



Michael Conway, CPA
Neil Conway, CPA

Toll Free (800) 594-7951
Metro (903) 450-1200

CONWAY COMPANY CPAs PC
ACCOUNTANTS & ADVISORS

www.conwaycpas.com

PO Box 8234
Greenville, Texas 75404-8234

Member
American Institute of CPAs
Texas Society of CPAs

December 15, 2008

Board of Directors

County of Rockwall Emergency Services Corporation

101 E Rusk St, Ste 201

Rockwall, Tx 75087

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, 2008, in accordance with auditing standards generally accepted in the United 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:

1021 Park Street
Commerce, Texas 75428
Office (903) 886-2123
Fax (903) 886-6580

8910 Wesley Street
Greenville, Texas 75402
Office (903) 455-9898
Fax (903) 454-3181

#1 Horizon Court
Rockwall, Texas 75032
Office (972) 771-1065
Fax (903) 454-3181

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF
COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION

FOR

FISCAL YEAR ENDED

September 30, 2008

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, 2008

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal.....	v
Board of Directors.....	viii

FINANCIAL SECTION

Independent Auditor's Report on Financial Statements.....	3
A. Management Discussion and Analysis.....	5
B. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets.....	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	19
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Assets.....	20
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	22
Budgetary Comparison Schedule-General Fund.....	23
Notes to the Financial Statements	25
C. Statistical Information	
Net Assets by Component.....	41
Change in Net Assets.....	42
Fund Balances, Governmental Funds.....	43
Changes in Fund Balance of Governmental Funds.....	44

INTRODUCTORY SECTION

County of Rockwall Emergency Services Corporation

101 E Rusk St., Ste 201
Rockwall, Texas 75087

December 15, 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, 2008, 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 2008, 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 McClendon-Chisholm, the City of

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 about April of each year with the preparation of both current and proposed year funding estimates by the Corporation's sponsoring local governments. Budgets are reviewed and approved 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, 2008, 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,

William R. Cecil
President

FINANCIAL SECTION



Michael Conway, CPA
Neil Conway, CPA

Toll Free (800) 594-7951
Metro (903) 450-1200

CONWAY COMPANY CPAs PC

ACCOUNTANTS & ADVISORS

www.conwaycpas.com

PO Box 8234
Greenville, Texas 75404-8234

Member
American Institute of CPAs
Texas Society of CPAs

December 15, 2008

Independent Auditor's Report on Financial Statements

Board of Directors
County of Rockwall Emergency Services Corporation
101 E. Rusk St, Ste 201
Rockwall, Tx 75087-3724

Board of Directors:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Rockwall Emergency Services Corporation ("Corporation") as of and for the years ended September 30, 2008 and 2007, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Corporation's non-major governmental funds presented in the accompanying combining and individual fund financial statements and schedules as of and for the years ended September 30, 2008 and 2007 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, each major fund, and the aggregate remaining fund information for the County of Rockwall Emergency Services Corporation as of September 30, 2008, 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 addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental funds of the County of Rockwall Emergency Services Corporation, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the debt service and special revenue funds, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's discussion and analysis on pages 5 to 14 and the 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 information. However, we did not audit the information and express no opinion on it.

1021 Park Street
Commerce, Texas 75428
Office (903) 886-2123
Fax (903) 886-6580

8910 Wesley Street
Greenville, Texas 75402
Office (903) 455-9898
Fax (903) 454-3181

#1 Horizon Court
Rockwall, Texas 75082
Office (972) 771-1065
Fax (903) 454-3181

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2008

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, 2008. 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 \$478,485 (net assets).
- The government's total net assets increased by \$181,607.
- As of the close of the current fiscal year, the Corporation's governmental funds reported ending fund balances of \$271,183, a decrease of \$112,858 in comparison with the prior year. Approximately 4% of this total amount, or \$11,772, 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 \$11,772 was 1.04% percent of total general fund expenditures for the fiscal year.
- The County of Rockwall Emergency Services Corporation's bonded debt decreased by \$272,764 or 11.02% 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.

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 the Corporation's three services and general administration. Participating sponsoring local governments 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 pages 17 and 18 of this report.

Fund Financial Statements

The fund financial statements (pages 19-23) 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 by-laws. All of the funds of the County of Rockwall Emergency Services Corporation can be grouped into one category: governmental fund.

