
WISE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014

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Wise County, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2014

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Financial Section



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of the Commissioner's Court
Wise County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wise County, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 of Wise County, Texas, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for the retirement plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wise County's basic financial statements. The combining and budget statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and budget statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and budget statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reported dated March 17, 2015, on our consideration of Wise County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wise County's internal control over financial reporting and compliance.

Snow Garrett Williams

Snow Garrett Williams
March 17, 2015

WISE COUNTY, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) of Wise County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2014. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of fiscal year 2014 by \$66,993,514 (net position). Of this amount, \$8,017,266 is restricted for specific purposes, \$47,940,724 is net investment in capital assets and \$11,035,524 represents unrestricted net position.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at year-end of \$31,172,791, an increase of \$14,173,220 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,470,559, or 17% of total general fund expenditures.
- The County's total long-term debt increased by a net amount of \$12,272,046 during the current fiscal year primarily as a result of the issuance of tax notes and accruing the overpayment of sales taxes, netted with scheduled annual debt service payments and amortization of bond premiums.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's financial statements. The County's financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) other required supplementary information. This report also contains other supplementary information in addition to the basic financial statements.

The Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to private-sector business. They present the financial picture of the County from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the County as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables, and receivables.

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government, public safety, public transportation, public facilities, health and welfare, judicial, legal, elections, financial administration, culture and recreation and conservation.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

WISE COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County maintains thirty-three individual governmental funds – twenty-seven special revenue funds, three capital projects funds, two debt service funds, and the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Lateral Road Funds, Capital Projects Fund and Debt Service Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 15 through 17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statement can be found on page 18 of this report.

Notes to the basic 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 can be found on pages 19 through 31 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison statements for the General Fund and Lateral Road Funds and the schedule of funding progress for the retirement plan. The required supplementary information can be found on pages 33 through 35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$66,993,514 as of September 30, 2014.

A significant portion (72%) of the County's net position reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**WISE COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

An additional 12% of the County's net position represents resources that are subject to external restrictions on how they may be used.

Wise County's Net Position

	Governmental Activities	
	2014	2013
Current and other assets	\$ 38,747,008	\$ 23,971,410
Capital assets, net of depreciation	77,823,450	80,591,865
Total assets	116,570,458	104,563,275
Long-term liabilities	45,343,719	33,071,673
Other liabilities	4,233,225	3,344,852
Total liabilities	49,576,944	36,416,525
Deferred inflows of resources	-	23,329
Net position:		
Net investment in capital assets	47,940,724	48,539,586
Restricted	8,017,266	8,733,590
Unrestricted	11,035,524	10,850,245
Total net position	\$ 66,993,514	\$ 68,123,421

At the end of the current and prior fiscal year, the County reported positive balances in all three categories of net position.

Governmental Activities

The County's governmental activities decreased net position by \$1,129,907 during the current fiscal year. The total cost of all governmental activities this year was \$51,528,077. The amount that our taxpayers paid for these activities through property taxes was \$31,120,507 or 60% of total governmental expenses.

**WISE COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

Changes in Net Position

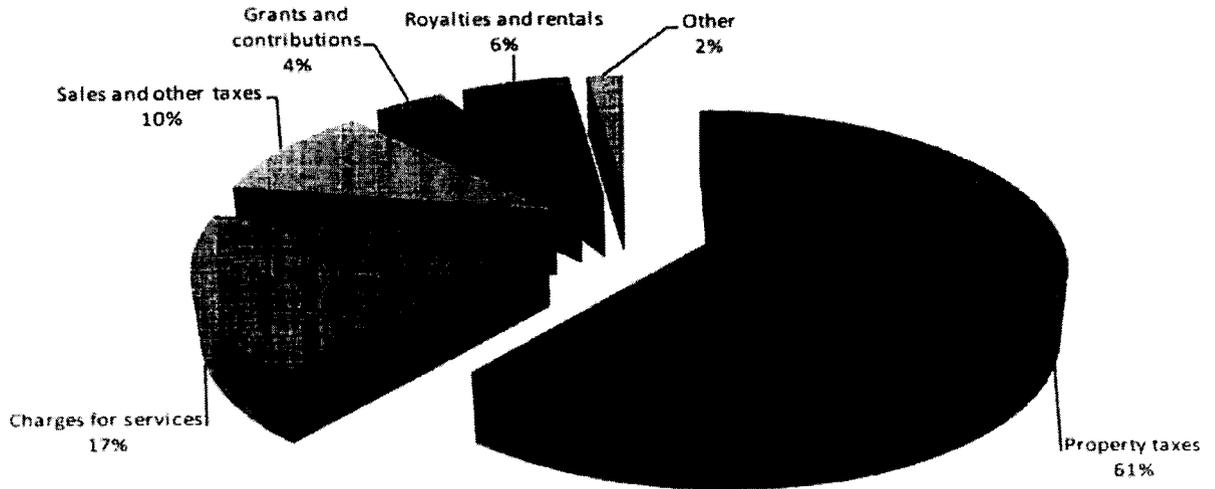
	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 8,651,935	\$ 6,825,566
Operating grants and contributions	1,811,752	1,488,467
Capital grants and contributions	31,610	723,000
General revenues:		
Property taxes	31,120,507	31,990,543
Sales and other taxes	5,096,422	4,871,690
Investment earnings	50,688	40,975
Royalties and rentals	2,833,322	2,794,272
Other	1,313,982	477,591
Total revenues	<u>50,910,218</u>	<u>49,212,104</u>
Expenses:		
General government	7,002,673	7,001,600
Judicial	3,447,389	3,365,173
Legal	2,037,309	1,937,270
Elections	362,972	351,880
Financial administration	1,943,424	1,837,276
Public facilities	4,383,593	3,895,263
Public safety	17,090,483	16,391,197
Public transportation	10,357,673	11,942,071
Health and welfare	1,416,045	1,251,954
Culture and recreation	448,422	394,347
Conservation	291,689	280,706
Interest and other costs	2,746,405	2,444,518
Special item	512,048	-
Total expenses	<u>52,040,125</u>	<u>51,093,255</u>
Change in net position	(1,129,907)	(1,881,151)
Net position-beginning	68,123,421	71,182,571
Prior period adjustment	-	(1,177,999)
Net position-beginning, restated	<u>68,123,421</u>	<u>70,004,572</u>
Net position-ending	<u>\$66,993,514</u>	<u>\$68,123,421</u>

Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$10,495,297 equaled 20% of government expenses. As expected, general revenues (\$40,414,921) provided most of the required support and coverage for expenses;
- Public safety expenses increased \$699,286 from the previous year. 33% of total expenses are related to public safety. This category provided program revenues of about 8% of total revenues;
- The next largest category of expenses is public transportation at 20% of total expenses while public transportation program revenues provided about 5% of total revenues. Public transportation expenses decreased \$1,584,398 from the previous year; and
- Grant revenues and contributions comprised about 4% of total revenues.

WISE COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Revenues by Source



FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental funds. The general government functions are reported in the General, Special Revenue, Debt Service, and Capital Projects Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's annual financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$31,172,791, an increase of \$14,173,220 in comparison with the prior year. Approximately \$21,989,284 or 71% is restricted by external resources. Approximately \$5,470,559 or 18% of the total fund balance represents unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is committed or assigned to indicate that it is not available for new spending because it has already been set aside to fund public safety needs (\$493,337), to fund special road projects (\$1,159,280), to fund other state and local programs (\$671,399), to fund grant road projects, (\$581,894), to fund debt service (\$361,615) and to fund indigent care (\$445,423).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,470,559, which is 80% of the total general fund balance. As a measure of the general fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 17%, or slightly more than 62 days of total fund expenditures. It is the County's goal to achieve and maintain an unassigned general fund balance equal to 20% of budgeted expenditures. At September 30, 2014 the unassigned general fund balance represented 17% of general fund budgeted expenditures primarily due to the unusual circumstances related to funding of the 2011 Lease Revenue Bonds, which required that \$2.5 million of the bond proceeds be set aside for 25 years in a separate restricted account to be used for debt service (on the Lease Revenue Bonds) instead of repaying the County for its contribution to the Weatherford College project.

**WISE COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

The fund balance of the County's general fund increased \$1,700,838 during the current fiscal year. This increase is primarily due to growth in charges for services due to an increase in ambulance service fees, an increase in insurance recoveries reported in miscellaneous revenues, and a decrease in transfers out in the fiscal year.

The debt service fund has a total fund balance of \$2,861,615, all of which is restricted or assigned for the payment of debt service and reserve requirements. The net decrease in fund balance during the current year in the debt service fund was \$459,670, which is attributable to a decrease in transfers in from other funds. Expenditures for debt principal, interest and fiscal charges in the debt service fund totaled \$5,647,940.

The capital projects fund had an ending fund balance of \$13,972,018, which is restricted for various capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

In total, the original general fund budget and the final general fund amended budget for expenditures and other financing uses was decreased by \$1,789,861 from the original to the final budget. Most of this difference resulted from a decrease in health and welfare expenditures.

The projected annual revenues and other financing sources increased by \$2,646,421 from the original to the final budget. This was primarily due to increases in transfers in from other funds, fees of office revenues, and miscellaneous revenues and donations, netted against a decrease in royalties and rentals in the current year.

Actual revenues were \$215,245 less than amended budget amounts mainly due to the reclass of intergovernmental revenues related to the pass-through federal grasslands revenue. Actual total expenditures for the year were \$111,937 less than amended budget appropriations due to the reclass of pass-through federal grassland expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The capital assets of the County are those assets (land, buildings, improvements, roads, bridges and machinery and equipment), which are used in the performance of the County's functions including current year expenditures for infrastructure assets. At September 30, 2014, net capital assets of the governmental activities totaled \$77,823,450. Depreciation on capital assets is recognized in the government-wide financial statements. Annual depreciation for buildings, improvements, infrastructure and machinery and equipment totaled \$5,583,725.

