

County of Rockwall, Texas
Press Release
May 11, 2009

Commissioners Court Members Receive Good News

The May 11th regular meeting of the commissioners court was laced with good news starting with recognition as a “Storm Ready” county and acknowledging the efforts of the County’s Emergency Management team of Joe Delane and Joe Ellis toward this status.

This was followed by a favorable report on the County’s financial status for the fiscal year ending 9/30/2009 with the presentation of the County’s Annual Financial report by Mr. John Manning, partner, Pattillo, Brown & Hill, Certified Public Accountants. He pointed out that this report was being delivered in May whereas in prior years, the audit effort was just starting April, May or later. He recognized the efforts of the County Treasurer’s team in resolving bank reconciliation issues as the contributing factor.

The County’s financial advisor, Mr. Boyd London of FirstSouthwest, then stepped forward and briefed the court on the successful sale of bonds in a market that has been in turmoil. He attributed the good results to progress made by the County over the past year in the area of financial reporting and policies. Further, recognition by the bond rating agencies of the County’s strong financial condition also contributed. After pointing out that the refunding of \$8.815 million of outstanding bonds saved approximately \$0.5 million with an interest cost of 3.65% and issuance of \$2.460 million of road bonds at 4.14% saved about \$0.6 million due to good debt service planning, he walked the Court members through highlights of the rating reports from Standard & Poor’s, Fitch Ratings and Moody’s Investors Service. The County received “AA” ratings from S&P and Fitch and “Aa2” from Moody’s.

In continuing the County’s goal of financial transparency, all reports discussed are available on its website at www.rockwallcountytexas.com.

County of Rockwall, Texas
Press Release
May 11, 2009

General Statement

This statement has been prepared by the County Auditor and Treasurer to address several items acted upon by the members of the Commissioners Court at its regular meeting at 9:00 am, Tuesday, May 11, 2010. The purpose of this document is to provide the public an understanding of those items. The items addressed are the County's Annual Financial Report for the fiscal year ended 9/30/2009 and two bond orders approved by the court.

Annual Financial Report

Mr. John K. Manning, partner of Pattillo, Brown & Hill, L.L.P. [PBH], Certified Public Accountants, presented this report dated May 7, 2010 and highlighted several points throughout the report. He noted that the presentation of this report in May following the end of the fiscal year is a notable achievement of the County and acknowledged the support of the Auditor and Treasurer in attaining this goal. He stated that PBH was issuing an clean opinion, representing highest possible opinion of the County's statement of financial condition.

- He pointed out the financial highlights on page 3 of the report, noting the financial strength of the County with a \$21 million unrestricted reserve balance.
- He pointed out on page 14 the \$45.1 million of total net assets specifically noting the positive fund balances in the funds at the bottom of the page.
- On page 16 he explained that this provided visibility into four major funds with the "Other Governmental Funds" representing a consolidation of the remaining minor funds. Details of the "Other Governmental Funds start on page 54.
- On page 18, he noted that the bottom portion of the table showed that the County had received \$24.7 million and \$10.6 million from debt issued for the new courthouse and for road projects, respectively, during fiscal year 2009.
- On page 20, he pointed out that rarely does he find an internal service fund that has a positive balance in net assets. This particular proprietary fund is used to account for the County's self-funded medical insurance program for employees.
- He stressed the importance of the notes beginning on page 25, explaining that they provide additional visibility and insight into the financial statements; e.g., page 43 shows the detail of the changes in long-term debt.
- He noted that pages 51-53 provide detailed comparison of actual vs. budgeted revenues, expenditures and changes in fund balances for the fiscal year.

County of Rockwall, Texas
Press Release
May 11, 2009

- He was pleased to point out that beginning on page 69, all findings cited in the fiscal year 2008 report have been resolved and no new findings arose during the fiscal year 2009 audit.

Mr. Manning closed by congratulating the County on its progress and stating he is looking forward to working with County officials in the next year to achieve the goal of concluding the audit within six months of the close of the fiscal year.

Debt Issuances

Mr. Boyd London of FirstSouthwest, the County's Financial Advisor, briefed the members of the court on the results of two bond issues sold on May 10, 2010. The first issue was for \$8,815,000 for the purpose of refunding three outstanding bond issues as follows: refunding of the remaining balances of the series 1998 bonds and the series 2001 bonds totaling \$4,795,000 and refunding of the remaining \$4,020,000 balance of the series 2008 bonds issued for the new county courthouse. The second issue was for \$2,460,000 for the purpose of providing funding for engineering tasks for road projects. He noted that the first issue resulted in an average interest cost of 3.65% and the second issue resulted in an average interest cost of 4.14% due to its longer duration, both rates represent a very successful offering. He attributed the achievement to progress made by the County over the past year in the area of financial reporting and policies as signified by the following comments by the three rating agencies:

- He pointed to the statement on page 3 of the Standard & Poor's report which stated "As a result of the county adopting a formalized fund balance policy in March 2010, Standard and Poor's revised its opinion of the county's management practices to "good" under its Financial Management Assessment (FMA) methodology ..."
- Referring to the Fitch Ratings report, he called attention to the fifth item on the first page under "Rating Rationale" and to the second item under "Key Rating Drivers" which stated in part "The county's direct debt levels are modest..." and "Continued attention to developing formal management policies and practices... is important..." On page 2 he cited the last sentence of the first paragraph under "Finances" which stated "Other positive developments include a recently adopted tax abatement policy and a debt management policy, which is being developed..."
- On page 2 of the Moody's Investors Service report, he had highlighted two sentences as follows: "In March 2010, the commissioner's court adopted a financial policy to maintain 4 to 6 months of annual budgeted revenues in General Fund reserves which includes language prohibiting reserve usage without appropriate court action and a commitment to replenish reserves thereafter." ... "Moody's anticipates

County of Rockwall, Texas
Press Release
May 11, 2009

the county's fund balance will remain strong given prudent fiscal management and the newly adopted formal reserve policy."

He further explained that all three agencies pointed out that the county needed to continue to develop financial policies and procedures and to develop longer term planning tools such as formal capital improvement and strategic plans in order to advance to higher ratings. All three rated the County "AA". Mr. London closed by stating his belief that Rockwall County could be the first of the DFW urban "ring" counties to achieve a "AAA" rating.

About the Bond Issues

The series 2010 \$8.815 million refunding bonds were issued to achieve a savings of nearly \$0.5 million on the remaining principal and interest payments for the series 1998 Law Enforcement Center and series 2001 Land & Improvements bonds and to extend the payment period of the remaining portion of the series 2008 \$30 million courthouse bonds to match that of the \$25 million that was refunded in 2009.

The series 2010 \$2.460 million road bonds were issued to sustain the engineering tasks on the various road bond projects through fiscal year 2011 after which time it may be necessary to issue additional bonds for continuation of the road projects. As a result of this issuance, a total of \$13.080 million of road bonds have been issued, leaving \$104.170 million of the \$117.250 million authorized by the voters in 2004 and 2008 bond elections.

Available Documents

The Annual Financial "Audit" Report is available on the County's website at the following link: <http://www.rockwallcountytexas.com/Archive.aspx?AMID=40>

The financial ratings reports are available on the County's website at the following link: <http://www.rockwallcountytexas.com/index.aspx?NID=405>

Questions may be directed to Lisa Constant at 972-204-6050 or to Bill Sinclair at 972-204-6100.