALL COUNTY, TEXAS
LIMITED TAX REFUNDING BONDS,
SERIES 2010

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

ROCKWALL COUNTY, TEXAS LIMITED TAX REFUNDING BONDS,
SERIES 2010, dated May 1, 2010.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Commissioners Court of the Issuer authorizing their issuance (the “Order”).

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

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

mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds, customary certificates of officers, agents and representatives of the Escrow Agent, the Issuer, and other public officials, and other certified showings relating to the authorization and issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the obligations being refunded. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer;
- (B) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations pursuant to sufficient funds being deposited with the Escrow Agent, and, therefore, such Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds deposited with the Escrow Agent; and
- (C) A continuing ad valorem tax upon all taxable property within Rockwall County, Texas, necessary to pay the interest on and principal of the Bonds, has been levied and pledged irrevocably for such purposes, within the limits prescribed by law, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitations.

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

IT IS OUR FURTHER OPINION THAT:

- (1) Interest on the Bonds is excludable from gross income of the owners for federal income tax purposes under existing law; and
- (2) The Bonds are not “private activity bonds” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds may be included in the “adjusted current earnings” of a corporation (other than an S corporation, regulated investment

company, REIT, or REMIC) for purposes of computing its alternative minimum tax.

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

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

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

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the

Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

[Form of Bond Counsel Opinion]

[Closing Date]

\$2,460,000

ROCKWALL COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS,
SERIES 2010

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

ROCKWALL COUNTY, TEXAS UNLIMITED TAX ROAD BONDS,
SERIES 2010, dated May 1, 2010.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Commissioners Court of the Issuer authorizing their issuance (the “Order”).

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

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, which contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer, and other public officials, and other certified showings relating to the authorization and issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the obligations being refunded. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer; and
- (B) A continuing ad valorem tax upon all taxable property within Rockwall County, Texas, necessary to pay the interest on and principal of the Bonds, has been levied and pledged irrevocably for such purposes, without limit as to rate or amount, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitations.

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

IT IS OUR FURTHER OPINION THAT:

- (1) Interest on the Bonds is excludable from gross income of the owners for federal income tax purposes under existing law; and
- (2) Interest on the Bonds is not (A) a specific preference item subject to the alternative minimum tax on individuals and corporations or (B) included in a corporation's adjusted current earnings for purposes of the alternative minimum tax.

In providing such opinions, we have relied on representations of the Issuer, the Issuer's financial advisors and the underwriters of the Bonds with respect to matters solely within the knowledge of the Issuer, the Issuer's financial advisors and the underwriters, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Order pertaining to those sections of the Internal Revenue Code of 1986, as amended, that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing provisions of the Order, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

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

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

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the “Service”); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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