Major capital asset events during the current fiscal year included the following:

- Infrastructure (bridges and roads) additions;
- Upgrade to the jail security system;
- Purchase of nine vehicles for public safety, two loaders and two truck tractors; and
- Purchase of an asphalt distributor truck and asphalt zipper.

**Wise County Capital Assets
(net of depreciation)**

	Governmental Activities	
	2014	2013
Land	\$ 3,826,235	\$ 3,826,235
Construction in progress	1,715,175	1,541,777
Buildings and improvements	37,498,456	38,672,922
Infrastructure	27,647,120	28,966,465
Machinery and equipment	7,136,464	7,584,466
Total	\$ 77,823,450	\$ 80,591,865

**WISE COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

Additional information on the County's capital assets can be found in Note E on page 25 of this report.

Long-term debt. As of September 30, 2014, the County had tax notes and lease revenue bonds outstanding of \$43,170,000. Certificates of obligation, tax notes and lease revenue bonds retired in the current fiscal year totaled \$650,000, \$2,530,000, and \$120,000, respectively. Also included in the County's long-term debt are unamortized bond premiums of \$684,744, overpayment of sales tax payable of \$512,048, and compensated absences payable of \$976,927.

Wise County's Outstanding Debt

	Governmental Activities	
	2014	2013
Certificates of obligation	\$ -	\$ 650,000
Tax notes	14,335,000	2,530,000
Lease revenue bonds	28,835,000	28,955,000
Unamortized premium	684,744	9,987
Overpayment of sales tax	512,048	-
Compensated absences	976,927	926,686
Total	\$45,343,719	\$33,071,673

During the current fiscal year, the County received an increase in the County's issuer credit rating to AA on all of its obligations from Standard & Poor's.

Additional information on the County's long-term debt can be found in Note H on pages 26 through 27 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budgets and tax rates are developed to provide efficient, effective and economic uses of the County's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the County Commissioners set the direction of the County, allocate its resources and establish its priorities.

In considering the County budget for fiscal year 2015, the County Commissioners and management considered the following factors:

- The County, which is located near the Dallas/Fort Worth Metroplex, DFW Airport, Alliance Airport, and the Texas Motor Speedway, expects increases in population and retail sales, therefore increasing the sales tax revenues for the County.
- Industries in the County, which include the oil and gas industry, rock crusher industry, aerospace graphite products, sheet metal products, retail industry, an electric plant, and a new helicopter assembly company, are continuing to grow and increase the County's workforce and population.
- Tourist attractions, including the Caddo/LBJ Grasslands and Lake Bridgeport, within the County are promoting recreational pursuits for tourist income.
- The County will manage the fairgrounds for the entire year.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the County Auditor or County Treasurer at 207 North Church, Decatur, Texas 76234.

BASIC FINANCIAL STATEMENTS

WISE COUNTY, TEXAS
Statement of Net Position
September 30, 2014

	<u>Primary Government</u>
Assets	
Current assets	
Cash	\$ 5,095,264
Investments	26,368,500
Receivables, taxes (net of allowance for uncollectible of \$503,265)	1,049,485
Receivables, accounts (net of allowance of \$327,900)	3,291,393
Due from other governments	442,366
Non-current assets	
Restricted cash and investments	2,500,000
Capital assets	
Land and construction in progress	5,541,410
Other capital assets, net of depreciation	<u>72,282,040</u>
Total capital assets	<u>77,823,450</u>
Total assets	<u>116,570,458</u>
Liabilities	
Current liabilities	
Accounts payable	1,157,976
Accrued salaries and benefits	1,470,601
Due to other governments	290,072
Deposits held and due to others	631,661
Accrued interest payable	682,915
Noncurrent liabilities	
Due within one year	3,502,861
Due in more than one year	<u>41,840,858</u>
Total liabilities	<u>49,576,944</u>
Net Position	
Net investment in capital assets	47,940,724
Restricted for	
Debt service	2,500,000
State and federal programs	485,569
Records management	625,417
General government	44,387
Legal	553,798
Public safety	593,151
Roads and bridges	2,920,586
Teen court	407
Justice courts technology	293,951
Unrestricted	<u>11,035,524</u>
Total net position	<u>\$ 66,993,514</u>

The accompanying notes are an integral part of these financial statements.

WISE COUNTY, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 7,002,673	\$ 1,165,860	\$ 214,573	\$ -	\$ (5,622,240)
Judicial	3,447,389	633,679	232,735	-	(2,580,975)
Legal	2,037,309	259,845	35,000	-	(1,742,464)
Elections	362,972	28,319	-	-	(334,653)
Financial administration	1,943,424	1,044,767	-	-	(898,657)
Public facilities	4,383,593	98,860	-	-	(4,284,733)
Public safety	17,090,483	3,249,885	876,729	30,000	(12,933,869)
Public transportation	10,357,673	2,093,391	433,608	1,610	(7,829,064)
Health and welfare	1,416,045	34,779	-	-	(1,381,266)
Culture and recreation	448,422	42,550	7,595	-	(398,277)
Conservation	291,689	-	11,512	-	(280,177)
Interest/fees on long-term debt	2,746,405	-	-	-	(2,746,405)
Total primary government	\$ 51,528,077	\$ 8,651,935	\$ 1,811,752	\$ 31,610	(41,032,780)

General revenues:

Property taxes	31,120,507
Sales and other taxes	5,096,422
Investment earnings	50,688
Royalties and rentals	2,833,322
Gain on disposal of assets	269,872
Other	1,044,110
Special item (Note H)	(512,048)
Total general revenues and special item	39,902,873
Change in net position	(1,129,907)
Net position, beginning of year	68,123,421
Net position, end of year	\$ 66,993,514

The accompanying notes are an integral part of these financial statements.

WISE COUNTY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2014

	General	Lateral Road Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 1,131,572	\$ 852,011	\$ 8,032	\$ 341,615	\$ 2,762,034	\$ 5,095,264
Investments	7,898,500	3,950,000	14,300,000	20,000	200,000	26,368,500
Receivables						
Property taxes (net of allowances of \$503,265)	718,398	226,671	-	-	104,416	1,049,485
Accounts	163,605	171,943	-	-	4,754	340,302
Due from other governments	356,980	85,386	-	-	-	442,366
Restricted cash and investments	-	-	-	2,500,000	-	2,500,000
Total assets	\$ 10,269,055	\$ 5,286,011	\$ 14,308,032	\$ 2,861,615	\$ 3,071,204	\$ 35,795,917
Liabilities, deferred inflows of resources, and fund balances						
Liabilities						
Accounts payable	\$ 512,353	\$ 208,856	\$ 336,014	\$ -	\$ 100,753	\$ 1,157,976
Accrued salaries and benefits	1,282,183	165,393	-	-	23,025	1,470,601
Due to other governments	290,072	-	-	-	-	290,072
Deposits held and due to others	631,661	-	-	-	-	631,661
Total liabilities	2,716,269	374,249	336,014	-	123,778	3,550,310
Deferred inflows of resources						
Property taxes	718,398	226,671	-	-	104,416	1,049,485
Other	-	23,331	-	-	-	23,331
Total deferred inflows of resources	718,398	250,002	-	-	104,416	1,072,816
Fund balances						
Restricted for						
Debt service	-	-	-	2,500,000	-	2,500,000
Capital projects	-	-	13,972,018	-	-	13,972,018
State and federal programs	-	-	-	-	485,569	485,569
Records management	-	-	-	-	625,417	625,417
General government	-	-	-	-	44,387	44,387
Legal	-	-	-	-	553,798	553,798
Public safety	-	-	-	-	593,151	593,151
Roads and bridges	-	2,920,586	-	-	-	2,920,586
Teen court	407	-	-	-	-	407
Justice courts technology	293,951	-	-	-	-	293,951
Committed to						
Special road projects	-	1,159,280	-	-	-	1,159,280
General government	-	-	-	-	375,543	375,543
Public safety	493,337	-	-	-	-	493,337
Public transportation	-	-	-	-	83,474	83,474
Judicial	45,629	-	-	-	-	45,629
Elections	-	-	-	-	68,778	68,778
Legal	-	-	-	-	12,893	12,893
Parks and recreation	35,936	-	-	-	-	35,936
Fairgrounds	49,146	-	-	-	-	49,146
Assigned to						
Indigent care	445,423	-	-	-	-	445,423
Debt service	-	-	-	361,615	-	361,615
Grant road projects	-	581,894	-	-	-	581,894
Unassigned	5,470,559	-	-	-	-	5,470,559
Total fund balances	6,834,388	4,661,760	13,972,018	2,861,615	2,843,010	31,172,791
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,269,055	\$ 5,286,011	\$ 14,308,032	\$ 2,861,615	\$ 3,071,204	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	77,823,450
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,072,816
Additional receivables for ambulance services, county clerk, district clerk, and justices of the peace, net of allowance, are not measurable and available in the current period and are not reported in the funds.	2,951,091
Some liabilities, including tax notes, bonds, overpayment of sales tax payable, bond premiums, compensated absences and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(46,026,634)
Net position of governmental activities - statement of net position	\$ 66,993,514

