



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS
Management Letter

March 23, 2017

Members of the Commissioners' Court
Wise County, Texas

In connection with our audit of the financial statements of Wise County, Texas as of September 30, 2016, we have made a review of accounting procedures and internal control. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for management's consideration, suggestions for changes in procedures, which, in our opinion, could strengthen internal control or contribute to the improvement of operating efficiency.

The comments in this letter are based upon observations made in the course of such a review. The review was not designed for the purpose of expressing an opinion on internal control, and it would not necessarily disclose all weaknesses in the system. The matters discussed herein were considered during our audit of the above-mentioned financial statements, and they did not modify the opinion expressed in our report on those financial statements. However, we offer for your review, recommendations as noted on the following pages and our proposed solutions thereto.

We have discussed the following comments in detail with the appropriate staff of the County to insure understanding of the comments and implementation of recommendations. If you have any questions regarding these or any other matters, please feel free to contact us.

This letter is intended solely for the information and use of Commissioners' Court, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Finally, we take this opportunity to thank you and your staff for your courtesy and cooperation during our audit. Thank you for your business.

Sincerely,

Snow Garrett Williams

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CURRENT YEAR COMMENTS

Adjusting Journal Entries

Comment: As a result of our audit procedures and testing, we proposed audit adjustments and entries to the County's funds that were necessary to correctly report financial statement amounts.

Recommendation: We encourage the County to continue reviewing the content of the audit adjustments in order to understand the purpose of the adjustments, reclassifications or corrections and incorporate these entries into the County's monthly and year-end accounting transactions. We suggest that the County continue analyzing transactions and accounts throughout the year in order to record transactions as they occur and that any resulting adjustments be reviewed by the County Auditor prior to commencement of the outside audit.

Fund Balance Reporting

Comment: As a result of audit procedures related to fund balance reporting, we noted that the County did not meet the minimum fund balance goal as set forth in its Amended Fund Balance Policy that was approved by Commissioners' Court Order on July 14, 2014. The Policy establishes a goal to achieve and maintain an unassigned general fund balance equal to 20% of budgeted expenditures. At the end of fiscal year 2016, the County had an unassigned general fund balance of 11% of the general fund 2017 budgeted expenditures, which was a decrease of 1% from the prior fiscal year. Additionally, we noted that Section 3.0 of the County's Fund Balance Policy states that, "the County shall plan to adjust budget resources in subsequent fiscal years to restore the balance."

Recommendation: We therefore recommend that the County continue striving to reduce expenditures and transfers in subsequent years' budgets to meet its minimum fund balance policy goal.

Budget Variances

Comment: In our review and analysis of the County's financial statements, we noticed that there were negative budget variances in the general and lateral road fund for capital outlay.

Recommendation: These variances were related to capital outlay expenditures and adjustments made during our audit in order to comply with reporting standards and reclassify expenditures at year-end. However, we recommend that the County continue monitoring its budget carefully throughout the year and amend it as necessary.

OBJECTIVE OF INTERNAL CONTROL

The objective of internal control is to provide reasonable, but not absolute, assurance that the County's assets will be safeguarded against loss from unauthorized use or disposition, and that the reliability of financial records for preparing financial statements and maintaining accountability for assets will be preserved. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Control procedures whose effectiveness depends upon the segregation of duties can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.