

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF
COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION

FOR
FISCAL YEAR ENDED

September 30, 2006

PREPARED BY:
County of Rockwall Emergency Services Corporation
FINANCE COMMITTEE

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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INTRODUCTORY SECTION

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County of Rockwall Emergency Services Corporation

101 E Rusk St., Ste 201

Rockwall Texas

April 3, 2007

Board of Directors
County of Rockwall Emergency Services Corporation
Rockwall, Texas

Dear Board of Directors:

The Comprehensive Annual Financial Report (CAFR) of the County of Rockwall Emergency Services Corporation, for the year ended September 30, 2006, is submitted herewith. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Corporation, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the Corporation's financial activities have been included.

In 2006, the Corporation issued its second year of financial statements under the new reporting model required as part of governmental financial reporting. The new reporting model issued by the Governmental Accounting Standards Board requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A).

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter and a list of board officials. The financial section includes the MD&A, Government-wide and Major Fund presentations, Required Supplementary Information, and the independent auditors' report on the financial statements and schedules.

GENERAL INFORMATION – COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION

The County of Rockwall Emergency Services Corporation is a non-profit corporation designed to provide emergency services and public safety services, including without limitation ambulance service and dispatch and communication 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") in a timely and efficient manner.

The Board of Directors is comprised of officers and members who are appointed by the governing bodies of the Sponsoring Local Governments and is responsible for enacting ordinances, resolutions, and regulations governing the Corporation, as well as appointing the members of various statutory and advisory boards. The President is the chief executive officer of the Corporation and, subject to the Board of Directors, shall be in general charge of the properties and affairs of the Corporation.

MAJOR INITIATIVES

The County of Rockwall Emergency Services Corporation's major initiative is to provide effective and efficient ambulance services to participating entities in Rockwall County on a cost-sharing basis. The Corporation will also strive to ensure all area law enforcement personnel are properly trained through a regional firearms training facility, the cost of which will also be shared among participating entities. The County of Rockwall Emergency Services Corporation is entering into a contract with Rockwall County to hire an Emergency Preparedness Coordinator.

ECONOMIC OUTLOOK

The County of Rockwall Emergency Services Corporation received bond proceeds of \$2,700,000 for the construction of a county-wide firearms training facility on October 5, 2006. This training facility will be for the use of each entity in the Corporation on a cost-sharing basis. Also in review by the board is a county-wide emergency management plan as well as a county wide animal shelter.

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

The Corporation's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the Corporation's administrator and members on the council. Budgets are created and reviewed by the board of directors.

OTHER INFORMATION

Independent Audit The County of Rockwall Emergency Services Corporation has engaged the firm of Conway Company CPAs, P.C. to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the Corporation at September 30, 2006, and the changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements

Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the officers and board of directors for providing the resources necessary to maintain the integrity of the Corporation's financial affairs.

Respectfully submitted,

Bruce Beaty
President

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Board of Directors

Bruce Beaty	President
Bill Cecil	Vice President
Scott Self	Secretary
Steve Hatfield	Treasurer
David Hill	Member
Robert Hille	Member
Wanda Cooper	Member
Stephen Straughan	Member
Dennis Alsup	Member
Jim Mellody	Member

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FINANCIAL SECTION

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Member
American Institute of CPAs
Texas Society of CPAs

April 3, 2007

Independent Auditor's Report on Financial Statements

Board of Directors
County of Rockwall Emergency Services Corporation

Board of Directors:

We have audited the accompanying financial statements of the governmental activities of the County of Rockwall Emergency Services Corporation as of and for the year ended September 30, 2006, which collectively comprises the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Rockwall Emergency Services Corporation'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 for the County of Rockwall Emergency Services Corporation as of September 30, 2006, 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.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents 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 supplemental information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

CONWAY COMPANY CPAS, P.C.

Conway Company CPAs, P.C.

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COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2006

As management of the County of Rockwall Emergency Services Corporation, we offer readers of the County of Rockwall Emergency Services Corporation financial statements this narrative overview and analysis of the financial activities of the County of Rockwall Emergency Services Corporation for the fiscal year ended September 30, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Corporation's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Corporation exceeded its liabilities at the close of the fiscal year by \$19,138 (net assets).
- The government's total net assets increased by \$3,647.
- As of the close of the current fiscal year, the Corporation's governmental funds reported ending fund balances of \$19,138, an increase of \$3,647 in comparison with the prior year. Approximately 100% of this total amount, or \$19,138, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund of \$2,477,032 was 317.86% percent of total general fund expenditures for the fiscal year.
- The County of Rockwall Emergency Services Corporation's bonded debt increased by \$2,700,000 or 100% during the current fiscal year.