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 annual budgets for the activities in its General Fund, as required by the General Statutes. These budgets are legally adopted documents that incorporate 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

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NET ASSETS

Figure 2

	2008	2007
Current and other assets	\$ 335,306	\$ 403,938
Capital assets	2,409,538	2,390,352
Total assets	<u>2,744,844</u>	<u>2,794,290</u>
Current liabilities	26,359	11,787
Long-term liabilities	2,240,000	2,475,000
Total liabilities	<u>2,266,359</u>	<u>2,486,787</u>
Net assets:		
Invested in capital assets, net of related debt	207,302	(84,648)
Restricted	259,411	304,648
Unrestricted	11,772	87,503
Total net assets	<u>\$ 478,485</u>	<u>\$ 307,503</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 \$478,485 as of September 30, 2008. The Corporation's net assets increased by \$181,607 for the fiscal year ended September 30, 2008. The largest portion (54.21%) is restricted for debt repayment; consequently, these assets are not available for future spending.

Several particular aspects of the Corporation's financial operations positively influenced the increase of the total governmental net assets:

- Charges for services increased by 19.56%.
- Ambulance service costs decreased by 7.25%.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2008

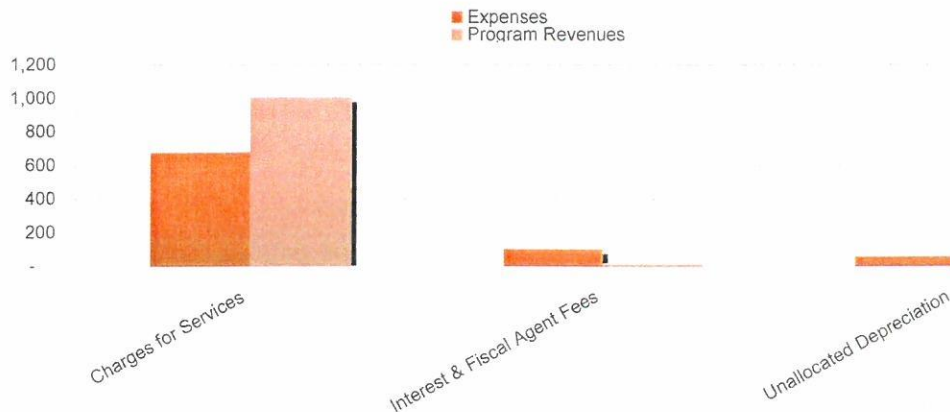
Governmental-type activities - The Governmental Fund increased the Corporation's net assets by \$181,607. Key elements of this increase are as follows:

Charges for services increased by 19.56%.

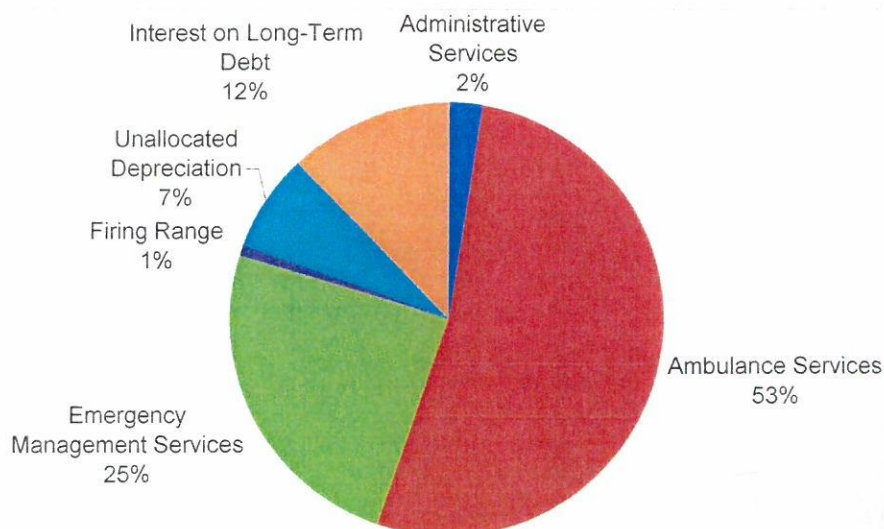
Ambulance services expenditures decreased by 7.25%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Expenditures By Source - Governmental Activities



COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2008

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, 2008, totals \$2,409,538 (net of accumulated depreciation). These assets include firing range and training facilities assets and equipment.

