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November 2, 2007

Rockwall County
Emergency Services Corporation
c/o John Blackwood, County Auditor
101 East Rusk Str, Ste 101
Rockwall, TX 75087

We are pleased to confirm our understanding of the services we are to provide for Rockwall County Emergency Services Corporation for the year ended September 30, 2007. We will audit the balance sheet of Rockwall County Emergency Services Corporation as of September 30, 2007 and the related statements of income, retained earnings and cash flows for the year then ended.

Our audit will be made in accordance with generally accepted auditing standards and will include tests of your accounting records and other procedures we consider necessary to enable us to express an unqualified opinion that your financial statements are fairly presented in conformity with generally accepted accounting principles consistently applied. If our opinion is other than unqualified, we will fully discuss the reasons with you in advance.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected customers, creditors, and banks. At the conclusion of our examination, we will also request certain written representations from you about the financial statements and related matters.

An audit is based primarily on the selective testing of accounting records and related data, therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by us. We will advise you, however, of any matters of that nature that come to our attention.

We understand that you will provide us with the basic information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. This responsibility includes the maintenance of adequate records and related controls, the selection and application of accounting principles, and the safeguarding of assets.

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We understand your employees will assist in the compilation of all cash, accounts receivable, accounts payable, and other confirmations and will locate any invoices selected by us for testing.

Our audit is not specifically designed and cannot be relied on to disclose material weaknesses in accounting controls. However, during the audit, if we become aware of such weaknesses in internal accounting control or ways that we believe management practices can be improved, we will communicate them to you in a separate letter.

Some increases of the scope and audit tests would include, but not be exclusive of other matters that may increase the nature and cost of the audit. If we encountered such issues, we would communicate this to the ~~Rockwall county treasurer~~, Rockwall county auditor or one of the other persons on the board of the corporation during the audit. *→ treasurer or President of the Emergency Services Corp.*

This regular audit fee includes fifteen (15) bound financial statements. For each additional requested copy of the financial statement, there will be an additional fee of \$15.

In addition, for any journal entry made **by the client** to the general ledger for the fiscal year ended September 30, 2007 **after** our auditors have received the Trial Balance, there will be a fee of \$100 for each journal entry. This cost is based upon the amount of time necessary for our audit staff to re-enter and analyze changes in our audit software.

We expect to begin our audit in February, 2008 and issue our report no later than May, 2008.

Our fees for these services will be based on the actual time spent at our standard hourly rates, plus travel and other out-of-pocket costs such as report production, typing, postage, etc. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel as to your audit. In accordance with your firm policies, work may be suspended if your account becomes thirty (30) days or more overdue and may not be resumed until your account is paid in full. Based on our preliminary estimates, the fee should be approximately \$2,900 for the audit. This estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit.

We request we be allowed to read all printed materials given to outside parties which also include our report. We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

CONWAY COMPANY CPAs PC

Conway Company CPAs, P.C.

RESPONSE:

This letter correctly sets forth the understanding of Rockwall County Emergency Services Corporation.

Officer signature: Walter R. Linn

Title: President, Emergency Services Corporation

Date: 11/28/07

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF
COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION

FOR
FISCAL YEAR ENDED

September 30, 2007

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, 2007

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INTRODUCTORY SECTION

County of Rockwall Emergency Services Corporation

101 E Rusk St., Ste 201
Rockwall Texas

May 21, 2008

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, 2007, 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 2007, the Corporation issued its third 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

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, 2007, 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,

Bill Cecil
President

FINANCIAL SECTION



Michael Conway, CPA
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May 21, 2008

Independent Auditor's Report on Financial Statements

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

Board of Directors:

We have audited the accompanying financial statements of the governmental activities of the County of Rockwall Emergency Services Corporation (a corporation) as of and for the years ended September 30, 2007 and 2006, which collectively comprise 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, 2007, 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.

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 2008 on our consideration of the County of Rockwall Emergency Services 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 controls 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 compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 12 and the respective budgetary comparison for the General Fund are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United

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COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2007

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, 2007. 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 \$307,503 (net assets).
- The government's total net assets increased by \$288,365.
- As of the close of the current fiscal year, the Corporation's governmental funds reported ending fund balances of \$307,503, an increase of \$288,365 in comparison with the prior year. Approximately 28% of this total amount, or \$87,503, 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 \$87,503 was 14.14% percent of total general fund expenditures for the fiscal year.
- The County of Rockwall Emergency Services Corporation's bonded debt decreased by \$225,000 or 8.33% 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

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 gage 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 for this fiscal year. 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

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NET ASSETS

Figure 2

	2007	2006
Current and other assets	\$ 403,938	\$ 2,741,138
Capital assets	2,390,352	242,106
Total assets	<u>2,794,290</u>	<u>2,983,244</u>
Current liabilities	11,787	264,106
Long-term liabilities	2,475,000	2,700,000
Total liabilities	<u>2,486,787</u>	<u>2,964,106</u>
Net assets:		
Invested in capital assets, net of related debt	(84,648)	-
Restricted	304,648	-
Unrestricted	87,503	19,138
Total net assets	<u>\$ 307,503</u>	<u>\$ 19,138</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The net assets of the Corporation exceeded liabilities by \$307,503 as of September 30, 2007. The Corporation's net assets increased by \$288,365 for the fiscal year ended September 30, 2007. The largest portion (95.41%) is restricted for purchase of capital assets. The Corporation uses these capital assets to provide services for its sponsoring Cities; consequently, these assets are not available for future spending.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS

Governmental-type activities - Governmental activities increased the Corporation's net assets by \$288,365.