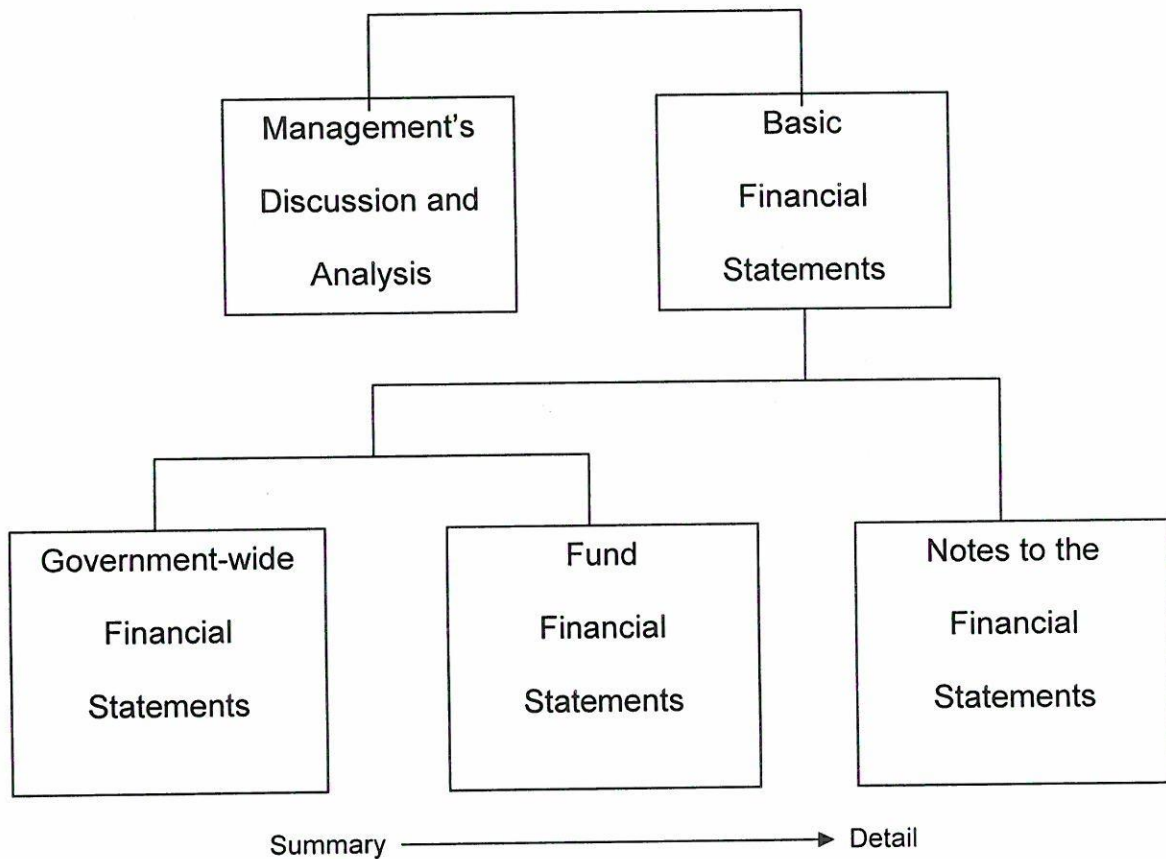
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County of Rockwall Emergency Services Corporation's basic financial statements. The Corporation's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Corporation 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 the County of Rockwall Emergency Services Corporation.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Corporation's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Corporation. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Corporation's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION MANAGEMENT DISCUSSION AND ANALYSIS

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Corporation's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Corporation's financial status as a whole.

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Corporation's basic services such as EMS services and general administration. Participating city subsidies finance most of these activities. The business-type activities are those that the Corporation charges customers to provide. The Corporation does not have any business-type activities. The final category is the component unit. The Corporation does not have any component units.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the Corporation'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 Emergency Services Corporation, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Corporation's budget ordinance. All of the funds of the County of Rockwall Emergency Services Corporation 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 Corporation'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 Corporation'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 Emergency Services Corporation 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 members of the Corporation, the management of the Corporation, and the decisions of the board about which services to provide and how to pay for them. It also authorizes the Corporation to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Corporation complied with the budget ordinance and whether or not the Corporation 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 board; 2) the actual resources, charges to