There were no significant demolitions or disposals.

Figure 4

County of Rockwall Emergency Services Corporation
Capital Assets
As of September 30, 2008

	Governmental Activities
Buildings	2,149,062
Infrastructure	307,774
Improvements	10,848
Office Equipment	2,129
Accumulated Depreciation	(60,275)
Total	<u>2,409,538</u>

Long-Term Debt. As of September 30, 2008, the County of Rockwall Emergency Services had total bonded debt of \$2,202,236.

County of Rockwall Emergency Services Corporation
Outstanding Bonds
As of September 30, 2008

General Funds	\$ 2,202,236
	<u>\$ 2,202,236</u>

The County of Rockwall Emergency Services Corporation's bonded debt decreased by \$235,000 (9.49%) during the past fiscal year.

Basic Financial Statements

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2008

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Investments	
Unrestricted	\$ 7,696
Restricted	259,411
Accounts Receivable	30,435
Long-Term Assets	
Capital Assets, net of accumulated depreciation	
Buildings	2,101,306
Infrastructure	297,515
Improvements	9,298
Office Equipment	1,419
Total Assets	<u><u>2,707,080</u></u>
LIABILITIES	
Current Liabilities	
Accounts Payable	26,359
Current Portion of Long-Term Debt	240,000
Long-Term Liabilities	
Bond Payable, net of unamortized bond issuance fee	2,202,236
Less: Current Portion	(240,000)
Total Liabilities	<u><u>2,228,595</u></u>
NET ASSETS	
Invested in capital assets	
(net of related debt)	207,302
Restricted for:	
Debt	259,411
Unrestricted	11,772
Total Net Assets	<u><u>\$ 478,485</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, 2008

	General Fund	Debt Service Fund	Total
ASSETS AND OTHER DEBITS			
ASSETS			
Cash and Investments			
Unrestricted	\$ 7,696	\$ -	\$ 7,696
Restricted	-	259,411	259,411
Accounts Receivable	30,435	-	30,435
Total Assets	<u>38,131</u>	<u>259,411</u>	<u>297,542</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	26,359	-	26,359
Total Liabilities	<u>26,359</u>	<u>-</u>	<u>26,359</u>
Fund Balances			
Reserved For:			
Debt	-	259,411	259,411
Unreserved-Undesignated	11,772	-	11,772
Total Fund Balances	<u>11,772</u>	<u>259,411</u>	<u>271,183</u>
Total Liabilities and Fund Balances	<u>\$ 38,131</u>	<u>\$ 259,411</u>	<u>\$ 297,542</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, 2008

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUE			
Charge for Services	\$ 1,006,573	\$ -	\$ 1,006,573
Miscellaneous	-	-	-
Total Revenues	<u>1,006,573</u>	<u>-</u>	<u>1,006,573</u>
EXPENDITURES			
Current:			
Administrative Services	3,378	-	3,378
Ambulance Services	456,959	-	456,959
Emergency Management Services	207,312	-	207,312
Firing Range	6,982	-	6,982
Capital Outlay	124,460	-	124,460
Debt Service			
Principal Reduction	235,000	-	235,000
Interest on Long-Term Debt	102,960	-	102,960
Total Expenditures	<u>1,137,051</u>	<u>-</u>	<u>1,137,051</u>
Excess (deficiency) of revenues over (under) expenditures	(130,478)	-	(130,478)
Other Revenues and Financing Sources (uses)			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Investment Income	17,620	-	17,620
Total Other Financing Sources (uses)	<u>17,620</u>	<u>-</u>	<u>17,620</u>
Net Change in Fund Balances	(112,858)	-	(112,858)
Fund Balances/Equity, October 1	132,740	259,411	392,151
Prior Period Adjustments	(8,110)	-	(8,110)
Fund Balances/Equity, September 30	<u>\$ 11,772</u>	<u>\$ 259,411</u>	<u>\$ 271,183</u>