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
September 30, 2014

	General	Lateral Road Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 21,147,049	\$ 6,569,458	\$ -	\$ -	\$ 3,376,715	\$ 31,093,222
Sales and other taxes	5,096,422	-	-	-	-	5,096,422
Licenses and permits	-	1,347,584	-	-	-	1,347,584
Intergovernmental	783,224	435,218	-	-	582,081	1,800,523
Fees of office	4,804,548	-	-	-	512,009	5,316,557
Fines and forfeitures	510,829	696,269	-	-	-	1,207,098
Interest	9,939	3,222	2,918	34,271	338	50,688
Royalties and rentals	488,253	-	-	2,345,069	-	2,833,322
Solid waste fees	506,284	-	-	-	-	506,284
Miscellaneous revenues and donations	1,267,919	2,665	-	-	176,247	1,446,831
Total revenues	34,614,467	9,054,416	2,918	2,379,340	4,647,390	50,698,531
Expenditures						
Current:						
General government	3,413,653	-	9,671	-	3,576,737	7,000,061
Judicial	3,422,964	-	-	-	-	3,422,964
Legal	1,982,813	-	-	-	46,521	2,029,334
Elections	315,969	-	-	-	39,112	355,081
Financial administration	1,921,293	-	-	-	-	1,921,293
Public facilities	2,997,257	-	-	-	-	2,997,257
Public safety	15,257,991	-	106,403	-	897,419	16,261,813
Public transportation	-	7,018,080	-	-	86,913	7,104,993
Health and welfare	1,415,999	-	-	-	-	1,415,999
Culture and recreation	351,971	-	-	-	-	351,971
Conservation	286,942	-	-	-	-	286,942
Capital outlay	251,597	1,710,235	1,066,687	-	160,352	3,188,871
Debt service						
Principal retirement	-	-	-	3,300,000	-	3,300,000
Interest, issuance costs and fiscal charges	-	-	179,243	2,347,940	-	2,527,183
Total expenditures	31,618,449	8,728,315	1,362,004	5,647,940	4,807,054	52,163,762
Excess (deficiency) of revenues over (under) expenditures	2,996,018	326,101	(1,359,086)	(3,268,600)	(159,664)	(1,465,231)
Other financing sources (uses)						
Note proceeds	-	-	14,335,000	-	-	14,335,000
Premium on tax notes	-	-	844,243	-	-	844,243
Operating transfers in	2,048,896	346,307	-	2,808,930	247,585	5,451,718
Operating transfers out	(3,402,822)	-	(1,509,299)	-	(539,597)	(5,451,718)
Sale of assets	58,746	350,462	50,000	-	-	459,208
Total other financing sources (uses)	(1,295,180)	696,769	13,719,944	2,808,930	(292,012)	15,638,451
Net change in fund balances	1,700,838	1,022,870	12,360,858	(459,670)	(451,676)	14,173,220
Fund balances, beginning of year	5,133,550	3,638,890	1,611,160	3,321,285	3,294,686	16,999,571
Fund balances, end of year	\$ 6,834,388	\$ 4,661,760	\$ 13,972,018	\$ 2,861,615	\$ 2,843,010	\$ 31,172,791

The accompanying notes are an integral part of these financial statements.

WISE COUNTY, TEXAS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
September 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 14,173,220

Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.

Capital outlay	\$	3,188,871	
Depreciation		<u>(5,583,725)</u>	(2,394,854)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals, donations) decreases net position.

Loss on disposal	\$	(189,336)	
Impairment loss		<u>(184,225)</u>	(373,561)

The change in property tax and fee receivables, net of allowance, is reported as revenue in the statement of activities, however this change does not provide current financial resource and is therefore not reported as revenue in the governmental funds. 126,042

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 3,300,000

The issuance of long-term debt, including premiums, is reported as other financing sources in the governmental funds and thus, increases fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. (15,179,243)

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Amortization of premium from debt issuances	\$	169,486	
Change in accrued interest payable		(388,708)	
Change in compensated absences payable		(50,241)	
Special item (see note H)		<u>(512,048)</u>	<u>(781,511)</u>

Change in net position of governmental activities - statement of activities \$ (1,129,907)

WISE COUNTY, TEXAS
Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2014

Assets	
Cash	\$ 4,244,014
Investments	887,652
Receivables:	
Property taxes - for other governments	<u>60,772</u>
Total assets	<u>\$ 5,192,438</u>
Liabilities	
Deposits held and due to others	\$ 5,131,666
Property taxes to be collected - due to other governments	<u>60,772</u>
Total liabilities	<u>\$ 5,192,438</u>

The accompanying notes are an integral part of these financial statements.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note A – Summary of Significant Accounting Policies

The accounting policies of Wise County, Texas conform to generally accepted accounting principles as applicable to governments. The following are the more significant policies.

Financial Reporting Entity

The financial statements of Wise County (the County) are prepared in accordance with accounting principles generally accepted in the United States of America. The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The County is a body corporate and political which performs all local government functions within its jurisdiction. The County is governed by an elected County Judge and four County Commissioners elected from individual precincts. The Judge and four Commissioners form the governing body, the Commissioners' Court. Various branches of the County government are led by duly elected officials who serve in their positions. These other elected officials are responsible only to the voters for their performance and for the operations of their individual offices, but must seek budget approval from the Commissioners' Court.

There are no component units (other governmental entities) over which the County exercises significant controls or has oversight responsibility. Consequently, these financial statements include only the financial data of the County.

The accounting and reporting framework and the more significant accounting principles and practices are discussed below. The remainder of the Notes is organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended September 30, 2014.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the County. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes, fees, and intergovernmental revenues.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, Lateral Road Fund, Debt Service Fund, and Capital Projects Fund meet the criteria as *major governmental funds*. Each major fund is reported in a separate column in the fund financial statements. Non-major funds include other Special Revenue funds. The combined amounts for these funds are reflected in a single column in the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Combining and Budget Statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are district clerk and county clerk fees, justice of the peace fees, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings and various other revenues.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note A - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Property taxes not collected within 60 days after year-end are reported as deferred revenues. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The County reports the following major governmental funds:

The General Fund is the primary operating fund of the County and is always classified as a major fund. It is used to account for all financial transactions and resources except those required to be accounted for in another fund.

The Lateral Road Fund is a special revenue fund, used to account for the maintenance and construction of County roads and bridges. Financing is provided primarily by an annual property tax levy. Additional revenue is provided by a charge on each auto registration and from fines levied by the County.

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for the acquisition, repair or construction of various projects and acquisition of land, buildings, and equipment.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary fund level financial statements include fiduciary funds which are classified into private purpose trust and agency funds and use the economic resources measurement focus and the accrual basis of accounting. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Budgets and Budgetary Accounting

The County follows these procedures in establishing budgetary data reflected in the financial statements:

- (A) In the event the Commissioners' Court increases property taxes, a public hearing is required. If the Court increases taxes more than eight percent, taxes are subject to a rollback petition and election.
- (B) Public hearings are conducted at the Wise County Courthouse to obtain taxpayer comments.
- (C) Prior to October 1, the budget is legally enacted through adoption of an order by the Commissioners' Court.
- (D) Any amendments, which alter total expenditures of any department, must be approved by the Commissioners' Court.
- (E) Budgets for the various funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), with the exception of tax revenues being reported on the cash basis. Budget and actual amounts are recorded on the same basis.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note A - Summary of Significant Accounting Policies (Continued)

- (F) Expenditures in excess of appropriations are required by state statutes to be reported down to the departmental classification.
- (G) The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended September 30, 2014.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g. roads and bridges), are reported in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost exceeding \$5,000. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20 - 40 years
Infrastructure	20 - 45 years
Machinery and equipment	3 - 10 years

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on certificates of obligations, tax notes or revenue bonds are deferred and amortized over the life of the debt. Certificates of obligation, tax notes, and revenue bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognized debt premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any of this type of item.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County currently only has two items that qualify for reporting in this category in the governmental fund financial statements. The deferred inflow of property tax revenues and the deferred inflow from liens placed on properties within a subdivision for reimbursement of road repairs are reported in the governmental fund financial statements.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note A - Summary of Significant Accounting Policies (Continued)

Fund Balances

The County implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The County has evaluated the use of its Debt Service Funds, Special Revenue Funds and Capital Projects Funds under the criteria set forth in GASB Statement No. 54 and has determined there are no changes needed.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance includes amounts that are not in spendable form, or legally or contractually required to be maintained intact.

Restricted Fund Balance includes amounts that are restricted for specific purposes stipulated by law or external resources providers. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance includes amounts that can only be used for the specific purposes determined by a formal action, Order of the Commissioner's Court, which is the County's highest level of decision-making authority, and, conjunctively, require the same formal action, Order of the Commissioner's Court to remove or revise the enacted constraint limitations.

Assigned Fund Balance includes amounts intended to be used for specific purposes that are neither restricted nor committed. Intent is expressed by the Commissioner's Court of Wise County to which the assigned amounts are to be used for specific purposes. Amounts may be assigned by the County Auditor as communicated by the Commissioner's Court.

Unassigned Fund Balance represents the residual classification of all spendable amounts not contained within the other classifications and is used for all negative fund balances.

When multiple categories of fund balance are available for expenditure, the County will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

It is the County's goal to achieve and maintain an unassigned General Fund balance equal to 20% of budgeted expenditures. At the end of fiscal year 2014, the unassigned General Fund balance was 17% of budgeted expenditures.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets consists of all capital assets net of accumulated depreciation and reduced by outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted net position consists of external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted net position represents net position, not restricted for any project or other purpose.

The statement of net position includes \$2,022,431 of net position restricted by enabling legislation.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note B - Deposits, Securities and Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, availability of cash to meet the County's obligations and maximization of interest earnings. The investment policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code. The County's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by Commissioners' Court. The Investment Policy includes a list of authorized investments and a maximum allowable maturity of any individual investment. In addition it includes an "Investments Strategy" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification, yield, and maturity restrictions.

