Collin County, Texas

December 31, 2008

Monthly Interim Financial Report
(unaudited and unadjusted)

Prepared By:
County Auditor's Office

Donald W. Cozad CIO, RTA/C
County Auditor

Member of the Government Finance Officers Association
This report is available on the internet: http://www.co.collin.tx.us/auditor

Table of Contents

Description

County Auditor's Letter of Transmittal

Money Matters!!

Statistical Details

Financial Statements

- Balance Sheet
- Revenues, Expenditures and Changes in Fund Balance
- General Fund Revenue by Type and Expenditures by Category
- Road & Bridge Revenue by Type and Expenditures by Category
- General Fund Expenditures by Department
- Road and Bridge Expenditures by Department

Schedules

- Balances on Hand – Beginning of Month and End of Month
- Transfers To and From Each Fund
- Investments by Type and YTD Interest Earned
- Bond Indebtedness with Interest Rates

Note: Rounding of cents to whole dollars can cause a slight difference between sums of detail lines and totals.

COLLIN COUNTY

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April 30, 2009

Honorable District Judges of Collin County and
Honorable Members of the Collin County Commissioners Court

The unaudited and unadjusted Monthly Financial Report of Collin County ,Texas, as of December 31, 2008, and for the month ended December 31, 2008, is hereby submitted. This report, as required by Local Government Code §114.023 and §114.025, was prepared by the County Auditor and is intended for informational purposes only. The statements are reported on a budgetary basis, which is not in accordance with generally accepted accounting principles.

As County Auditor, I am not independent with regard to these financial reports. These reports have been prepared in accordance with the professional standards of the AICPA, the GFOA, and GASB. The general ledger has been maintained with due professional care.

This report includes Money Matters!!, a narrative with charts and tables, and statutorily required Financial Statements and Schedules, as well as selected statistical details.

This report is intended to be self-explanatory. However, if you need clarification or have questions, please do not hesitate to call the County Auditor's office for more information at 972/548-4641.

This report can be seen on the internet at: http://www.co.collin.tx.us/auditor.

Respectfully submitted,

/s/ Donald W. Cozad

Donald W. Cozad CIO, RTA/C
County Auditor

Money Matters!!

December 31, 2008 **Fiscal Period 3 of 12**

Interim Monthly Financial Report (unaudited)

As required by Local Government Code 114.023

The following report is presented by the County Auditor, as required by state statute, to the Commissioners Court of Collin County to inform the Court as to the financial status of the County. This report is presented monthly.

Revenues

Approximately 71% of county revenues are from property taxes. Collection of those taxes is primarily in December and January. Additional revenue streams include fines and fees, charges for services, inter-governmental revenue, interest and other revenues. Each year, the County must fund expenditures during the first quarter of the fiscal year (Oct – Dec) from reserves. For FY 2009, the tax rate is $0.2425 per $100 valuation. Property taxes provide operating funds for the general fund, the general road and bridge fund, the jury fund, and the permanent improvement fund, as well as funding for debt service principal and interest payments. With the tax collections in December, we are slightly ahead of last years collections. However, we continue to be behind in fees and permits, primarily because of the reduction in residential permits. Interest is continuing to fall behind, as we are feeling the effects of the economic slowdown and lower rates for all investments, especially overnight and daily deposits.

Year to Date Total Revenue - Governmental Funds
With Comparative Totals for Fiscal Year 2009
For the Three Month Period Through December 31

Revenue by Source	FY 2009 YTD	FY 2008 YTD	Change from 2008	Percent Change from 2008
Property taxes	$ 77,611,976	$ 76,794,082	$ 817,894	1.1%
Fees and permits	3,734,232	4,748,961	(1,014,729)	-21.4%
Federal and state funds	4,587,979	4,198,743	389,236	9.3%
Charges for services	1,586,745	1,328,916	257,829	19.4%
Fines and forfeitures	1,034,654	794,655	239,999	30.2%
Other local gov't funds	-	(656,549)	656,549	0.0%
Rental revenues	287,493	305,770	(18,277)	-6.0%
Interest	1,940,683	3,769,609	(1,828,926)	-48.5%
Miscellaneous	412,491	294,971	117,520	39.8%
	$ 91,196,253	$ 91,579,158	$ (382,905)	-0.4%

Expenditures

Prior to the start of the current fiscal year, the Commissioners Court adopted the FY 2009 combined operating budget (except debt service) totaling $268.1 million. The General Fund is $149.9 million of the total. The table below is for all governmental funds.