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

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Original Budget	Final Budget	Actual	Difference
REVENUE				
Charge for Services	\$ 1,006,581	\$1,006,581	\$ 1,006,573	\$ (8)
Miscellaneous Revenue	-	-	-	-
Total Revenues	<u>1,006,581</u>	<u>1,006,581</u>	<u>1,006,573</u>	<u>(8)</u>
EXPENDITURES				
Administrative Services	4,880	4,880	3,378	1,502
EMS Service	456,859	456,859	456,959	(100)
Firing Range	4,986	4,986	6,982	(1,996)
Emergency Management Services	207,312	207,312	207,312	-
Capital Outlay	-	-	124,460	(124,460)
Principal Reduction	230,000	230,000	235,000	(5,000)
Interest and Fiscal Agent Fees	102,544	102,544	102,960	(416)
Total Expenditures	<u>1,006,581</u>	<u>1,006,581</u>	<u>1,137,051</u>	<u>(130,470)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(130,478)	(130,478)
Other Revenues and Financing Sources (uses)				
Investment Income	-	-	17,620	17,620
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>17,620</u>	<u>17,620</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(112,858)	(112,858)
Fund Balances/Equity, October 1	132,740	132,740	132,740	
Prior Period Adjustment			(8,110)	
Fund Balances/Equity, September 30	<u>\$ 132,740</u>	<u>\$ 132,740</u>	<u>\$ 11,772</u>	

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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, 2008

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.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Corporation's water, sewer and environmental waste services are charges to customers for sales and services. Operating expenses for Proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. Restricted Assets

Certain proceeds of the Corporation's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

h. 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.

i. Use of Estimates

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

B. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balances - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$2,409,538 difference are as follows:

Capital Assets	\$ 2,469,813
Depreciation Expense	<u>(60,275)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 2,409,538</u>

Another element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$2,202,236) difference are as follows:

Bonds Payable	\$ (2,195,000)
Bond Issuance Costs	<u>(7,236)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (2,202,236)</u>

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

C. Compliance and Accountability (continued)

3. Budgets and Budgetary Accounting

Annual budgets are adopted on a GAAP basis. Annual appropriated budgets are legally adopted for the general fund and debt service fund. All annual appropriations lapse at fiscal year end.

The Corporation follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to September 1, the Board prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Board meetings are held to obtain sponsoring local governments and board member comments.
3. The budget is legally enacted by the Board through passage of budget adoption resolutions prior to the beginning of the fiscal year to which it applies, which can be amended by the Board.
4. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. No supplemental appropriations were made during the fiscal year.

The level of control (the level at which expenditures may not exceed the budget) is the fund level. The Board is authorized to approve a transfer of budgeted amounts among its principal service activities.

D. 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, 2008, the carrying amount of the Corporation's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$267,107, and the bank balance was \$268,225. The Corporation's cash deposits at September 30, 2008 and during the year ended September 30, 2008, were entirely covered by FDIC insurance or by pledged collateral held by the Corporation's agent bank in the Corporation's name.

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.

As of September 30, 2008, the corporation had the following investments:

Investment Type	
Certificate of Deposits	<u>\$ 259,411</u>

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

G. Capital Assets

Capital asset activity for the period ended September 30, 2008 was as follows:

	<u>Beginning Balances</u>	<u>Prior Period Adjustments</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities					
Capital assets, being depreciated:					
CIP-Firing Range	\$ 2,345,352	\$ -	124,460	2,469,812	\$ -
Infrastructure	-	-	307,774	-	307,774
Building Improvements	-	-	10,847	-	10,847
Office Equipment	-	-	2,129	-	2,129
Firing Range/Training Facility	-	-	2,149,062	-	2,149,062
Total capital assets being depreciated	2,345,352	-	2,594,272	2,469,812	2,469,812
Less accumulated depreciation for:					
Infrastructure	-	-	(10,259)	-	(10,259)
Building Improvements	-	-	(1,549)	-	(1,549)
Office Equipment	-	-	(710)	-	(710)
Firing Range/Training Facility	-	-	(47,757)	-	(47,757)
Total accumulated depreciation	-	-	(60,275)	-	(60,275)
Total capital assets being depreciated, net	2,345,352	-	2,533,997	2,469,812	2,409,537
Governmental activities, capital assets, net	<u>\$ 2,345,352</u>	<u>\$ -</u>	<u>\$ 2,533,997</u>	<u>\$ 2,469,812</u>	<u>\$ 2,409,537</u>