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION MANAGEMENT DISCUSSION AND ANALYSIS

appropriations, and ending balances in the General Fund; and 3) the difference or 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 – The County of Rockwall Emergency Services Corporation has no proprietary fund. *Proprietary Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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 are on pages 21 to 27 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 of Rockwall Emergency Services Corporation's budget comparison. Required supplementary information can be found beginning on page 31 of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended September 30, 2006 continue the implementation of a new standard of financial reporting for the County of Rockwall Emergency Services Corporation, and many other units of government across the United States. Prior to fiscal year 2004, governments maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the Corporation. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the County of Rockwall Emergency Services Corporation's financial reports as well as those of many other units of government. While the County of Rockwall Emergency Services Corporation was required to implement these changes for the fiscal year ended September 30, 2004, other units were required to implement Statement 34 in 2002 and 2003.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NET ASSETS

Figure 2

	2006	2005
Current and other assets	\$ 2,741,138	\$ 20,205
Capital assets	242,106	
Total assets	<u>2,983,244</u>	<u>20,205</u>
Current liabilities	264,106	4,714
Long-term liabilities	2,700,000	
Total liabilities	<u>2,964,106</u>	<u>4,714</u>
Net assets:		
Invested in capital assets, net of related debt	-	-
Restricted	-	-
Unrestricted	19,138	15,491
Total net assets	<u>\$ 19,138</u>	<u>\$ 15,491</u>

As noted earlier, net assets may serve over time as one useful indicator of a financial condition. The net assets of the Corporation exceeded liabilities by \$19,138 as of September 30, 2006. The Corporation's net assets increased by \$3,647 for the fiscal year ended September 30, 2006. These net assets are unrestricted.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN NET ASSETS
Figure 3

	<u>2006</u> <u>Totals</u>	<u>2005</u> <u>Totals</u>
REVENUE		
Charge for Services	\$ 540,814	\$ 406,480
Total Revenues	<u>540,814</u>	<u>406,480</u>
EXPENDITURES		
Current:		
Administrative Services	22,067	3,112
EMS Service	<u>515,100</u>	<u>399,600</u>
Total Expenditures	<u>537,167</u>	<u>402,712</u>
Excess of revenues over (under) expenditures	3,647	3,768
Fund Balances/Equity, October 1	15,491	11,723
Fund Balances/Equity, September 30	<u>\$ 19,138</u>	<u>\$ 15,491</u>

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS

Governmental-type activities - Governmental activities increased the Corporation's net assets by #REF!

Business-type activities - The County of Rockwall Emergency Services Corporation has no business activities for the year ended September 30, 2006.

Financial Analysis of the Corporation's Funds

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

Governmental Funds - The focus of the Corporation's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Corporation's financing requirements. Specifically, unreserved fund balance can be 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 the Corporation. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$19,138. 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 3.56% of total General Fund expenditures.

At September 30, 2006, the governmental funds of the Corporation reported a combined fund balance of \$19,138.

General Fund Budgetary Highlights: During the fiscal year, the Corporation 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 and expenditures were generally in line with the budgeted amounts.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital assets - The County of Rockwall Emergency Services Corporation's investment in capital assets for its governmental activities as of September 30, 2006, totals \$242,106 (net of accumulated depreciation). These assets include construction in progress on a firing range and training facility.

There were no significant demolitions or disposals.

Figure 4

County of Rockwall Emergency Services Corporation
Capital Assets
As of September 30, 2006

	Governmental Activities
Construction in Progress	242,106
Total	<u>\$ 242,106</u>

Long-Term Debt. As of September 30, 2006, the County of Rockwall Emergency Services had total bonded debt of \$2,700,000.

Basic Financial Statements

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COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

Primary Government

Governmental
Activities

ASSETS

Current Assets

Cash and Investments

Unrestricted \$ 38,839

Accounts Receivable 2,299

Bond Receivable 2,650,000

Long-Term Assets

Unamortized Bond Issuance Fee 50,000

Property, Plant & Equipment

Construction in Progress 242,106

Accumulated Depreciation -

Total Assets 2,983,244

LIABILITIES

Current Liabilities

Accounts Payable 264,106

Current Portion of Long-Term Debt 331,720

Long-Term Liabilities

Bond Payable 2,700,000

Less: Current Portion (331,720)

Total Liabilities 2,964,106

NET ASSETS

Invested in capital assets

(net of related debt) -

Unrestricted 19,138

Total Net Assets 19,138

Total Liabilities and Net Assets \$ 2,983,244

The notes to the financial statements are an integral part of these financial statements