Year to Date Total Expenditures - Governmental Funds
With Comparative Totals for Fiscal Year 2009
For the Three Month Period Through December 31

Expenditures by Function	FY 2009 YTD	FY 2008 YTD	Change from 2008	Percent Change from 2008
General administration	$ 4,924,150	$ 3,444,639	$ 1,479,511	43.0%
Judicial	2,875,393	2,716,998	158,395	5.8%
Financial administration	1,433,663	1,683,151	(249,488)	-14.8%
Legal	1,834,247	1,715,125	119,122	6.9%
Public facilities	1,749,656	1,926,566	(176,910)	-9.2%
Equipment services	365,626	449,187	(83,561)	-18.6%
Public safety	10,548,097	10,170,070	378,027	3.7%
Public transportation	6,323,338	2,620,255	3,703,083	141.3%
Health and welfare	3,561,214	2,388,574	1,172,640	49.1%
Culture and recreation	317,500	292,049	25,451	8.7%
Conservation	51,110	52,360	(1,250)	-2.4%
Capital outlay	8,502,752	7,427,059	1,075,693	14.5%
Debt service:				
Principal	-	-	-	0
Interest	1,000	300	700	0
Bond issuance costs	-	-	-	0
	$ 42,487,746	$ 34,886,333	$ 7,601,413	21.8%

Year to Date Revenue and Expenditures - Governmental Funds
With Comparative Totals for Fiscal Year 2009
For the Three Month Period Through December 31

Expenditures by Function	FY 2009 YTD	FY 2008 YTD	Change from 2008	Percent Change from 2008
Total Revenues	$ 91,196,253	$ 91,579,158	$ (382,905)	-0.4%
Total Expenditures	42,487,746	34,886,333	7,601,413	21.8%
	$ 48,708,507	$ 56,692,825	7,218,508	12.7%

As the year continues, the emphasis of the variance and trend analysis will be on monthly activity more and less discussion about the prior fiscal year. The amounts reported for October through December news letter will generally be for the prior fiscal year; the January report will begin to address more of the current year, especially as we establish the collection of current property taxes.

Variances and Trends

Governmental Funds – Revenues by Source

As demonstrated in the table below, the distribution of expenditures by function provides an overview of the major activities of the government. The table shows the total cost and then net cost of each function for the six largest functions by expense. This table is for the past two fiscal years, 2008 and 2007.

Total Cost and Net Cost of Governmental Activities for Collin County
For the Six Largest Functions by Expense
For the Fiscal Years Ended September 30
($ in thousands)

	Total Cost of Services		Net Cost of Services	
Functions/Programs	**2008**	**2007**	**2008**	**2007**
Public safety	$ 61,213	$ 53,331	$ 48,387	$ 38,055
Public transportation	35,834	9,642	13,875	(10,286)
Judicial	16,910	14,983	11,388	10,311
General administration	28,473	24,506	19,634	14,276
Health and welfare	17,814	15,065	11,365	8,208
Debt service, interest and fiscal charges	17,618	15,510	16,987	12,263
Other	43,219	41,285	38,095	36,347
Total	$ 221,081	$ 174,322	$ 159,731	$ 109,174

- Public transportation increased by $26.2 million or 271.6%, due to road construction from the 2007 and the 2008 bond issue that remains in construction in progress until completion.
- Public safety expenses increased by $7.9 million of 14.8%, reflecting the continued growth in the County and the demands on law enforcement.
- General administration increased from $24.5 million to $28.5 million (16.2%). This reflects increases in capital assets, recording the OPEB liability, and liability insurance increases.

General fund Budgetary Highlights – FY 2008

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

- Salaries and benefits;

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

Revenues: General Fund revenues exceeded the final budget by $11.2 million. Property tax revenues were the largest contributor to this variance, which was over budget by $10.8 million (96.8% of the variance).

Federal and state funds revenue in the General Fund was higher than budget expectations by $0.9 million. The increase over budget was due to mixed beverage tax revenues of $0.2 million; SCAAP program revenue of $0.5 million was not budgeted due to the uncertainty the program would continue in FY 2008; tobacco settlement revenues were higher than estimated by $0.1 million; and the County Court at Law Judge state supplement was higher than budgeted by $0.1 million.

Expenditures: The final amended budget for expenditure appropriation was $136.7 million, or $10.1 million lower than the original approved budget of $146.8 million. Actual expenditures were $124.3 million, or 9.0% less than the final budget.

The General Fund is the primary source for expenditures related to the overall operation and administration of the County. In fiscal year 2008, there were several functions that contributed to the lower than budgeted expenditures noted above. They include:

- General administration was lower than budget by $7.9 million, due to:
  - $0.5 million in lower expenditures for telecommunications, primarily due to lower land phone service and lower cellular phone service costs.
  - $0.5 million in planned expenditures for records archival efforts were delayed and budgeted expenditures not made.
  - $0.7 million in non-departmental payroll and benefits were not spent on budgeted items.
  - $5.3 million in non-departmental maintenance and operating expenses were budgeted but not spent, primarily for:
    - phone maintenance - $1.5 million,
    - software maintenance - $0.9 million,
    - contingency - $0.8 million,
    - miscellaneous - $0.1 million,
    - computer maintenance - $0.6 million,
    - consultants - $0.4 million, and
    - legal - $0.2 million.