H. Long-Term Obligations

Changes in Governmental Bonded Debt

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2008, is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Issued</u>	<u>Amounts Outstanding 2007</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 2008</u>
Revenue Bond 2006	4.16%	\$ 2,700,000	\$ 2,475,000	\$ -	\$ 235,000	\$ 2,240,000
Totals		<u>\$ 2,700,000</u>	<u>\$ 2,475,000</u>	<u>\$ -</u>	<u>\$ 235,000</u>	<u>\$ 2,240,000</u>

<u>Description</u>	<u>Due Within One Year</u>
Revenue Bond 2006	\$ 240,000
Totals	<u>\$ 240,000</u>

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

M. Bond Issuance Costs

The Corporation incurred various bond issuance fees upon issuance of bonds. These fees are amortized over the life of the bonds. Following is a schedule of these fees after entries for prior period adjustments were made:

General Fund

	Fees	Prior Years Amortization Expense	Current Year Amortization Expense	Balance
2006 Revenue Bonds	\$ 47,206	\$ 4,721	\$ 4,721	\$ 37,764
Totals	<u>\$ 47,206</u>	<u>\$ 4,721</u>	<u>\$ 4,721</u>	<u>\$ 37,764</u>

N. Prior Period Adjustment

The County of Rockwall Emergency Services Corporation had two prior period adjustments in the General Fund. In order to reclassify the refund of bond issuance fees from prior year, a prior period adjustment of \$2,794 was made. In addition, a prior period adjustment for \$8,110 was made to correct accounts receivable from the previous year.

O. New Accounting Pronouncements

In May 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 43 addresses the financial reporting for other postemployment benefits plans. This statement is effective for the Corporation's financial statements for periods beginning after December 15, 2007. The adoption of this statement has no impact on the Corporation's financial statements.

In August 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB No. 45 requires employer governments to account for and report the annual cost of other postemployment benefits in the same manner as they do for pension. This statement has no impact on the Corporation's financial statements.

In June of 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. GASB No. 47 gives accounting and reporting guidance for early retirement incentives, severance payments for involuntary terminations and termination benefits affecting defined benefit postemployment benefits. The adoption of this statement has no impact on the Corporation's financial statements.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which identifies situations in which a government is required to report obligations relating to pollution remediation, estimate expected outlays for the remediation, and disclose information about pollution obligations associated with clean up efforts. This statement is effective for the Corporation's financial statements for periods beginning December 15, 2007. The adoption of this statement has no impact on the Corporation's financial statements.

Statistical Section (unaudited)

STATISTICAL SECTION

(unaudited)

This part of the County of Rockwall Emergency Services Corporation's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the Corporation's overall financial health. This information has not been audited by the independent auditor.

Contents

Table #s

Financial Trends

These tables contain trend information to help the reader understand how the Corporation's financial performance and well-being have changed over time.

1,2,3,4

Source: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
NET ASSETS BY COMPONENT (UNAUDITED)
LAST THREE FISCAL YEARS
(accrual basis of accounting)

Table 1

		FISCAL YEAR	
	2006	2007	2008
Governmental activities			
Invested in capital assets, net of related debt	\$ -	\$ (84,648)	\$ 207,302
Restricted	-	304,648	259,411
Unrestricted	19,138	87,503	11,772
	<u>19,138</u>	<u>307,503</u>	<u>478,485</u>
Primary government			
Invested in capital assets, net of related debt	-	(84,648)	207,302
Restricted	-	304,648	259,411
Unrestricted	19,138	87,503	11,772
	<u>\$ 19,138</u>	<u>\$ 307,503</u>	<u>\$ 478,485</u>

Note: Accrual-basis financial information for the City as a whole is only available back to 2006, the year GASB Statement 34 was implemented.

COUNTY OF ROCKWALL EMERGENCY SERVICES CORPORATION
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST THREE FISCAL YEARS
 (modified accrual basis of accounting)
 (unaudited)

Table 3

	FISCAL YEAR		
	2006	2007	2008
General Fund			
Reserved	\$ -	\$ 304,648	\$ 259,411
Unreserved	2,477,032	87,503	11,772
	<u>\$ 2,477,032</u>	<u>\$ 392,151</u>	<u>\$ 271,183</u>