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

Function/Program Activities	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Primary Government Governmental Activities</u>
Primary Government			
Governmental Activities:			
Administrative Services	\$ 22,067	\$ -	\$ (22,067)
EMS Services	515,100	540,814	25,714
Total governmental activities	<u>537,167</u>	<u>540,814</u>	<u>3,647</u>
		General revenues:	
		Sales taxes	-
		Property taxes	-
		Franchise Fees	-
		Miscellaneous	-
		Total general revenues & transfers	-
		Change in net assets	3,647
		Net assets - beginning	15,491
		Net assets - ending	<u>\$ 19,138</u>

The notes to the financial statements are an integral part of these financial statements

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
 BALANCE SHEET - GOVERNMENT FUNDS
 SEPTEMBER 30, 2006

	<u>General Fund</u>
ASSETS AND OTHER DEBITS	
ASSETS	
Cash and Investments	
Unrestricted	\$ 38,839
Accounts Receivable	2,299
Note Receivable	2,650,000
Unamortized Bond Issuance Fee	50,000
Total Assets	<u>2,741,138</u>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	264,106
Total Liabilities	<u>264,106</u>
 Fund Balances	
Unreserved-Undesignated	2,477,032
Total Fund Balances	<u>2,477,032</u>
 Total Liabilities and Fund Balances	<u>\$ 2,741,138</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

Total fund balances - governmental funds balance sheet \$ 2,477,032

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, (2,457,894)
therefore, are not reported in the funds.

Net assets of governmental activities - statement of net assets \$ 19,138

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>General Fund</u>
REVENUE	
Charge for Services	\$ 540,814
Bond Proceeds	2,700,000
Total Revenues	<u>3,240,814</u>
EXPENDITURES	
Current:	
Administrative Services	22,067
EMS Service	515,100
Capital Outlay	242,106
Total Expenditures	<u>779,273</u>
Excess (deficiency) of revenues over (under) expenditures	2,461,541
Other Revenues and Financing Sources (uses)	
Operating Transfers In	-
Operating Transfers Out	-
Total Other Financing Sources (uses)	<u>-</u>
Net Change in Fund Balances	2,461,541
Fund Balances/Equity, October 1	15,491
Fund Balances/Equity, September 30	<u><u>\$ 2,477,032</u></u>

The notes to the financial statements are an integral part of these financial statements

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Net change in fund balances - total governmental funds	\$ 2,461,541
--	--------------

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 reports as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	242,106
--	---------

The repayment of the principal of long-term debt consumes the current financial resources of government funds. This transaction, however, has no effect on net assets. Also, government 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.	(2,700,000.00)
--	----------------

Change in net assets of governmental activities - statement of activities	<u>\$ 3,647</u>
---	-----------------

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

A. Summary of Significant Accounting Policies

The combined financial statements of the County of Rockwall Emergency Services Corporation have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Corporation's combined financial statements include the accounts of all its operations. The Corporation evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Corporation's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name).
- the Corporation holds the corporate powers of the organization.
- the Corporation appoints a voting majority of the organization's board.
- the Corporation is able to impose its will on the organization.
- the organization has the potential to impose a financial benefit/burden on the Corporation.
- there is fiscal dependency by the organization on the Corporation.

Based on these criteria, the Corporation has no component units.

The County of Rockwall Emergency Services Corporation is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Corporation. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Corporation and for each function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Corporation does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

A. Summary of Significant Accounting Policies

- 2. Basis of Presentation, Basis of Accounting**
a. Basis of Presentation (continued)

Fund Financial Statements: The fund financial statements provide information about the Corporation's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings result from nonexchange transactions or ancillary activities.

The Corporation reports the following major governmental funds:

General Fund

The Corporation reports the following major business-type funds:

None

- b. Measurement Focus, Basis of Accounting**

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Corporation 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: 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 Corporation considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting

b. Measurement Focus, Basis of Accounting (continued)

When the Corporation incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Corporation's policy to use restricted resources first, then unrestricted resources.