The County is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Time deposits
2. Certificates of deposits
3. Security repurchase agreements
4. Money market investment accounts
5. Negotiable order of withdrawal (NOW) accounts
6. United States treasury bills
7. United States government obligations
8. Investment pools
9. Commercial paper
10. FHLB letters of credit

The County participates in Texas Local Government Investment Pool (TexPool), which is a local government investment pool, established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of the TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Treasury Safekeeping Trust Company website at www.ttstc.org.

As of September 30, 2014, the County had the following investments:

	<u>Market Value</u>	<u>% of Total</u>	<u>Weighted Average Maturities</u>
Certificates of Deposit- Agency Funds	\$ 887,652	3.26%	6 months
TexPool - Governmental Funds	26,368,500	96.74%	48 days
Total Investments	<u>\$ 27,256,152</u>	<u>100.00%</u>	

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note B - Deposits, Securities and Investments (Continued)

Interest Rate Risk – Investments are exposed to interest rate risk if changes in market interest rates will adversely affect the fair value of an investment. As of September 30, 2014, the County's investments included local government investment pools and certificates of deposit, and therefore, were not exposed to interest rate risk.

Credit Risk – State statute requires that investments in Local Government Investment Pools be rated AAA or the equivalent by a nationally recognized credit rating agency. As of September 30, 2014, the TexPool investment pool was rated AAAm by Standard & Poor's.

Concentration of Credit Risk - The County does not place a limit on the amount that may be invested. As of September 30, 2014, 96.74% of the County's investments was included in local government investment pools and 3.26% was included in certificates of deposit. External investment pools are exempt from concentration risk disclosures.

Custodial Credit Risk – With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy limits exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured with collateralization pledged by the applicable financial institution to the extent of 102% of the value of the deposit. As of September 30, 2014, the County's cash was insured or collateralized with securities held by the County or by its agent in the County's name.

The County does not involuntarily participate in an external investment pool. All investment income is recorded and reported in the same fund as the investment.

Note C - Property Tax

Taxes are levied on October 1 and are past due on February 1. Property taxes attach as an enforceable lien on property as of January 1. Wise County Appraisal District appraises property values in the County. The Wise County Tax Assessor-Collector assesses and collects the County's property taxes. The County is permitted by the Municipal Finance Law of the State to levy taxes up to \$1.10 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal and interest on long-term debt and unlimited amounts for the payment of principal and interest on long-term debt. There are however stringent restrictions on the issuance of such long-term debt. The tax rate for the year ended September 30, 2014, to finance maintenance and operations (M&O) of the County were \$.378900 per \$100 valuation. During the fiscal year, the County levied \$.046148 per \$100 of appraised valuation for the Weatherford College Branch Campus Maintenance Tax (WBCBMT) to be used for the operations of the Wise County Branch Campus.

Note D - Property Taxes Receivable

In the governmental funds, taxes are recognized as revenue when received and the remaining balance is recorded as a deferred inflow of resources at year end. The following schedule details property taxes receivable by fund at September 30, 2014:

Fund	Property Taxes Receivable (Net)
General- (M&O)	\$ 718,398
Special Revenue- (WBCBMT)	104,416
Lateral Road	226,671
Total	\$ 1,049,485

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note E – Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

	Balance 10/1/2013	Adjustments/ Additions	Deletions	Balance 9/30/2014
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,826,235	\$ -	\$ -	\$ 3,826,235
Construction in progress	1,541,777	238,996	65,598	1,715,175
Total capital assets not being depreciated	5,368,012	238,996	65,598	5,541,410
Other capital assets				
Buildings and improvements	49,158,294	2,705,247	9,960	51,853,581
Infrastructure	74,350,806	1,162,649	-	75,513,455
Machinery and equipment	24,135,863	1,662,677	1,112,310	24,686,230
Total other capital assets	147,644,963	5,530,573	1,122,270	152,053,266
Less accumulated depreciation				
Building and improvements	10,485,372	3,871,122	1,369	14,355,125
Infrastructure	45,384,341	2,481,994	-	47,866,335
Machinery and equipment	16,551,397	1,929,934	931,565	17,549,766
Total accumulated depreciation	72,421,110	8,283,050	932,934	79,771,226
Other capital assets, net	75,223,853	(2,752,477)	189,336	72,282,040
Governmental activities capital assets, net	\$ 80,591,865	\$ (2,513,481)	\$ 254,934	\$ 77,823,450

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 7,782
Judicial	34,188
Legal	23,487
Elections	11,848
Financial administration	21,866
Public facilities	1,380,023
Public safety	739,964
Public transportation	3,264,137
Culture and recreation	96,451
Conservation	3,979
Total depreciation for governmental activities	\$ 5,583,725

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note F - Impairment Loss

The government-wide statement of activities includes an impairment loss of \$184,225 for damages to Sheriff's office and the jail roofs caused by a severe storm, which is netted against insurance proceeds of \$820,381. Insurance proceeds are included in other revenues on the statement of activities.

Note G - Restricted Assets

Some of the County's assets have certain constraints that have been placed on how they can be used. By definition, restricted assets are non-current cash or other assets whose use in whole or in part is restricted for specific purposes bound by virtue of contractual agreements, legal requirements or enabling legislation. Restricted cash and investments of \$2,500,000 are restricted for debt service requirements.

Note H - Long-Term Debt

The principal long-term obligations of the County include tax notes, lease revenue bonds, overpayment of sale taxes liability, and the accrued liability for compensated absences.

Lease Revenue Bonds – 2011 Series

- ◆ Secured by a lien on pledged revenues, including lease payments subject to annual appropriations, payable to the County under the intergovernmental agreement with the Parker County Junior College District.
- ◆ To construct and equip buildings for lease to the District for use as a branch campus and to fund a debt service reserve fund requirement of \$2,500,000.
- ◆ \$29,000,000 originally issued.
- ◆ Payable in annual installments of \$45,000 to \$3,265,000 through August 15, 2034.
- ◆ Interest rate ranges from 4.50% to 8.00%.
- ◆ Outstanding principal balance of \$28,835,000 at September 30, 2014.

Tax Notes – 2014 Series

- ◆ For the remodeling of existing buildings and the purchase of land and equipment.
- ◆ \$14,335,000 originally issued.
- ◆ Payable in annual installments of \$2,565,000 to \$3,075,000 through February 15, 2019.
- ◆ Interest rate ranges from 2.00% to 4.00%.
- ◆ Outstanding principal balance of \$14,335,000 at September 30, 2014.

Overpayment of Sales Tax

- ◆ The County was overpaid sales tax during the years 2005 – 2008. The overpayment was the result of a business that filed a refund claim for taxes it paid in error and the State Comptroller's office performed an audit assessment and determined that the taxpayer was due a refund. The State refunded the taxpayer, which resulted in a liability of \$639,190 from Wise County to the State.
- ◆ The County and the State agreed to a payment plan, in which the State will reduce the County's monthly Sales and Use Tax payment by \$3,551 a month for 15 years beginning October 1, 2014.
- ◆ Interest was imputed at a rate of 3%, creating a liability with a present value of \$512,048.
- ◆ The expense is recorded as a special item on the statement of activities.
- ◆ Outstanding liability balance of \$512,048 at September 30, 2014.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note H - Long-Term Debt (Continued)

The following are changes by type of debt for the year ended September 30, 2014:

	Balance 10/1/2013	Increase	Decrease	Balance 9/30/2014	Amounts Due Within One Year
Tax notes	\$ 2,530,000	\$ 14,335,000	\$ 2,530,000	\$ 14,335,000	\$ 2,565,000
Certificates of obligation	650,000	-	650,000	-	-
Lease revenue bonds	28,955,000	-	120,000	28,835,000	210,000
Unamortized bond premium	9,987	844,243	169,486	684,744	224,781
Overpayment of sales tax	-	512,048	-	512,048	25,406
Compensated absences	926,686	779,773	729,532	976,927	477,674
Totals	\$ 33,071,673	\$ 16,471,064	\$ 4,199,018	\$ 45,343,719	\$ 3,502,861

The annual requirements to amortize long-term debt as of September 30, 2014 are as follows:

Year	Lease Revenue Bonds		Tax Notes		Overpayment of Sales Tax		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 210,000	\$ 2,219,218	\$ 2,565,000	\$ 566,775	\$ 25,406	\$ 17,215	\$ 5,603,614
2016	305,000	2,208,194	2,835,000	298,200	28,401	14,211	5,689,006
2017	385,000	2,191,038	2,895,000	240,900	29,265	13,347	5,754,550
2018	480,000	2,167,938	2,965,000	167,475	30,155	12,457	5,823,025
2019	580,000	2,137,338	3,075,000	61,500	31,072	11,540	5,896,450
2020-2024	4,675,000	9,916,837	-	-	170,127	42,934	14,804,898
2025-2029	8,450,000	7,624,126	-	-	197,622	15,438	16,287,186
2030-2034	13,750,000	3,498,800	-	-	-	-	17,248,800
Totals	\$ 28,835,000	\$ 31,963,489	\$ 14,335,000	\$ 1,334,850	\$ 512,048	\$ 127,142	\$ 77,107,529

The 2011 Lease Revenue Bonds required that \$2,500,000 be set aside in a debt reserve fund for the life of the bonds. The County is in compliance with this reserve requirement.

Note I – Compensated Absences

County policy allows the accrual of vacation, overtime compensation, and sick pay benefits for all employees other than elected and appointed officials. Vacation and overtime compensation are paid upon termination if employees give two weeks' notice or are terminated by the County. Sick pay is not paid upon termination for any reason. At September 30, 2014, the value of the liability for compensated absences was \$976,927 and the value of accumulated sick pay benefits was approximately \$502,543. No liability has been recorded for sick pay since it is non-vesting. General fund revenues are used to liquidate the compensated absences liability.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note J – Interfund Activity

Interfund transfers during the fiscal year were as follows:

Fund	Transfer In	Transfer Out
General fund	\$ 2,048,896	\$ (3,402,822)
Lateral road fund	346,307	-
Capital projects funds	-	(1,509,299)
Debt service fund	2,808,930	-
Other governmental funds	247,585	(539,597)
Total transfers	\$ 5,451,718	\$ (5,451,718)

Transfers are generally used (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to transfer funds from the General Fund to fund various programs and supplement grants and construction projects, and (3) to transfer funds from receipts collected for various fees in special revenue funds to the General Fund to cover County expenditures.

