

WISE COUNTY, TEXAS

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

Wise County, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2004

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FINANCIAL SECTION



Snow, Garrett & Company

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Judge and Members of
The Commissioners' Court
Wise County, Texas

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, 2004, which collectively comprise the County's financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wise County, Texas, as of September 30, 2004, and the respective changes in financial position and the respective budgetary comparison for the general and jail project funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the schedule of funding progress for the retirement plan are not required parts of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Page two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wise County's basic financial statements. The accompanying 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 not a required part of the financial statements of Wise County. Also, the accompanying combining and budget statements and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Snow, Garrett & Company

Snow, Garrett & Company, CPA's
December 16, 2004

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, 2004. 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 2004 by \$25,128,261 (*net assets*). Of this amount, \$748,022 is restricted for specific purposes and \$14,566,729 represents unrestricted net assets that may be used to meet the County's ongoing obligations to citizens and creditors. As required by Governmental Accounting Standards Board (GASB) Statement No. 34, net assets also reflect \$9,813,510 that is invested in capital assets net of related debt.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at year-end of \$15,725,443; of which \$12,122,327 or 77% represents unreserved fund balances. The more significant components of unreserved fund balance are maintained in the General Fund as emergency reserves.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,315,077, or 40% of total general fund expenditures.
- The County's total debt decreased by a net amount of \$982,379 during the current fiscal year as a result of scheduled annual debt service payments net against capital lease proceeds.

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 three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. 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 (excluding infrastructure purchased or donated in prior years) 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 assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net assets 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.

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 funds 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 twenty-six individual governmental funds (excluding fiduciary funds), twenty-two special revenue funds, two capital project funds, one debt service fund, 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 and the Jail Project 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 County adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement (original versus final) has been provided for the General Fund and the Jail Projects Fund to demonstrate compliance with budget.

The governmental fund financial statements can be found on pages 15 through 19 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 accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statements can be found on page 20 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 21 through 36 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning pension benefits. The required supplementary information can be found on page 38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$25,128,261 as of September 30, 2004.

Wise County's Net Assets

	Governmental Activities	
	2004	2003
Current and other assets	\$ 22,051,720	\$ 23,801,488
Capital assets, net of depreciation	17,145,394	11,401,515
Total assets	<u>39,197,114</u>	<u>35,203,003</u>
Long-term liabilities	10,318,092	11,300,471
Other liabilities	3,750,761	1,671,230
Total liabilities	<u>14,068,853</u>	<u>12,971,701</u>
Net assets:		
Invested in capital assets, net of related debt	9,813,510	8,320,303
Restricted	748,022	1,072,656
Unrestricted	14,566,729	12,838,343
Total Net Assets	<u>\$ 25,128,261</u>	<u>\$ 22,231,302</u>

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 is \$9,813,510. 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.

An additional \$748,022 of the County's net assets (3%) represents resources that are subject to external restrictions on how they may be used. All restricted assets of the County are being held for purposes established by state and local laws, future construction, and debt service requirements on the County's outstanding debt. The remaining balance of unrestricted net assets (\$14,566,729) may be used to meet the County's ongoing obligations to citizens and creditors.

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

The County's governmental activities increased net assets by \$2,896,959 during the current fiscal year. The total cost of all governmental activities this year was \$23,058,576. The amount that our taxpayers paid for these activities through property taxes was \$15,602,819 or 68%.