Business-type activities - The County of Rockwall Emergency Services Corporation has no business activities for the year ended September 30, 2007.

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 \$87,503. 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 14.41% of total General Fund expenditures.

At September 30, 2007, the governmental funds of the Corporation reported a combined fund balance of \$307,503.

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.

Basic Financial Statements

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2007

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Investments	
Unrestricted	\$ 120,360
Restricted	273,485
Accounts Receivable	10,093
Long-Term Assets	
Unamortized Bond Issuance Fee	45,000
Property, Plant & Equipment	
Construction in Progress	2,345,352
Accumulated Depreciation	-
Total Assets	<u><u>2,794,290</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable	11,787
Current Portion of Long-Term Debt	240,000
Long-Term Liabilities	
Bond Payable	2,475,000
Less: Current Portion	(240,000)
Total Liabilities	<u><u>2,486,787</u></u>
NET ASSETS	
Invested in capital assets	
(net of related debt)	(84,648)
Restricted for:	
Capital Assets	304,648
Unrestricted	87,503
Total Net Assets	<u><u>307,503</u></u>
Total Liabilities and Net Assets	<u><u>\$ 2,794,290</u></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, 2007

	<u>General Fund</u>
ASSETS AND OTHER DEBITS	
ASSETS	
Cash and Investments	
Unrestricted	\$ 120,360
Restricted	273,485
Accounts Receivable	10,093
Total Assets	<u>403,938</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	11,787
Total Liabilities	<u>11,787</u>
Fund Balances	
Reserved For:	
Capital Assets	304,648
Unreserved-Undesignated	87,503
Total Fund Balances	<u>392,151</u>
Total Liabilities and Fund Balances	<u>\$ 403,938</u>

The accompanying notes are an integral part of these financial statements

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>General Fund</u>
REVENUE	
Charge for Services	\$ 841,873
Miscellaneous	2,794
Total Revenues	<u>844,667</u>
EXPENDITURES	
Current:	
Administrative Services	14,635
Ambulance Services	479,100
Emergency Management Services	23,574
Capital Outlay	2,103,246
Principal Reduction	225,000
Interest on Long-Term Debt	96,720
Total Expenditures	<u>2,942,275</u>
Excess (deficiency) of revenues over (under) expenditures	(2,097,608)
Other Revenues and Financing Sources (uses)	
Operating Transfers In	-
Operating Transfers Out	-
Investment Income	62,727
Total Other Financing Sources (uses)	<u>62,727</u>
Net Change in Fund Balances	(2,034,881)
Fund Balances/Equity, October 1	2,477,032
Prior Period Adjustments	(50,000)
Fund Balances/Equity, September 30	<u><u>\$ 392,151</u></u>

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

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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, 2007

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, 2007

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, 2007, the carrying amount of the Corporation's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$393,845, and the bank balance was \$393,845. The Corporation's cash deposits at September 30, 2007 and during the year ended September 30, 2007, 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 by its agent in the Corporation's name. |
| Category 2 - | Deposits which are collateralized with securities held by the pledging financial institutions 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, 2007

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.

Required Supplementary Information

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
REVENUE				
Charge for Services	\$ 926,415	\$ 926,415	\$ 841,873	\$ (84,542)
Miscellaneous Revenue	-	-	2,794	2,794
Total Revenues	<u>926,415</u>	<u>926,415</u>	<u>844,667</u>	<u>(81,748)</u>
EXPENDITURES				
Administrative Services	16,580	16,580	14,635	1,945
EMS Service	479,100	479,100	479,100	-
Firing Range	4,985	4,985	-	4,985
Emergency Management Services	94,030	94,030	23,574	70,456
Capital Outlay	-	-	2,103,246	(2,103,246)
Principal Reduction	235,000	235,000	225,000	10,000
Interest and Fiscal Agent Fees	96,720	96,720	96,720	-
Total Expenditures	<u>926,415</u>	<u>926,415</u>	<u>2,942,275</u>	<u>(2,015,860)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(2,097,608)	(2,097,608)
Other Revenues and Financing Sources (uses)				
Investment Income	-	-	62,727	62,727
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>62,727</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(2,034,881)	(2,034,881)
Fund Balances/Equity, October 1	2,477,032	2,477,032	2,477,032	
Prior Period Adjustment			(50,000)	
Fund Balances/Equity, September 30	<u>\$ 2,477,032</u>	<u>\$2,477,032</u>	<u>\$ 392,151</u>	



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CONWAY COMPANY CPAs PC

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In planning and performing our audit of the financial statements of the County of Rockwall Emergency Services Corporation as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County of Rockwall Emergency Services Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Billing and bank reconciliations are performed by hand. This exposes the Corporation to an increased risk of mistakes in bookkeeping. The Corporation should purchase and implement an accounting software program.

The Board of Directors should approve all opening and closing of bank accounts.

An officer of the board should approve all bank reconciliations.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Conway Company CPAs, P.C.

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