Note K - Retirement Pension Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 656 participating employers. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034. The report is also available at www.tcdrs.org.

The plan provisions are adopted by the Commissioners' Court within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members, who withdraw their personal contributions in a lump sum, are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Commissioners' Court within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the County's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 10.40% for the months in the 2013 calendar year, and 10.69% for the months in the 2014 calendar year.

The deposit rate payable by the employee members for calendar year 2014 is the rate of 7% as adopted by the Commissioners' Court. The employee deposit rate and the employer contribution rate may be changed by the Commissioners' Court within the options available in the TCDRS Act.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note K - Retirement Pension Plan (Continued)

Annual Pension Cost

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2013 was 20 years.

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 85.96 percent funded. The actuarial accrued liability for benefits was \$48,157,415, and the actuarial value of assets was \$41,398,072, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,759,373. The covered payroll (annual payroll of active employees covered by the plan) was \$18,758,595 and the ratio of the UAAL to the covered payroll was 36.03 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<u>Trend Information for the</u>			
<u>Wise County Employee's Retirement Plan</u>			
Accounting	Annual	Percentage	Net
Year End	Pension	of APC	Pension
	Cost(APC)	Contributed	Obligation
9/30/2012	\$ 1,658,327	100%	\$ -
9/30/2013	1,898,073	100%	-
9/30/2014	2,083,326	100%	-

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note K - Retirement Pension Plan (Continued)

Actuarial Valuation Information

Actuarial valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period (in years)	20	20	20
Asset valuation method	10 year smoothed value	10 year smoothed value	5 year smoothed value
Subdivision Accumulation Fund	Fund value	Fund value	Fund value
Employees Saving Fund			
Actuarial Assumptions:			
Investment return - includes inflation at the stated rate	8.00%	8.00%	8.00%
Projected salary increases - includes inflation at the stated rate	5.40%	5.40%	4.90%
Inflation	3.50%	3.50%	3.00%
Cost of living adjustments	0.00%	0.00%	0.00%

Note L - Postemployment Benefits Other Than Pensions

Plan Description

The County participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS.) This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The GTLF is a separate trust administered by TCDRS Board of Trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County and District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County contributions to the GTLF for the years ended September 30, 2014, 2013, and 2012 were \$59,111, \$48,674, and \$44,325, respectively, which equaled the contractually required contributions each year.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2014

Note M - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. To reduce its risk of exposure in these areas, the County is a member of the Texas Association of Counties Risk Pool for liability, property, and workers' compensation. The pool is a public entity risk pool and was created based on the general objectives of formulating, developing and administering a program of self-insurance for the membership and obtaining lower costs for coverage's. The pool coverage is offered through interlocal agreements between the Pool and counties. The Pool has the power to establish fees, contributions and methods for establishing rates. Under contract with the Pool, the Association provides for such services as claims administration and management, underwriting, loss control services and training, and financial reporting for its members. The Association submits sealed bids to counties during the bid process. The Pool is governed by a Board of Directors made up of employees or officials of counties which are members of the Pool. Member counties make contributions to the Pool, and the Pool provides insurance coverage and applicable reinsurance or stop loss coverage. The insurance policies carry various deductibles and aggregate maximum loss totals. The by-laws of the Pool are detailed in a separate document which can be obtained from the Texas Association of Counties, 1210 San Antonio Street, Austin, TX 78701.

There have been no significant reductions in coverage from the coverage in the past fiscal year, and there have been no settlements exceeding insurance coverage in the current or past three fiscal years.

Note N –Contingencies

Litigation

The County has been named as a defendant in pending lawsuits. Legal counsel estimates that the potential claim against the County resulting from such litigation would not materially affect the financial statements for the County.

Grants

The County received grant funds, principally from the state and federal government for various programs. Expenditures from these grants are subject to audit by the grantor, and the County is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of management, any refunds that may be required as a result of expenditures disallowed by the grantors will not be material to the financial statements.

REQUIRED SUPPLEMENTARY
INFORMATION

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
General Fund
For the Fiscal Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 21,206,000	\$ 21,147,051	\$ 21,147,049	\$ (2)
Sales and other taxes	4,935,000	5,085,755	5,096,422	10,667
Intergovernmental	818,000	964,595	783,224	(181,371)
Fees of office	4,475,300	4,804,558	4,804,548	(10)
Fines and forfeitures	610,000	510,831	510,829	(2)
Interest	25,500	9,940	9,939	(1)
Royalties and rentals	800,000	488,253	488,253	-
Solid waste fees	480,500	506,284	506,284	-
Miscellaneous revenues and donations	360,608	1,312,445	1,267,919	(44,526)
Total revenues	33,710,908	34,829,712	34,614,467	(215,245)
Expenditures				
Current:				
General government	3,671,371	3,611,500	3,413,653	197,847
Judicial	3,555,155	3,407,217	3,422,964	(15,747)
Legal	1,997,603	1,966,737	1,982,813	(16,076)
Elections	327,775	314,010	315,969	(1,959)
Financial administration	2,064,026	1,907,240	1,921,293	(14,053)
Public facilities	3,171,910	3,063,718	2,997,257	66,461
Public safety	15,567,187	15,165,300	15,257,991	(92,691)
Health and welfare	2,825,299	1,414,688	1,415,999	(1,311)
Culture and recreation	263,167	364,398	351,971	12,427
Conservation	292,709	284,399	286,942	(2,543)
Capital outlay	5,000	231,179	251,597	(20,418)
Total expenditures	33,741,202	31,730,386	31,618,449	111,937
Excess (deficiency) of revenues over (under) expenditures	(30,294)	3,099,326	2,996,018	(103,308)
Other financing sources (uses)				
Operating transfers in	525,000	2,048,898	2,048,896	(2)
Operating transfers out	(3,181,869)	(3,402,824)	(3,402,822)	2
Sale of assets	10,000	13,719	58,746	45,027
Total other financing sources (uses)	(2,646,869)	(1,340,207)	(1,295,180)	45,027
Net change in fund balances	(2,677,163)	1,759,119	1,700,838	\$ (58,281)
Fund balances, beginning of year	5,133,550	5,133,550	5,133,550	
Fund balances, end of year	\$ 2,456,387	\$ 6,892,669	\$ 6,834,388	

The accompanying notes are an integral part of these financial statements.

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Lateral Road Fund
For the Fiscal Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 6,590,900	\$ 6,569,471	\$ 6,569,458	\$ (13)
License and permits	1,280,000	1,262,204	1,347,584	85,380
Intergovernmental	292,000	433,610	435,218	1,608
Fines and forfeitures	698,000	696,278	696,269	(9)
Interest	6,700	3,225	3,222	(3)
Miscellaneous revenues and donations	23,200	3,900	2,665	(1,235)
Total revenues	<u>8,890,800</u>	<u>8,968,688</u>	<u>9,054,416</u>	<u>85,728</u>
Expenditures				
Current:				
Public transportation	11,218,823	8,660,576	7,018,080	1,642,496
Capital outlay	375,000	547,588	1,710,235	(1,162,647)
Total expenditures	<u>11,593,823</u>	<u>9,208,164</u>	<u>8,728,315</u>	<u>479,849</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,703,023)</u>	<u>(239,476)</u>	<u>326,101</u>	<u>565,577</u>
Other financing sources				
Operating transfers in	345,000	346,308	346,307	(1)
Sale of assets	-	359,175	350,462	(8,713)
Total other financing sources	<u>345,000</u>	<u>705,483</u>	<u>696,769</u>	<u>(8,714)</u>
Net change in fund balances	<u>(2,358,023)</u>	<u>466,007</u>	<u>1,022,870</u>	<u>\$ 556,863</u>
Fund balances, beginning of year	<u>3,638,890</u>	<u>3,638,890</u>	<u>3,638,890</u>	
Fund balances, end of year	<u>\$ 1,280,867</u>	<u>\$ 4,104,897</u>	<u>\$ 4,661,760</u>	

The accompanying notes are an integral part of these financial statements.

