COUNTY OF ROCKWALL
EMERGENCY SERVICES CORPORATION

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2010

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
2802 Washington Street
Greenville, Texas 75401
(903) 455-6252

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2010

TABLE OF CONTENTS

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
DIRECTORS AND OFFICERS
SEPTEMBER 30, 2010

Board of Directors

Lorie Grinnan..County of Rockwall

David Magness..County of Rockwall

Bill Cecil..City of Rockwall

Margo Nielson..City of Rockwall

Bill Broderick..City of Fate

Robert Hille..City of Heath

Steve Hatfield..City of McLendon-Chisholm

Wanda Cooper..City of Mobile City

Patrick Jackson..City of Rowlett

Janet Nichol..City of Royse City

Jerrell Baley..City of Royse City

Officers

Lorie Grinnan..President

Robert Hille..Vice President

David Magness..Secretary

Bill Sinclair..Treasurer

RUTHERFORD,
TAYLOR &
COMPANY, P.C.
Certified Public Accountants

2802 Washington Street   Greenville, Texas 75401   (903) 455-6252   Fax (903) 455-6667

INDEPENDENT AUDITOR'S REPORT

Board of Directors
County of Rockwall Emergency Services Corporation

Members of the Board:

We have audited the accompanying financial statements of the proprietary funds of the County of Rockwall Emergency Services Corporation (Corporation), as of and for the year ended September 30, 2010, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the proprietary funds of the County of Rockwall Emergency Services Corporation as of September 30, 2010, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Audit Standards*, we have also issued our report dated November 9, 2010, on our consideration of the Corporation's 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 conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements, but is 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 made for the purpose of forming an opinion on the basic financial statements that collectively comprise the Corporation's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 9, 2010
Greenville, Texas

Rutherford, Taylor, Company PC

RUTHERFORD,
TAYLOR &
COMPANY, P.C.
Certified Public Accountants

2802 Washington Street | Greenville, Texas 75401 | (903) 455-6252 | Fax (903) 455-6667

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
County of Rockwall Emergency Services Corporation

Members of the Board:

We have audited the basic financial statements of the proprietary funds of the County of Rockwall Emergency Services Corporation (Corporation), as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the Corporation, and have issued our report thereon, dated November 9, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Corporation's basic financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Corporation's basic financial statements will not be prevented or detected by the Corporation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose as described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information of the Corporation's management and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

November 9, 2010
Greenville, Texas

Rutherford, Taylor & Company, PC

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2010

Schedule Reference Number	Findings
	NONE

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2010

Schedule Reference Number	Prior Findings
	NONE

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2010

Schedule Reference Number	Actions Planned
	NONE

This section of the County of Rockwall Emergency Services Corporation's annual financial report presents our discussion and analysis of the Corporation's financial performance during the year ended September 30, 2010. Please read it in conjunction with the Corporation's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Corporation's net assets were $ 583,599 at September 30, 2010.
- During the year, the Corporation's expenses were $ 203,138 less than the $ 1,066,007 generated from charges for services and other revenues for business-type activities.
- The Corporation issued no new debt during the year ended September 30, 2010 and retired $ 250,000 of previously issued debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this required supplementary section), the basic financial statements, and other supplementary information.

This discussion and analysis is intended to serve as an introduction to the County of Rockwall Emergency Service Corporation's basic financial statements. The Corporation's basic financial statements consist of two components; 1) fund financial statements and 2) notes to the financial statements. Because the Corporation is a special purpose government entity, the Corporation is not required to present government-wide financial statements. These basic financial statements are supplemented with other supplemental information that will enhance the reader's understanding of the financial operation of the Corporation.

The fund financial statements present the activities of the Corporation. A fund in a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation uses fund accounting to ensure and reflect compliance with finance related legal requirements, such as the Texas' Statues or the Corporation's budget by-laws. The funds of the Corporation are classified as proprietary type funds (enterprise funds). Proprietary type funds are used to report activities in which the Corporation receives funds to provide for the expenses for operation much like an entitiy in business operates. These types of funds are enterprise funds and are accounted for on an accrual basis of accounting.

FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE

Please refer to Table A-1 during the following discussion. Total assets decreased 3% from the prior year The annual depreciation of capital assets contributed to the noted decrease.

Liabilities also decreased in the current year. The 13% decrease reflects the Corporation's use of available resources to retire outstanding debt of the Corporation.

The increase in net assets is the result of the reduction in debt above. The 53% increase is the results of the $ 203,138 change in net assets. Net assets are divided into three components: 1) Invested in Capital Assets, net of related debt which reflects net assets unavailable to meet currently maturing obligations and provide for operations, 2) Restricted which are funds that have a legal restriction placed upon them, and 3) Unrestricted which are balances available to meet future operating expenses and obligations. The largest component is the value of capital assets less related debt. The unavailable balance will continue to increase as debt is retired more quickly than the assets depreciate. The unrestricted balance reflects the ending financial position of available funds.

The Corporation's total net assets were $ 583,599 at September 30, 2010.

Table A-1

Net Assets

		2010		2009	Total Percentage Change 2009-2010
Assets					
Cash and Cash Equivalents	$	24,730	$	31,758	-22.13%
Other Assets		28,983		33,056	-12.32%
Capital Assets		2,288,986		2,349,262	-2.57%
Total Assets	$	2,342,699	$	2,414,076	-2.96%
Liabilities					
Current Liabilities	$	274,100	$	283,615	-3.35%
Noncurrent Liabilities		1,485,000		1,750,000	-15.14%
Total Liabilities	$	1,759,100	$	2,033,615	-13.50%
Net Assets					
Invested in Capital Assets, Net of Related Debt	$	567,310	$	412,411	37.56%
Unrestricted		16,289		(31,950)	-150.98%
Total Net Assets	$	583,599	$	380,461	53.39%

CHANGES IN NET ASSETS

Table A-2 on the following page presents the changes in net assets for the year. The changes in net assets reflects the revenues and expenses of the Corporation and the resulting change in net assets for the year. The various changes in the types of revenues and expenses are presented in the table.

Charges for services increased $ 243,437 or 30%. The increase reflects the decision by the Corporation to increase the allocations billed for debt retirement. The Corporation allowed these entities in the prior year to reduce fees due to available funds for debt retirement. This credit of funds in the prior year is the primary contributor to this increase.

Operating expenses reflect a 5% decrease. The decreases reflect reduced costs related to emergency services in the Corporation service area.

Non-operating revenue and expense decreased as well. Interest revenues decreased as funds available for investment were used to retire debt and as debt was retired, interest expense for the year decreased.

Table A-2

Changes in Net Assets

	2010	2009	Percentage Change 2009-2010
Operating Revenues:			
Charges for Services	$ 1,066,007	$ 822,570	29.59%
Total Operating Revenues	$ 1,066,007	$ 822,570	29.59%
Operating Expenses:			
Administrative Costs	$ 3,600	$ 4,606	-21.84%
Ambulance Consulting	13,230	13,230	0.00%
Ambulance Services	458,326	438,774	4.46%
Emergency Management Services	220,841	289,194	-23.64%
Firing Range	85,833	76,287	12.51%
Total Operating Expenses	$ 781,830	$ 822,091	-4.90%
Non-operating Revenues (Expenses):			
Interest Income	$ 861	$ 5,081	-83.05%
Interest Expense	(81,900)	(91,936)	-10.92%
Net Non-operating Revenues (Expenses)	$ (81,039)	$ (86,855)	6.70%
Increase (Decrease) in Net Assets	$ 203,138	$ (86,376)	335.18%
Net Assets - Beginning (October 1)	$ 380,461	$ 478,485	20.49%
Prior Period Adjustments	-	(11,648)	100.00%
Net Assets - Beginning, as restated	$ 380,461	$ 466,837	18.50%
Net Assets - Ending (September 30)	$ 583,599	$ 380,461	-53.39%

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Corporation has invested in capital assets and used long term oblications to fund the capital assets. The following information presemnts the capital assets at year end and the related liabilities outstanding.