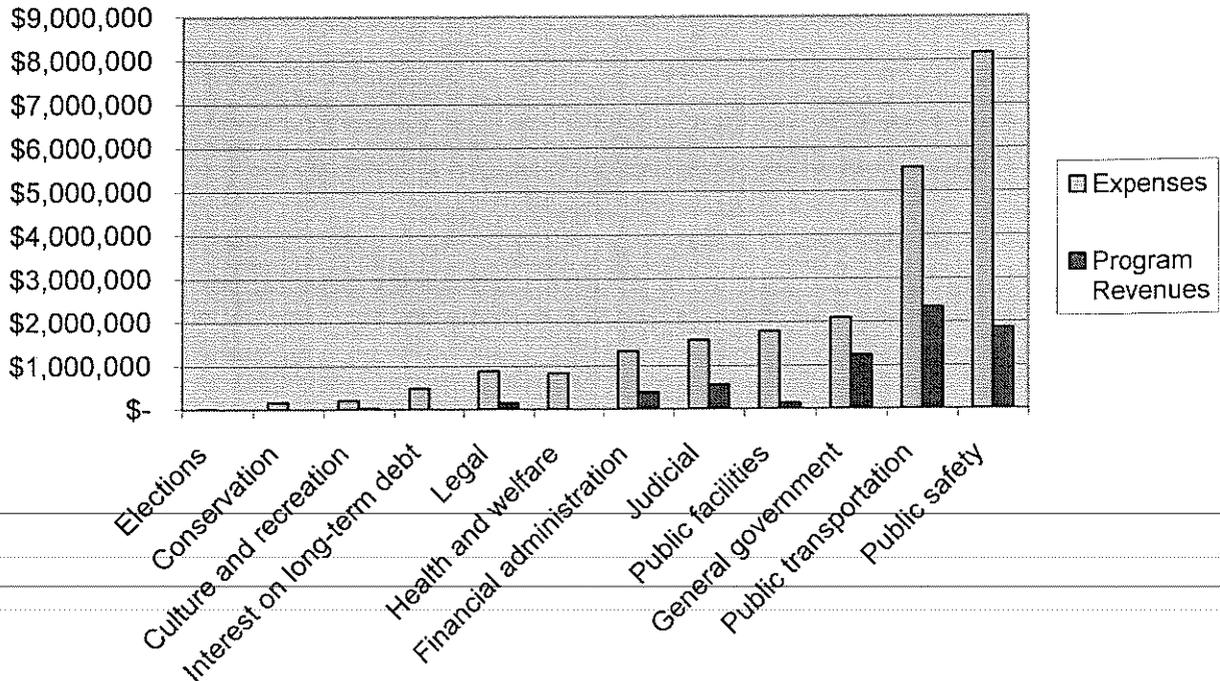
Wise County's Changes in Net Assets

	Governmental Activities	
	2004	2003
Revenues:		
Program revenues:		
Charges for services	\$ 5,433,314	\$ 6,809,814
Operating grants and contributions	1,237,265	1,083,289
Capital grants and contributions	-	377,200
General revenues:		
Property taxes	15,602,819	14,479,053
Sales and other taxes	2,446,652	2,178,893
Other	1,235,485	1,066,350
Total revenues	<u>25,955,535</u>	<u>25,994,599</u>
Expenses:		
General government	2,089,410	1,940,247
Judicial	1,585,515	1,514,705
Legal	880,198	805,325
Elections	7,964	29,902
Financial administration	1,332,163	1,251,858
Public facilities	1,780,143	1,832,043
Public safety	8,165,857	7,873,556
Public transportation	5,534,285	4,999,766
Health and welfare	830,378	971,770
Culture and recreation	202,099	242,307
Conservation	164,142	174,320
Interest on long-term debt	486,422	296,309
Total expenses	<u>23,058,576</u>	<u>21,932,108</u>
Increase in net assets	2,896,959	4,062,491
Net assets, beginning	22,231,302	18,168,811
Net assets, ending	<u>\$ 25,128,261</u>	<u>\$ 22,231,302</u>

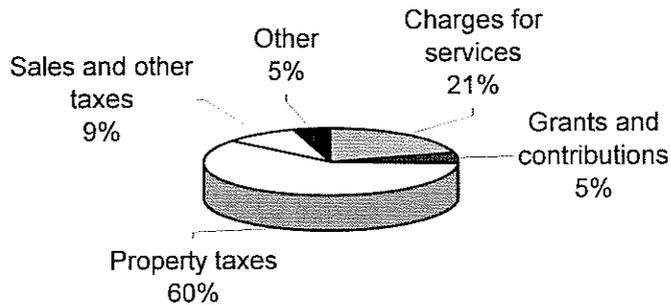
Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$6,670,579 equaled 29% of government expenses of \$23,058,576. As expected, general revenues (\$19,284,956) provided the required support and coverage for expenses;
- Over one-third of the expenses are public safety (\$8,165,857) while this category provided program revenues of about 7% of total revenues of \$25,955,535;
- The next largest category of expenses is public transportation \$5,534,285 at 24% of total expenses while public transportation program revenues provided about 9% of total revenues; and
- Grant revenues and contributions comprised about 5% of revenues.

Expenses and Program Revenues



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 Project 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, unreserved 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 \$15,725,443, a decrease of \$3,744,569 in comparison with the prior year. Approximately \$12,122,327 or 77% of the fund balance represents unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service (\$473,493) and to fund capital projects (\$3,129,623).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,315,077, which is the total fund balance. As a measure of the general fund's liquidity, we compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 40%, or slightly more than 145 days of total fund expenditures.