WISE COUNTY, TEXAS
Schedule of Funding Progress for the Retirement Plan
for the Employees of Wise County
Last Three Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage Covered of Payroll ((b-a)/c)
12/31/2011	\$ 34,298,314	\$ 40,255,380	\$ 5,957,066	85.20%	\$ 16,587,443	35.91%
12/31/2012	37,768,802	44,553,373	6,784,571	84.77%	17,216,787	39.41%
12/31/2013	41,398,072	48,157,415	6,759,343	85.96%	18,758,595	36.03%

COMBINING AND BUDGET STATEMENTS

**MAJOR GOVERNMENTAL FUNDS COMBINING AND
BUDGETARY COMPARISON STATEMENTS**

WISE COUNTY, TEXAS
Combining Balance Sheet
Lateral Road Fund
September 30, 2014

Assets	Right of Way and Fencing	Precinct No. 1	Precinct No. 2	Precinct No. 3	Precinct No. 4	County Thoroughfare	Grants	Total Lateral Road Fund
Cash	\$ 31,438	\$ 30,946	\$ 23,046	\$ 62,968	\$ 99,887	\$ 94,256	\$509,470	\$ 852,011
Investments	550,000	700,000	400,000	300,000	1,000,000	1,000,000	-	3,950,000
Receivables								
Property taxes (net of allowance of \$107,870)	12,602	52,068	74,919	39,397	47,685	-	-	226,671
Accounts	23,331	9,397	495	656	480	65,160	72,424	171,943
Due from other governments	-	21,347	21,347	21,346	21,346	-	-	85,386
Total assets	\$617,371	\$813,758	\$519,807	\$424,367	\$1,169,398	\$ 1,159,416	\$581,894	\$ 5,286,011
Liabilities, deferred inflows of resources and fund balances								
Liabilities								
Accounts payable	\$ 14,361	\$126,632	\$ 6,699	\$ 57,944	\$ 3,084	\$ 136	\$ -	\$ 208,856
Accrued salaries and benefits	-	44,456	47,627	40,419	32,891	-	-	165,393
Total liabilities	14,361	171,088	54,326	98,363	35,975	136	-	374,249
Deferred inflows of resources								
Property taxes	12,602	52,068	74,919	39,397	47,685	-	-	226,671
Other	23,331	-	-	-	-	-	-	23,331
Total deferred inflows of resources	35,933	52,068	74,919	39,397	47,685	-	-	250,002
Fund balances								
Restricted for								
Roads and bridges	567,077	590,602	390,562	286,607	1,085,738	-	-	2,920,586
Committed to								
Special road projects	-	-	-	-	-	1,159,280	-	1,159,280
Assigned to								
Grant road projects	-	-	-	-	-	-	581,894	581,894
Total fund balances	567,077	590,602	390,562	286,607	1,085,738	1,159,280	581,894	4,661,760
Total liabilities, deferred inflows of resources and fund balances	\$617,371	\$813,758	\$519,807	\$424,367	\$1,169,398	\$ 1,159,416	\$581,894	\$ 5,286,011

WISE COUNTY, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Lateral Road Fund
For the Fiscal Year Ended September 30, 2014

	Right of Way and Fencing	Precinct No. 1	Precinct No. 2	Precinct No. 3	Precinct No. 4	County Thoroughfare	Grants	Inter-Fund Eliminations	Total Lateral Road Fund
Revenues									
Property taxes	\$364,999	\$1,510,910	\$2,164,768	\$1,142,626	\$1,386,155	\$ -	\$ -	\$ -	\$6,569,458
Licenses and permits	-	336,897	336,897	336,895	336,895	-	-	-	1,347,584
Intergovernmental	91,360	67,456	69,066	67,456	67,456	-	72,424	-	435,218
Fines and forfeitures	-	174,069	174,068	174,066	174,066	-	-	-	696,269
Interest	410	571	520	401	631	689	-	-	3,222
Miscellaneous revenues and donations	-	-	-	-	2,665	-	-	-	2,665
Total revenues	456,769	2,089,903	2,745,319	1,721,444	1,967,868	689	72,424	-	9,054,416
Expenditures									
Current:									
Public transportation	256,800	1,746,197	2,207,267	1,472,196	1,235,111	9,979	90,530	-	7,018,080
Capital outlay	188,084	445,911	543,832	165,694	194,957	171,757	-	-	1,710,235
Total expenditures	444,884	2,192,108	2,751,099	1,637,890	1,430,068	181,736	90,530	-	8,728,315
Excess (deficiency) of revenues over (under) expenditures	11,885	(102,205)	(5,780)	83,554	537,800	(181,047)	(18,106)	-	326,101
Other financing sources (uses)									
Operating transfers in	46,307	-	-	-	-	600,000	600,000	(900,000)	346,307
Operating transfers out	-	-	-	-	(300,000)	(600,000)	-	900,000	-
Sale of assets	-	129,280	142,310	8,600	5,112	65,160	-	-	350,462
Total other financing sources (uses)	46,307	129,280	142,310	8,600	(294,888)	65,160	600,000	-	696,769
Net change in fund balances	58,192	27,075	136,530	92,154	242,912	(115,887)	581,894	-	1,022,870
Fund balances, beginning of year	508,885	563,527	254,032	194,453	842,826	1,275,167	-	-	3,638,890
Fund balances, end of year	\$567,077	\$ 590,602	\$ 390,562	\$ 286,607	\$1,085,738	\$ 1,159,280	\$581,894	\$ -	\$4,661,760

The accompanying notes are an integral part of these financial statements.

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Capital Projects Fund
For the Fiscal Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ -	\$ 2,920	\$ 2,918	\$ (2)
Total revenues	-	2,920	2,918	(2)
Expenditures				
General government	1,000,000	9,672	9,671	1
Public facilities	-	6,852	-	6,852
Public safety	-	-	106,403	(106,403)
Capital outlay	300,000	1,166,241	1,066,687	99,554
Issuance costs	-	179,243	179,243	-
Total expenditures	1,300,000	1,362,008	1,362,004	4
Deficiency of revenues under expenditures	(1,300,000)	(1,359,088)	(1,359,086)	2
Other financing sources (uses)				
Note proceeds	-	14,335,000	14,335,000	-
Premium on tax notes	-	844,243	844,243	-
Sale of assets	-	50,000	50,000	-
Operating transfers out	-	(1,509,299)	(1,509,299)	-
Total other financing sources (uses)	-	13,719,944	13,719,944	-
Net change in fund balances	(1,300,000)	12,360,856	12,360,858	\$ 2
Fund balances, beginning of year	1,611,160	1,611,160	1,611,160	
Fund balances, end of year	\$ 311,160	\$ 13,972,016	\$ 13,972,018	

The accompanying notes are an integral part of these financial statements.

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Debt Service Fund
September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 700	\$ 34,273	\$ 34,271	\$ (2)
Rentals	2,345,369	2,345,069	2,345,069	-
Total revenues	<u>2,346,069</u>	<u>2,379,342</u>	<u>2,379,340</u>	<u>(2)</u>
Expenditures				
Debt service:				
Principal retirement	3,300,000	3,300,000	3,300,000	-
Interest and fiscal charges	2,354,999	2,352,010	2,347,940	4,070
Total expenditures	<u>5,654,999</u>	<u>5,652,010</u>	<u>5,647,940</u>	<u>4,070</u>
Deficiency of revenues under expenditures	(3,308,930)	(3,272,668)	(3,268,600)	4,068
Other financing sources				
Operating transfers in	2,808,930	2,808,930	2,808,930	-
Total other financing sources	<u>2,808,930</u>	<u>2,808,930</u>	<u>2,808,930</u>	<u>-</u>
Net change in fund balance	(500,000)	(463,738)	(459,670)	<u>\$ 4,068</u>
Fund balance, beginning of year	<u>3,321,285</u>	<u>3,321,285</u>	<u>3,321,285</u>	
Fund balance, end of year	<u>\$ 2,821,285</u>	<u>\$ 2,857,547</u>	<u>\$ 2,861,615</u>	

The accompanying notes are an integral part of these financial statements.

**NONMAJOR GOVERNMENTAL FUNDS COMBINING AND
BUDGETARY COMPARISON STATEMENTS**

WISE COUNTY, TEXAS
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2014

	County County Grants	County Clerk Record Management	Juvenile Probation TJPC 10-249	WCWC Branch Maintenance Tax	Other Special Revenue	Total Nonmajor Governmental Funds
Assets						
Cash	\$56,391	\$ 541,793	\$256,444	\$ -	\$1,907,406	\$ 2,762,034
Investments	-	-	200,000	-	-	200,000
Receivables						
Property tax	-	-	-	104,416	-	104,416
Accounts	4,215	-	53	-	486	4,754
Total assets	\$60,606	\$ 541,793	\$456,497	\$ 104,416	\$1,907,892	\$ 3,071,204
Liabilities, deferred inflows of resources, and fund balances						
Liabilities						
Accounts payable	\$ -	\$ 4,373	\$ 8,509	\$ -	\$ 87,871	\$ 100,753
Accrued salaries and benefits	195	-	22,830	-	-	23,025
Total liabilities	195	4,373	31,339	-	87,871	123,778
Deferred inflows of resources						
Property taxes	-	-	-	104,416	-	104,416
Total deferred inflows of resources	-	-	-	104,416	-	104,416
Fund balances						
Restricted for						
State and federal programs	60,411	-	425,158	-	-	485,569
Records management	-	537,420	-	-	87,997	625,417
General government	-	-	-	-	44,387	44,387
Legal	-	-	-	-	553,798	553,798
Public safety	-	-	-	-	593,151	593,151
Committed to						
General government	-	-	-	-	375,543	375,543
Public transportation	-	-	-	-	83,474	83,474
Elections	-	-	-	-	68,778	68,778
Legal	-	-	-	-	12,893	12,893
Total fund balances	60,411	537,420	425,158	-	1,820,021	2,843,010
Total liabilities, deferred inflows of resources and fund balances	\$60,606	\$ 541,793	\$456,497	\$ 104,416	\$1,907,892	\$ 3,071,204

WISE COUNTY, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2014

	Special Revenue Funds					Total Nonmajor Governmental Funds
	County Grants	County Clerk Record Management	Juvenile Probation TJPC 11-249	WCWC Branch Maintenance Tax	Other Special Revenue	
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ 3,376,715	\$ -	\$ 3,376,715
Intergovernmental	53,250	-	486,241	-	42,590	582,081
Fees of office	-	259,845	-	-	252,164	512,009
Interest	-	-	226	-	112	338
Miscellaneous revenues and donations	-	-	-	-	176,247	176,247
Total revenues	53,250	259,845	486,467	3,376,715	471,113	4,647,390
Expenditures						
Current:						
General government	-	124,793	-	3,376,715	75,229	3,576,737
Legal	-	-	-	-	46,521	46,521
Elections	-	-	-	-	39,112	39,112
Public safety	54,795	-	794,706	-	47,918	897,419
Public transportation	-	-	-	-	86,913	86,913
Capital outlay	12,590	-	-	-	147,762	160,352
Total expenditures	67,385	124,793	794,706	3,376,715	443,455	4,807,054
Excess (deficiency) of revenues over (under) expenditures	(14,135)	135,052	(308,239)	-	27,658	(159,664)
Other financing sources (uses)						
Operating transfers in	3,585	-	200,000	-	44,000	247,585
Operating transfers out	(450,000)	-	-	-	(89,597)	(539,597)
Total other financing sources (uses)	(446,415)	-	200,000	-	(45,597)	(292,012)
Net change in fund balances	(460,550)	135,052	(108,239)	-	(17,939)	(451,676)
Fund balances, beginning of year	520,961	402,368	533,397	-	1,837,960	3,294,686
Fund balances, end of year	\$ 60,411	\$ 537,420	\$ 425,158	\$ -	\$ 1,820,021	\$ 2,843,010

The accompanying notes are an integral part of these financial statements.

