Collin County, Texas

January 31, 2009

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

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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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May 21, 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 January 31, 2009, and for the month ended January 31, 2009, 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!!

January 31, 2009 **Fiscal Period 4 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 through January, we are ahead of the FY 2008 collections by 2.8%. We continue to be behind in fees and permits, although the gap has closed from the prior month variance of -21.4%. 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 Four Month Period Through January 31

Revenue by Source	FY 2009 YTD	FY 2008 YTD	Change from 2008	Percent Change from 2008
Property taxes	$ 140,961,016	$ 137,071,073	$ 3,889,943	2.8%
Fees and permits	7,226,677	8,570,833	(1,344,156)	-15.7%
Federal and state funds	6,093,313	4,951,690	1,141,623	23.1%
Charges for services	2,902,460	2,314,096	588,364	25.4%
Fines and forfeitures	1,389,540	1,022,987	366,553	35.8%
Other local gov't funds	-	(656,549)	656,549	0.0%
Rental revenues	379,543	412,877	(33,334)	-8.1%
Interest	2,480,167	5,592,911	(3,112,744)	-55.7%
Miscellaneous	492,118	332,636	159,482	47.9%
	$ 161,924,834	$ 159,612,554	$ 2,312,280	1.4%

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 Four Month Period Through January 31

Expenditures by Function	FY 2009 YTD	FY 2008 YTD	Change from 2008	Percent Change from 2008
General administration	$ 6,460,070	$ 5,606,855	$ 853,215	15.2%
Judicial	4,412,944	5,398,467	(985,523)	-18.3%
Financial administration	2,242,649	3,392,266	(1,149,617)	-33.9%
Legal	2,841,719	3,391,803	(550,084)	-16.2%
Public facilities	2,693,736	3,291,019	(597,283)	-18.1%
Equipment services	519,987	764,907	(244,920)	-32.0%
Public safety	16,063,337	19,354,509	(3,291,172)	-17.0%
Public transportation	6,754,033	5,456,106	1,297,927	23.8%
Health and welfare	4,850,483	4,745,887	104,596	2.2%
Culture and recreation	370,324	409,466	(39,142)	-9.6%
Conservation	77,574	104,381	(26,807)	-25.7%
Capital outlay	11,181,115	15,487,218	(4,306,103)	-27.8%
Debt service:				
Principal	-	-	-	0
Interest	4,425	300	4,125	0
Bond issuance costs	-	-	-	0
	$ 58,472,396	$ 67,403,184	$ (8,930,788)	-13.2%

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

Expenditures by Function	FY 2009 YTD	FY 2008 YTD	Change from 2008	Percent Change from 2008
Total Revenues	$ 161,924,834	$ 159,612,554	$ 2,312,280	1.4%
Total Expenditures	58,472,396	67,403,184	(8,930,788)	-13.2%
	$ 103,452,438	$ 92,209,370	(6,618,508)	-7.2%

Variances and Trends

Governmental Funds – Revenues by Source

As noted above, property tax collections have now exceeded FY 2008 for the same period. Fees and permits are slowly coming back, as the initial effects of the recession on building and construction are being absorbed by the local economy. Increases in the other revenue items are showing significant gains over the prior year amounts for the same period. However, the increases over prior year do not correspond to similar increases over budgeted revenues in the current year.

For example, in the General Fund, with 4 months (33.3% of the year) passed:

- Taxes (includes all taxes) collected are at 80.8% of total budgeted revenues.
- Fees and Permits are behind budget with only 23% of budgeted revenues collected.
- Both Federal and State funds, as well as Charges for Services, are in line with the percent of budget year passed (36.8% and 34.4%, respectively.)
- Fines and Forfeitures are behind budgeted revenues at 24.9%.

In the Road and Bridge Fund:

- Taxes (includes all taxes) collected are at 81.8% of total budgeted revenues.
- Fees and Permits are in line with budgeted revenues at 33.8% of budget collected.
- Charges for Services is in line with the percent of budget year passed (35.1%).
- Fines and Forfeitures are slightly behind budgeted revenues at 31.7%.

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.

These expenditures for both the General Fund and the Road and Bridge Fund are below the equivalent budget year. With 1/3 of the year passed, the following percentages of expenditures have been noted for the two funds which employ the largest number of employees.

The year to date budgeted expenditures for the four months ended January 31, 2009 total $47.9 million for all departments; year to date actual expenditures are $34.3 million. Expenditures are lower than budget for the first four months of the year by $13.6 million. However, this is not representative of the annual costs for several large expenses, including health insurance benefits

for employees. Generally, we do not transfer the benefit cost for the year until after a substantial amount of taxes has been collected, usually in February or March; this is due primarily to the size of the transfer which this year is $12.6 million. As part of the new financial system, we expect to be able to more accurately record these expenditures on a monthly basis rather than one large transfer after January. This approach will provide us with a better picture for each month as well as the year to date amounts to more accurately match with the actual expenses.

In other budgeted expenditure categories in the General Fund, we are favorable in both maintenance and operating expenses and in the training and travel expenses, with each below budgeted expenditures at this time. Generally this trend will continue for the year, if recent past history is used to track the trend. Capital expenditures in the General Fund are above budget, but this is normal for this time of the year as departments gear up from their budgeted approvals for new equipment.

In Road and Bridge, overall expenditures are below budget, except for capital outlay. Total budgeted expenditures for four months is $8.0 million; spent to-date is $6.3 million, a favorable variance of $1.7 million.

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 continuing concern is for the impact of the recession on the collection of property taxes in the next fiscal year. As the largest source of revenues the County collects to fund its operations, property taxes usually does not show the effects of an economic downturn until at least the year following the year the downturn occurs in. For Collin County, that will be FY 2010. Municipalities do not have the same calendar of effects from a downturn; with their primary source of revenue being sales tax, the effects are felt much faster, as buyers slow their purchases during a downturn.

We will begin working on the trend report for FY 2008 later this Spring. When it is updated to include year six in the trends for FY 2008, additional analysis may be available to further define the impact of the economic downturn.

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 <u>unreserved</u> 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. There is also the initial work to identify a new jail system that can complement and enhance the new Justice System, in order to provide as seamless an environment as possible for justice, courts, public safety, and collections.

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.