Capital Assets

At September 30, 2010, the Corporation had invested $ 2,469,812 in a broad range of capital assets, including buildings and equipment. (See Table A-3)

Table A-3

Capital Assets

	2010	2009	Total Percentage Change 2009-2010
Buildings and Improvements	$ 2,159,909	$ 2,159,909	0.00%
Infrastructure	307,774	307,774	0.00%
Equipment	2,129	2,129	0.00%
Totals at Historical Cost	$ 2,469,812	$ 2,469,812	0.00%
Total Accumulated Depreciation	(180,826)	(120,550)	50.00%
Net Capital Assets	$ 2,288,986	$ 2,349,262	-2.57%

Long Term Debt

At year-end, the Corporation had $ 1,750,000 in debt outstanding as shown in Table A-4. More detailed information about the Corporation's debt is presented in the notes to the basic financial statements.

Table A-4

Long Term Debt

	2010	2009	Percentage Change 2009-2010
Bonds Payable	$ 1,750,000	$ 2,000,000	-12.50%
Total Debt Payable	$ 1,750,000	$ 2,000,000	-12.50%

BUDGET, ECONOMIC ENVIRONMENT AND RATES

At this time, the County of Rockwall Emergency Services Corporation is not aware of any decisions or conditions that would impact the Corporation's operations through 2011.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the funds it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Bill Sinclair, Treasurer for the Corporation.

BASIC FINANCIAL STATEMENTS

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS

SEPTEMBER 30, 2010

		Enterprise Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	24,730
Accounts Receivable		660
Total Current Assets	$	25,390
Non-Current Assets:		
Capital Assets:		
Buildings and Improvements, Net		2,011,990
Infrastructure, Net		276,996
Equipment, Net		-
Debt Issuance Cost (Net of Amortization)		28,323
Total Non-Current Assets	$	2,317,309
Total Assets	**$**	**2,342,699**
LIABILITIES		
Current Liabilities:		
Accrued Interest Payable	$	9,100
Current Portion of Bonds Payable		265,000
Total Current Liabilities	$	274,100
Non-Current Liabilities:		
Bonds Payable, less Current Portion		1,485,000
Total Non-Current Liabilities	$	1,485,000
Total Liabilities	**$**	**1,759,100**
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$	567,310
Unrestricted		16,289
Total Net Assets	**$**	**583,599**

The accompanying notes are an integral part of this statement.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN FUND NET ASSETS - PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2010

		Enterprise Fund
OPERATING REVENUES		
Charges for Services	$	1,066,007
Total Operating Revenues	$	1,066,007
OPERATING EXPENSES		
Administrative Costs	$	3,600
Ambulance Services		458,326
Ambulance Consulting		13,230
Emergency Management Services		220,841
Firing Range		20,836
Amortization		4,721
Depreciation		60,276
Total Operating Expenses	$	781,830
Net Operating Revenue (Expenses)	**$**	**284,177**
NON-OPERATING REVENUE (EXPENSES)		
Interest Income	$	861
Interest Expense		(81,900)
Net Non-Operating Revenue (Expenses)	$	(81,039)
Change in Net Assets	**$**	**203,138**
Net Assets - Beginning (October 1)		380,461
Total Net Assets - Ending (September 30)	**$**	**583,599**

The accompanying notes are an integral part of this statement.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2010