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Non Major - Special Revenue Funds
September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
Revenues				
Property taxes	\$ 3,279,824	\$ 3,376,716	\$ 3,376,715	\$ (1)
Intergovernmental	541,166	565,541	582,081	16,540
Fees of office	389,500	512,027	512,009	(18)
Interest	700	513	338	(175)
Miscellaneous revenues and donations	140,500	152,834	176,247	23,413
Total revenues	<u>4,351,690</u>	<u>4,607,631</u>	<u>4,647,390</u>	<u>39,759</u>
Expenditures				
Current:				
General government	3,530,024	3,715,019	3,576,737	138,282
Legal	90,300	44,647	46,521	(1,874)
Elections	44,500	57,024	39,112	17,912
Public safety	937,788	939,501	897,419	42,082
Public transportation	64,000	102,169	86,913	15,256
Capital outlay	158,700	203,675	160,352	43,323
Total expenditures	<u>4,825,312</u>	<u>5,062,035</u>	<u>4,807,054</u>	<u>254,981</u>
Deficiency of revenues under expenditures	<u>(473,622)</u>	<u>(454,404)</u>	<u>(159,664)</u>	<u>294,740</u>
Other financing sources (uses)				
Operating transfers in	3,939	57,942	247,585	189,643
Operating transfers out	(525,000)	(539,598)	(539,597)	1
Sale of assets	-	23,417	-	(23,417)
Total other financing sources (uses)	<u>(521,061)</u>	<u>(458,239)</u>	<u>(292,012)</u>	<u>166,227</u>
Net change in fund balances	(994,683)	(912,643)	(451,676)	<u>\$ 460,967</u>
Fund balances, beginning of year	<u>3,294,686</u>	<u>3,294,686</u>	<u>3,294,686</u>	
Fund balances, end of year	<u>\$ 2,300,003</u>	<u>\$ 2,382,043</u>	<u>\$ 2,843,010</u>	

The accompanying notes are an integral part of these financial statements.

WISE COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities -
All Agency Funds
September 30, 2014

	District Attorney Criminal Justice	District Attorney Hot Check	District Attorney Fee	County Attorney Fee	Bond Holding	Juvenile Probation Fee	Jury Fund	Estray Animal	Jack and Wise County Adult Probation
Assets									
Cash	\$71,571	\$ 1,006	\$14,456	\$13,906	\$128,674	\$ 28,559	\$ 13,175	\$ 6,655	\$743,783
Investments	-	-	-	-	-	-	-	-	-
Receivables:									
Property Taxes - for other governments	-	-	-	-	-	-	-	-	-
Total assets	\$71,571	\$ 1,006	\$14,456	\$13,906	\$128,674	\$ 28,559	\$ 13,175	\$ 6,655	\$743,783
Liabilities									
Deposits held and due to others	\$71,571	\$ 1,006	\$14,456	\$13,906	\$128,674	\$ 28,559	\$ 13,175	\$ 6,655	\$743,783
Property taxes to be collected - due to other governments	-	-	-	-	-	-	-	-	-
Total liabilities	\$71,571	\$ 1,006	\$14,456	\$13,906	\$128,674	\$ 28,559	\$ 13,175	\$ 6,655	\$743,783

The accompanying notes are an integral part of these financial statements.

WISE COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities -
All Agency Funds
September 30, 2014

	Sherriffs									
	District Attorney Restitution	Department Bond and Fine	Tax A/C Special Inventory	Special Inventory	Inmate Trust Fund	Justice of Peace #4	Tax A/C Auto Registration	County Attorney Forfeiture	District Clerk Trust	County Clerk Trust
Assets										
Cash	\$ 4,745	\$ 59	\$354,093	\$ 2,519	\$ 18,156	\$ 2	\$1,582,663	\$ 1,725	\$ 471,499	\$ 37,259
Investments	-	-	-	-	-	-	-	-	528,843	344,201
Receivables:										
Property Taxes - for other governments	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 4,745	\$ 59	\$354,093	\$ 2,519	\$ 18,156	\$ 2	\$1,582,663	\$ 1,725	\$1,000,342	\$381,460
Liabilities										
Deposits held and due to others	\$ 4,745	\$ 59	\$354,093	\$ 2,519	\$ 18,156	\$ 2	\$1,582,663	\$ 1,725	\$1,000,342	\$381,460
Property taxes to be collected - due to other governments	-	-	-	-	-	-	-	-	-	-
Total liabilities	\$ 4,745	\$ 59	\$354,093	\$ 2,519	\$ 18,156	\$ 2	\$1,582,663	\$ 1,725	\$1,000,342	\$381,460

The accompanying notes are an integral part of these financial statements.

WISE COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities -
All Agency Funds
September 30, 2014

	County Credit Card	Tax Office	Sheriff's Department Commissary	Register Fund Excess Tax Fund	EFTPS	Bail Bond	County Attorney Restitution	Mobile Home Escrow	Property Taxes - Other Governments	Total Agency Funds
Assets										
Cash	\$ 538	\$ -	\$ 229,925	\$ 471,499	\$ 22,873	\$ 11,937	\$ 6,641	\$ 6,096	\$ -	\$ 4,244,014
Investments	-	14,608	-	-	-	-	-	-	-	887,652
Receivables:										
Property Taxes - for other governments	-	-	-	-	-	-	-	-	60,772	60,772
Total assets	\$ 538	\$ 14,608	\$ 229,925	\$ 471,499	\$ 22,873	\$ 11,937	\$ 6,641	\$ 6,096	\$ 60,772	\$ 5,192,438
Liabilities										
Deposits held and due to others	\$ 538	\$ 14,608	\$ 229,925	\$ 471,499	\$ 22,873	\$ 11,937	\$ 6,641	\$ 6,096	\$ -	\$ 5,131,666
Property taxes to be collected - due to other governments	-	-	-	-	-	-	-	-	60,772	60,772
Total liabilities	\$ 538	\$ 14,608	\$ 229,925	\$ 471,499	\$ 22,873	\$ 11,937	\$ 6,641	\$ 6,096	\$ 60,772	\$ 5,192,438

STATISTICAL SCHEDULES

WISE COUNTY, TEXAS
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Taxes	Intergovernmental		Licenses and Permits	Fees of Office	Fines and Forfeitures	Interest	Royalties and Rentals	Solid Waste Fees	Miscellaneous		Total
		Non-Federal Funds	Federal Funds									
2005	\$ 19,705,869	\$ 677,179	\$ 544,874	\$ 1,311,124	\$ 2,991,966	\$ 1,193,466	\$ 613,268	\$ 412,713	\$ 278,437	\$ 482,060	\$ 28,210,956	
2006	22,878,285	618,487	731,800	1,357,264	3,634,041	1,421,713	974,913	530,100	360,521	682,518	33,189,642	
2007	26,428,292	618,168	998,239	1,567,496	4,520,330	1,605,113	1,254,926	1,177,743	355,922	710,574	39,236,803	
2008	29,236,626	899,981	546,451	1,508,784	4,463,724	1,477,670	863,348	1,132,259	460,770	1,174,551	41,764,164	
2009	31,502,288	1,156,235	177,098	1,415,776	4,459,122	1,334,617	248,836	373,935	467,713	696,222	41,831,842	
2010	35,121,296	862,613	793,832	1,372,604	4,336,133	1,391,440	60,215	628,501	442,673	555,223	45,564,530	
2011	36,019,577	727,971	379,349	1,269,878	4,512,768	1,452,419	201,185	1,542,103	504,703	630,464	47,240,417	
2012	35,969,352	1,531,973	630,952	1,369,904	4,779,734	1,388,086	56,180	1,980,358	482,216	662,382	48,851,137	
2013	36,780,452	1,065,734	1,139,551	1,347,172	4,681,598	1,320,313	40,975	2,794,272	511,651	751,678	50,433,396	
2014	36,189,644	1,271,291	529,232	1,347,584	5,316,557	1,207,098	50,688	2,833,322	506,284	1,446,831	50,698,531	

WISE COUNTY, TEXAS
General Governmental Expenditures by Function
(Excluding Capital Outlay)
Last Ten Fiscal Years