- Public facilities expenses were lower than budget by $0.8 million, primarily due to:
  - $0.4 million under budget caused by lower facility maintenance costs, including repairs, utilities, maintenance contracts, and cleaning services in all buildings.
  - $0.4 million under budget for payroll and operating expenses.

- Public safety expenses were lower than budget by $0.7 million, due to:
  - $0.4 million under budget for payroll and benefits.

- $0.3 million under budget for lower maintenance and operating expenses.

- Health and welfare expenses were $0.3 million lower than budget due to lower than budgeted expenditures for inmate healthcare services.

- Capital outlay expense, which is presented separately for the first time in this report, are $1.1 million below budget, due to:
  - $0.5 million for computer equipment cost lower than budget or equipment not purchased.
  - $0.1 million for capital equipment not purchased.
  - $0.2 million for Non-departmental Capital Equipment New not spent.
  - $0.3 million for Non-departmental Capital Equipment Replacement purchases not spent.

Capital Assets

The County's investment in capital assets, net of accumulated depreciation at September 30, 2007, was $461.8 million, an increase of $34.7 million or about 8.1% of the total investment. Detail by type of activity and asset is summarized in the table below. Major changes for FY 2008 are:

- Completion of addition to courthouse opened in FY 2007 - $7.1 million
- Construction in Progress increased due to roads under construction ($25.7 million) and the new administration building ($18.0 million) under construction. The building is expected to open in April, 2009.

Capital Assets
As of September 30
($ in thousands)

	2008	2007
Land	$ 21,117	$ 21,123
Buildings and system	203,455	196,362
Improvements other than buildings	6,375	6,375
Machinery and equipment	69,303	64,296
Infrastructure	238,976	238,031
Construction in progress	86,884	42,963
Total capital assets	626,110	569,150
Less: Accumulated Depreciation	(164,311)	(142,018)
Total capital assets	$ 461,799	$ 427,132

Long-term Debt

At September 30, 2008, the County had $390.0 million in outstanding debt, an increase of $25.9 million (7.1%). In FY 2008, the County:

- Issued $16.7 million in bonds for permanent improvements, which included $10.3 million in refunding of prior issues.
- Issued $41.0 million in bonds for road construction.
- Paid $21.6 million in debt service.

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

	2008	2007
General obligation bonds and tax notes issued for:		
Roads	$ 192,202	$ 174,287
Jail Facilities	-	8,385
Re-funding Prior Debt	74,979	47,094
Permanent Improvements	15,306	19,905
New Courts Facility/Courthouse	65,263	67,219
Touch-screen Voting/Web Project	3,775	3,975
Outdoor Youth Camp	21,400	22,415
Software	17,060	20,830
	$ 389,985	$ 364,110

Outlook

Statute provides that the County Auditor provide whatever information is considered appropriate for the Commissioners Court and the District Judges to understand the financial condition of the county. This report will be published not only for presentation to the Court and the Judges, but will also be available on our web site for pubic review and information.

The collection of property taxes has caught up to the amount collected for the same period last year. The change in the collection pattern appears to be due to the economic contraction and the housing market. The January report will provide a better trend as to any potential impact for this fiscal year; also, refunds for duplicate payments usually comes in 1-2 months after the due date, so we will see that impact later this Spring. When the trend report is updated to include year six in the trends for FY 2008, additional analysis may be available to further define lower revenues.

In spite of the demands on county services, both for infrastructure and for health care, the County enjoys a broad, healthy tax base that provides adequate revenues to support basic services. The County conservatively manages its resources, using cost containment practices ranging from performance programs to position savings to other ways to reduce or eliminate non-performing programs. As of September 30, 2008, the unreserved fund balance for the General fund was $110.7 million; this is 73.6% of budgeted General Fund expenditures for FY 2009. The management of the County has placed it in sound financial position to mitigate most economic uncertainty. That does not replace the need for continuing close observation and examination of every expenditure to ensure the money spent is spent wisely and properly.

The County is currently participating with 11 other large counties to customize and implement a new case management software system. The case management system is named the Comprehensive Integrated Justice System. Implemented in FY 2007 was the probate court module. Go live for the civil courts process was completed in March 2008; currently we are implementing the criminal courts process and planning has started for the justice of the peace offices.

The tax rate for FY 2009 was lowered from $0.245/$100 valuation to $0.2425/$100; this is the second reduction since FY 2007, when the rate was reduced for the first time after eight straight years of no change in the tax rate. There is continuing pressure from rising health care costs, demand for constituent services and road construction to meet the growing population. Collin County continues to experience strong fund balance reserves.

There continues to be movement forward on the financial system requirements and expectations. Our office has already started its blueprinting of the business processes in preparation for the implementation.