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. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The Corporation has chosen not to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Inventories and Prepaid Items

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. A capitalization threshold of \$500 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30-45
Buildings	45
Building Improvements	15-20
Vehicles	6
Office Equipment	3-10
Computer Equipment	3-7

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

d. Receivable and Payable Balances

The Corporation believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore no disclosure is provided which disaggregate those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

f. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	Not applicable

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

C. Deposits and Investments

The Corporation's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the Corporation's agent bank approved pledged securities in an amount sufficient to protect Corporation funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At September 30, 2006, the carrying amount of the Corporation's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$38,839, and the bank balance was \$38,839. The Corporation's cash deposits at September 30, 2006 and during the year ended September 30, 2006, were entirely covered by FDIC insurance or by pledged collateral held by the Corporation's agent bank in the Corporation's name.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- | | |
|--------------|---|
| Category 1 - | Deposits which are insured or collateralized with securities held by the Corporation or its agent in the Corporation's name. |
| Category 2 - | Deposits which are collateralized with securities held by the pledging financial trust department or agent in the Corporation's name. |
| Category 3 - | Deposits which are not collateralized or insured. |

Based on these three levels of risk, all of the Corporation's cash deposits are classified as category 2.

Investments:

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the Corporation adhered to the requirements of the Act. Additionally, investment practices of the Corporation were in accordance with local policies.

Investment Accounting Policy

The Corporation's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "non-participating" means that the investments value does not vary with market interest rate changes. Non-negotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

D. Capital Assets

Capital asset activity for the period ended September 30, 2006 was as follows:

	<u>Beginning Balances</u>	<u>Prior Period Adjustments</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:					
CIP-Firing Range	\$ -	\$ -	\$ 242,106	\$ -	\$ 242,106
Total	\$ -	\$ -	\$ 242,106	\$ -	\$ 242,106

<i>Accumulated Depreciation</i>	<u>Beginning Balances</u>	<u>Prior Period Adjustments</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Firing Range/Training Facility	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -

E. Long-Term Obligations

Changes in Governmental Bonded Debt

In September 2006, the Corporation recorded a bond receivable in the amount of \$2,700,000. This bond was issued in order to construct a firing range and training facility for the use of all city participants in the Corporation. The proceeds from the bond were received on October 5, 2006; therefore the Corporation recorded a receivable to account for these monies. Bond requirements begin in 2007, as is shown in the debt service requirements at the end of this section.

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Issued</u>	<u>Amounts Outstanding 2005</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 2006</u>
Revenue Bond 2006	4.16%	\$ 2,700,000	\$ -	\$ 2,700,000	\$ -	\$ 2,700,000
Totals		\$ 2,700,000	\$ -	\$ 2,700,000	\$ -	\$ 2,700,000

Debt service requirements are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2007	\$ 235,000	\$ 96,720	\$ 331,720
2008	230,000	102,544	332,544
2009	240,000	92,976	332,976
2010	250,000	82,992	332,992
2011	260,000	72,592	332,592
Thereafter	1,485,000	190,112	1,675,112
Totals	\$ 2,700,000	\$ 637,936	\$ 3,337,936

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

F. Pension Plan

The Corporation does not have employees.

G. Health Care Coverage

The Corporation does not have employees

H Litigation

Currently, management is unaware of significant pending litigation against the County of Rockwall Emergency Services Corporation.

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Required Supplementary Information

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COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Original Budget	Final Budget	Actual	Difference
REVENUE				
Charge for Services	\$ 536,100	\$ 536,100	\$ 540,814	\$ 4,714
Note Proceeds	2,700,000	2,700,000	2,700,000	-
Total Revenues	<u>3,236,100</u>	<u>3,236,100</u>	<u>3,240,814</u>	<u>4,714</u>
EXPENDITURES				
Administrative Services	23,080	23,080	22,067	1,013
EMS Service	515,100	515,100	515,100	-
Capital Outlay	-	-	242,106	(242,106)
Total Expenditures	<u>538,180</u>	<u>538,180</u>	<u>779,273</u>	<u>(241,093)</u>
Excess (deficiency) of revenues over (under) expenditures	2,697,920	2,697,920	2,461,541	(236,379)
Other Revenues and Financing Sources (uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	2,697,920	2,697,920	2,461,541	(236,379)
Fund Balances/Equity, October 1	15,491	15,491	15,491	
Prior Period Adjustment			-	
Fund Balances/Equity, September 30	<u>\$ 2,713,411</u>	<u>\$2,713,411</u>	<u>\$2,477,032</u>	

ADJUSTMENTS TO REVENUES, EXPENDITURES AND OTHER
FINANCING USES FROM GAAP BASIS TO BUDGETARY BASIS

	Excess (Deficiency) of Revenue and Other Sources Over Expenditures and Other Uses General Fund
GAAP Basis	\$ 3,647
Revenues:	
Increase due to bond revenue	2,700,000
Expenditures:	
Decrease due to capital outlay	(242,106)
Budgetary Basis	<u>\$2,461,541</u>

The notes to the financial statements are an integral part of these financial statements

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