Fiscal Year	General Government	Judicial	Legal	Elections	Financial Administration	Public Facilities		Public Safety	Public Transportation	Health and Welfare	Culture and Recreation	Conservation	Debt Service	Total
						Public	Facilities							
2005	\$2,031,057	\$1,597,946	\$ 832,044	\$ 55,129	\$1,294,443	\$1,705,558	\$ 8,530,776	\$ 5,474,645	\$ 1,123,382	\$158,564	\$173,525	\$2,102,986	\$ 25,180,065	
2006	2,136,829	1,980,199	1,002,456	37,901	1,498,048	2,247,724	9,803,387	7,654,339	1,075,537	184,896	183,376	1,883,473	29,688,165	
2007	2,406,843	2,096,133	1,162,857	43,519	1,654,423	2,406,614	10,862,739	7,074,598	1,893,450	213,857	197,250	1,762,389	31,774,672	
2008	2,571,222	2,248,356	1,252,861	218,701	1,440,154	2,832,750	12,883,805	7,404,404	1,725,757	234,027	211,024	1,754,381	34,777,442	
2009	3,011,867	2,503,556	1,486,646	248,492	1,665,163	2,844,331	13,956,642	5,968,841	1,394,676	284,021	249,570	2,950,453	36,564,258	
2010	7,052,060	2,581,025	1,680,625	282,124	1,731,874	2,787,673	14,563,483	6,133,246	1,132,768	279,076	244,480	2,966,762	41,435,196	
2011	6,592,666	2,789,808	1,845,103	296,174	1,786,841	3,009,134	15,190,749	9,756,738	1,115,367	302,629	254,054	3,921,362	46,860,625	
2012	6,855,686	3,086,855	1,866,922	373,741	1,808,081	2,955,195	14,949,596	9,603,525	1,203,003	274,898	306,977	6,100,029	49,384,508	
2013	6,990,431	3,303,957	1,913,257	288,524	1,931,194	2,920,447	15,432,684	8,602,423	1,252,779	261,641	276,137	5,581,035	48,664,509	
2014	7,000,061	3,422,964	2,029,334	355,081	1,921,293	2,997,257	16,261,813	7,104,993	1,415,999	351,971	286,942	5,827,183	48,974,891	

WISE COUNTY, TEXAS
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (Including Supplements)	Percent of		Total Tax Collections	Total Tax	Ratio of		Ratio of
		Current Tax Collections	Current Taxes Collected			Delinquent Tax Collections	Delinquent Tax	
2005	\$ 17,337,660	\$16,110,326	92.92%	\$ 550,059	\$16,670,385	96.15%	\$ 1,625,449	9.38%
2006	19,261,710	18,739,469	97.29%	509,337	19,248,806	99.93%	1,677,164	8.71%
2007	21,649,530	21,317,917	98.47%	618,934	21,936,851	101.33%	1,379,477	6.37%
2008	23,579,843	23,386,381	99.18%	436,392	23,822,773	101.03%	1,324,336	5.62%
2009	26,817,785	26,168,136	97.58%	430,189	26,598,325	99.18%	1,358,915	5.07%
2010	31,631,104	30,901,649	97.69%	384,090	31,285,739	98.91%	1,474,240	4.66%
2011	32,528,854	30,523,119	93.83%	503,928	31,027,047	95.38%	1,510,093	4.64%
2012	32,002,034	30,305,093	94.70%	541,322	30,846,415	96.39%	1,454,133	4.54%
2013	31,293,318	30,997,207	99.05%	615,601	31,612,808	101.02%	1,520,154	4.86%
2014	30,741,854	30,395,131	98.87%	374,678	30,769,809	100.09%	1,552,750	5.05%

WISE COUNTY, TEXAS
Computation of Legal Debt Margin
September 30, 2014

Assessed valuation:		
Assessed valuation of property		\$ 9,433,239,436
Less: Exemptions		<u>(2,161,383,224)</u>
Taxable assessed value		<u><u>\$ 7,271,856,212</u></u>
Legal debt margin:		
Debt limit (25% of taxable assessed value)		\$ 1,817,964,053
Debt applicable to limitation:		
Total bonded debt		
Add: Tax notes	\$ 14,335,000	
Less: Amount available for repayment of bonded debt	<u>249,221</u>	
Total debt applicable to limitation		<u>14,085,779</u>
Legal debt margin		<u><u>\$ 1,803,878,274</u></u>

Note: Debt limit 25% of assessed value of real property, Article 3, Section 52, of the Texas Constitution.

WISE COUNTY, TEXAS
Ratio of Net General Obligation Bonded Debt to Assessed
Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2005	59,904	\$ 5,248,373,343	\$ 11,505,000	\$ 173,204	\$ 11,331,796	0.216%	\$ 189.17
2006	61,450	5,789,396,532	10,235,000	174,036	10,060,964	0.174%	163.73
2007	63,000	7,447,907,327	8,870,000	192,530	8,677,470	0.117%	137.74
2008	64,500	8,270,290,118	16,210,000	213,581	15,996,419	0.193%	248.01
2009	66,100	6,645,204,398	14,080,000	206,802	13,873,198	0.209%	209.88
2010	66,950	7,048,173,424	11,675,000	200,889	11,474,111	0.163%	171.38
2011	59,127	7,317,988,569	9,010,000	354,431	8,655,569	0.118%	146.39
2012	59,833	7,133,846,711	6,240,000	208,420	6,031,580	0.085%	100.81
2013	60,432	7,239,223,655	3,180,000	712,959	2,467,041	0.034%	40.82
2014	60,939	7,271,856,212	14,335,000	249,221	14,085,779	0.194%	231.15

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of the Commissioners' Court
Wise County, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wise County, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wise County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wise County's internal control. Accordingly, we do not express an opinion on the effectiveness of Wise County's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Snow Garrett Williams

Snow Garrett Williams
March 17, 2015

WISE COUNTY, TEXAS
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended September 30, 2014

<u>Program/Grant</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
None	None	None

WISE COUNTY, TEXAS
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be Reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of Major Programs:

10.666 Schools and Roads - Grants to Counties

Dollar threshold used to distinguish between Type A and Type B federal programs: \$300,000

Auditee qualified as a low-risk auditee? x yes _____ no

Section II – Financial Statement Findings

Findings required to be reported in accordance with *Government Auditing Standards*:

None Reported.

Section III – Federal Award Findings and Questioned Costs

Findings/Noncompliance	Program	Questioned Costs
None Reported.		\$0

**WISE COUNTY, TEXAS
Corrective Action Plan
For the Fiscal Year Ended September 30, 2014**

Financial Statement Audit Findings:

There are no current year financial statement audit findings.

Federal Award Findings:

There are no current year federal award findings.

FEDERAL AWARDS SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Members of the Commissioners' Court
Wise County, Texas

Report on Compliance for Each Major Federal Program

We have audited Wise County, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wise County's major federal programs for the year ended September 30, 2014. Wise County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wise County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wise County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wise County's compliance.

Opinion on Each Major Federal Program

In our opinion, Wise County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of Wise County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wise County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wise County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Snow Garrett Williams

Snow Garrett Williams
March 17, 2015

WISE COUNTY, TEXAS
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct Programs			
Forest Service Schools and Roads Cluster			
Schools and Roads - Grants to Counties (Note 3)	10.666		\$ 425,944
<u>U.S. Department of Justice</u>			
Direct Programs			
State Criminal Alien Assistance Program	16.606		36,238
JAG Program Cluster			
Edward Bynre Memorial Justice Assistance Grant Program	16.738		10,135
Passed Through Office of Attorney General			
Statewide Automated Victim Information Notification Program	16.740	1446590	<u>11,616</u>
Total U.S. Department of Justice			57,989
<u>General Services Administration</u>			
Passed through Texas Facilities Commission Surplus Property Program			
Donation of Federal Surplus Personal Property (Note 4)	39.003	25880	12,725
<u>U.S. Department of Health and Human Services</u>			
Passed Through Texas Department of State Health Services			
Public Health Emergency Preparedness	93.069	2014-001108-01	31,499
Passed Through Office of Attorney General			
Child Support Enforcement	93.563		<u>1,075</u>
Total U.S. Department of Health and Human Services			<u>32,574</u>
Total Expenditures of Federal Awards			<u>\$ 529,232</u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Wise County, Texas under programs of the federal government for the fiscal year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Wise County, it is not intended to and does not present the financial position or changes in net position of Wise County, Texas.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3: Subrecipients

Of the federal expenditures presented in the schedule, Wise County provided federal awards to subrecipients as follows:

CFDA No. 10.666, Schools and Roads - Grants to Counties grant expenditures includes \$212,972 passed through to:

Alvord Independent School District	\$ 142,265
Chico Independent School District	5,750
Decatur Independent School District	46,854
Slidell Independent School District	<u>18,103</u>
Total passed through by Wise County	<u>\$ 212,972</u>

Note 4: Reconciliation of Federal Surplus Property

The following amounts were acquired from the Federal government at fair market value less applicable shipping and handling fees

Property (Non-cash)	\$ 3,211
Handling Fees Paid	<u>9,514</u>
Total for CFDA# 39.003	<u>\$ 12,725</u>



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Management Letter

March 17, 2015

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, 2014, 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

Snow Garrett Williams

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 2014, the County had an unassigned general fund balance of 17% of the general fund 2014 budgeted expenditures, which was an increase of 8% 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 various funds.

Recommendation: Many of 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 to monitor its budget carefully throughout the year and amend it as necessary.

OTHER MATTERS

Pension Accounting and Financial Reporting

The Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. These Statements require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time. For some entities, this liability could be material to their government-wide financial statements. These Statements also enhance accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

The County provides pension benefits through a defined benefit pension plan administered by the Texas County and District Retirement System (TCDRS). The County is required to make these changes in fiscal year 2015 and the County should work with TCERS to determine the calculation of the net pension liability. The County should already be in the process of implementing controls over the submission of information provided to TCERS since this information will be used for the calculation of the net pension liability that will be reported on the County's financial statements.

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.



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

March 17, 2015

To the Members of the Commissioners' Court
Wise County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wise County, Texas for the year ended September 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 20, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Wise County are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2014. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the County's financial statements were:

Management's estimate of the allowance for doubtful accounts is based on historical collection rates and analysis of the collectability of the County's receivables. We evaluated the key factors and assumptions used to develop the allowances in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 17, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for the retirement plan, which are required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining and budget statements and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the statistical section, which accompanies the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Wise County Commissioners' Court members and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Snow Garrett Williams