		Enterprise Fund
Cash Flows from Operating Activities:		
Cash Received from Entities	$	1,065,359
Cash Payments for Goods and Services		(740,048)
Net Cash Provided by (Used for) Operating Activities	$	325,311
Cash Flows from Capital and Other Related Financing Activities:		
Principal Paid on Bonds	$	(250,000)
Interest Paid on Bonds		(83,200)
Net Cash Provided by (Used for) Capital and Other Related Financing Activities	$	(333,200)
Cash Flows from Investing Activities:		
Interest Income	$	861
Net Cash Provided by (Used for) Investing Activities	$	861
Net Increase (Decrease) in Cash and Investments	$	(7,028)
Cash and Investments - Beginning (October 1)		31,758
Cash and Investments - Ending (September 30)	**$**	**24,730**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Net Operating Revenue (Expenses)	$	284,177
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		60,276
Amortization		4,721
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivables		(648)
Increase (Decrease) in Amounts Due to Other Governments		(23,215)
Net Cash Provided by (Used for) Operating Activities	**$**	**325,311**

The accompanying notes are an integral part of this statement.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

A. Summary of Significant Accounting Policies

The financial statements of the County of Rockwall Emergency Service Corporation (Corporation) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Corporation's accounting policies are described below.

1. Reporting Entity

The Board of Directors (Board) constitutes an on-going entity, and is the level of government which has governance responsibilities over all activities related to providing emergency services within the jurisdiction of the Corporation. Members of the Board are appointed by the governing bodies of the sponsoring local governments, have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The Corporation is not included in any other governmental "Reporting Entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units presented.

2. Basis of Presentation

The accounts of the Corporation are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenue and expenses. The fund type utilized by the Corporation is described below:

a. Proprietary fund types include the following –

The *Enterprise Fund* is used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989 and continue to follow new FASB pronouncements unless they conflict with GASB guidance.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the balance sheet. Fund equity is identified as net assets.

4. Budget

The Board adopts an annual budget for the Corporation's activities. The Budget is adopted under a basis consistent with GAAP. The Board approves amendments to the annual budget as prepared by the Treasurer of the Corporation.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

A. Summary of Significant Accounting Policies (Continued)

5. Property, Plant and Equipment

Additions to the plant, property and equipment are recorded at cost or, if contributed property, at its estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recovered by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings & Improvements	20-45 years
Infrastructure	10-30 years
Equipment	5-10 years

6. Cash and Cash Equivalents

Cash and Cash Equivalents are comprised of deposits in financial institutions including time deposits. For the purpose of the statement of cash flows, a cash equivalent is considered any highly liquid investment with a maturity of three months or less. Restricted assets are not included.

B. Capital Assets

The following schedule presents changes in capital assets during the year ended September 30, 2010:

	Beginning Balances	Additions and Reclassifications	Retirements	Ending Balances
Buildings and Improvements	$ 2,159,909	$ -	$ -	$ 2,159,909
Infrastructure	307,774	-	-	307,774
Equipment	2,129	-	-	2,129
Totals at Historical Cost	$ 2,469,812	$ -	$ -	$ 2,469,812
Less Accumulated Depreciation for:				
Buildings and Improvements	$ 98,612	$ 49,307	$ -	$ 147,919
Infrastructure	20,518	10,260	-	30,778
Equipment	1,420	709	-	2,129
Total Accumulated Depreciation	$ 120,550	$ 60,276	$ -	$ 180,826
Net Capital Assets	$ 2,349,262	$ (60,276)	$ -	$ 2,288,986

C. Deposits, Securities and Investments

The Corporation's funds appear to be deposited and invested under the terms of a depository contract with American National Bank of Texas. The contract requires the depository to pledge approved securities in an amount significant to protect the Corporation's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2010, all Corporation cash deposits were covered by FDIC insurance or by pledged collateral held by the depository bank. The Corporation's deposits appear to have been secured at all times throughout the fiscal year.

The Corporation's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The Corporation appears to be in compliance with the requirements of the Act.

State statutes and local policy authorize the Corporation to invest in the following types of investment goods:

a. obligations of the U.S. or its agencies or instrumentalities,
b. obligations of the State of Texas or its agencies,
c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
e. guaranteed or securitized certificates of deposit issued by a bank domiciled in the State of Texas, or
f. fully collateralized repurchase agreements.

At September 30, 2010, the Corporation had no temporary investments.

GASB Statement No. 40 requires a determination as to whether the Corporation was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the Corporation was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollaterized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Corporations' name. At year end, the Corporation was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the Corporation was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the Corporation was not exposed to interest rate risk.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

C. Deposits, Securities and Investments (Continued)

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Corporation was not exposed to foreign currency risk.

D. Long - Term Obligations

Changes in Long-Term Obligations

The following schedule presents changes in long-term obligations for the year ended September 30, 2010:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion of Debt
Bonds Payable	$ 2,000,000	$ -	$ 250,000	$ 1,750,000	$ 265,000
Totals	$ 2,000,000	$ -	$ 250,000	$ 1,750,000	$ 265,000

Bonds

The Corporation has issued a series of revenue bonds to fund facility construction and improvements. The bonds mature annually in varying amounts at predetermined interest rates. The bonds require the Corporation to generate funding from the participating entities under contracted terms. The following bonds are outstanding at September 30, 2010:

Description	Interest Rate	Original Amount	Outstanding Balance
Contract Revenue Bonds, Series 2006	4.16%	$ 2,700,000	$ 1,750,000

Maturity requirements on outstanding bonds at September 30, 2010 are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2011	$ 265,000	$ 72,800	$ 337,800
2012	275,000	61,776	336,776
2013	285,000	50,336	335,336
2014	295,000	38,480	333,480
2015	310,000	26,208	336,208
2016-2019	320,000	13,312	333,312
Totals	$ 1,750,000	$ 262,912	$ 2,012,912

There are a number of limitations and restricted contained in the bond covenants. The Corporation appears to be in compliance with all significant limitations and restrictions at year end.

E. Litigation

The Corporation does not appear to be involved in any litigation as of September 30, 2010.

F. Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Corporation purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance for each of the past three fiscal years.

G. Lease

The Corporation entered into a long term lease agreement with the City of Rockwall, Texas to obtain access to the land upon which the firing range complex was constructed. The lease terms require an annual payment of $ 636. The lease began during the 2007 year and is in effect for 40 years which computes to an end date in the 2047 year.

OTHER SUPPLEMENTARY INFORMATION

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
ENTERPRISE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
OPERATING REVENUES				
Charges for Services	$ 1,043,433	$ 1,043,433	$ 1,066,007	$ 22,574
Total Operating Revenues	$ 1,043,433	$ 1,043,433	$ 1,066,007	$ 22,574
OPERATING EXPENSES				
Administrative Costs	$ 4,600	$ 4,600	$ 3,600	$ 1,000
Ambulance Services	458,326	458,326	458,326	-
Ambulance Consulting	13,230	13,230	13,230	-
Emergency Management Services	220,841	220,841	220,841	-
Firing Range	13,236	13,236	20,836	(7,600)
Amortization	-	-	4,721	(4,721)
Depreciation	-	-	60,276	(60,276)
Total Operating Expenses	$ 710,233	$ 710,233	$ 781,830	$ (71,597)
Net Operating Revenue (Expense)	$ 333,200	$ 333,200	$ 284,177	$ (49,023)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	$ -	$ -	$ 861	$ 861
Interest Expense	83,200	83,200	(81,900)	(165,100)
Net Nonoperating Revenues (Expenses)	$ 83,200	$ 83,200	$ (81,039)	$ (164,239)
Change in Net Assets	$ 416,400	$ 416,400	$ 203,138	$ (213,262)
Net Assets - Beginning (October 1)	380,461	380,461	380,461	-
Net Assets - Ending (September 30)	**$ 796,861**	**$ 796,861**	**$ 583,599**	**$ (213,262)**
SUPPLEMENTARY INFORMATION:				
Debt Principal Payments	$ 250,000	$ 250,000	$ 250,000	$ -