The fund balance of the County's general fund increased by \$962,653 during the current fiscal year. Key factors in this growth are as follows:

- Increase in property tax revenue primarily due to an increase in assessed values;
- Increase of \$266,467 in sales tax revenue received in current year compared to prior year; and
- Increase of \$125,860 in fines and forfeitures received in current year compared to prior year.

The debt service fund has a total fund balance of \$473,493, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$59,424. Total debt principal, interest and fiscal charges totaled \$1,225,094, approximately \$115,401 decrease from the prior year.

The two capital projects funds had combined ending fund balances of \$3,129,623, all of which is reserved for the jail construction project and other various construction projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

In total, the original general fund budget and the final general fund amended budget was increased by \$1,117,695 from the original to the final budget. Most of this difference resulted from:

- salary increases for new personnel positions;
- jail housing costs;
- insurance premiums; and
- capital outlay

The majority of increase in expenditure appropriations was funded from a \$1,412,993 upward revision in projected annual revenues. As stated earlier, healthy growth in sales tax revenue, together with increased property tax, fees of office, and fines and forfeitures collections accounted for the majority of the upward revision. However, actual revenues exceeded amended budget projects by only \$52,464 (less than 1%). Conversely, actual total expenditures for the year were \$925,992 (5.6%) less than amended budget appropriations. Including small variances in other financing sources, the actual ending fund balances of \$6,315,077 was \$969,223 greater than anticipated.

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, 2004, net capital assets of the governmental activities totaled \$17,145,394. Depreciation on capital assets is recognized in the government-wide financial statements. Annual depreciation for buildings, improvements, infrastructure and machinery and equipment totaled \$1,236,303.

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

- Construction in progress additions to the jail project of \$5,360,817;
- Completion of the Emergency Medical Services building of \$343,704;
- Infrastructure (bridges) additions of \$187,096; and
- Purchase of two motor graders for Precinct 2 and Precinct 4.

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

	Governmental Activities	
	2004	2003
Land	\$ 683,940	\$ 660,760
Buildings and improvements	4,791,257	4,385,288
Infrastructure	355,036	165,308
Construction in progress	5,655,511	480,485
Machinery and equipment	5,659,650	5,709,674
Total	<u>\$ 17,145,394</u>	<u>\$ 11,401,515</u>

Additional information on the County's capital assets can be found in Note H on pages 28 and 29 of this report.

Long-term debt. As of September 30, 2004, the County had certificates of obligation and tax notes outstanding of \$9,290,000. Certificates of obligation and tax notes retired in the current fiscal year totaled \$125,000 and \$660,000, respectively. The County had total capital leases payable outstanding of \$1,028,092, a decrease of \$197,379 from the prior year.

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The County's total property tax rate for 2003-04 was \$.50044 per \$100 assessed valuation, of which \$.04069 was for annual debt service.

Wise County's Outstanding Debt

	Governmental Activities	
	2004	2003
Certificates of obligation	\$ 8,375,000	\$ 8,500,000
Tax notes	915,000	1,575,000
Capital lease agreements	1,028,092	1,225,471
Total	<u>\$ 10,318,092</u>	<u>\$ 11,300,471</u>

Additional information on the County's long-term debt can be found in Notes I and J on pages 29 through 33 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is 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 2005, the County Commissioners and management considered the following factors:

- The County, which is located near the Fort Worth/Dallas Metroplex, the DFW Airport and the Alliance Airport, is expected increase in population, households, and retail sales, therefore increasing the sales tax revenues for the County.
- Property tax revenues are budgeted to increase because of a rise in certified values and new single-family residential homes constructed during the past and current fiscal years.
- Industries in the County, which include the oil and gas industry, rock crusher industry, aerospace graphite products, sheet metal products, and an electric plant, 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.
- Interest earnings are planned to decrease, as current interest rates stay depressed.

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, separate reports of the County's component units or need any additional financial information, contact the appropriate financial office (County Auditor or County Treasurer) at 207 North Church, Decatur, Texas 76234 or (Wise County Judge) at 100 Main Street, Courthouse, Decatur, Texas 76234.

Basic Financial Statements

WISE COUNTY, TEXAS
Statement of Net Assets
September 30, 2004

	<u>Primary Government</u>
Assets	
Cash	\$ 1,642,597
Investments	17,232,260
Receivables (net of allowance for uncollectibles)	3,013,040
Due from other governments	99,253
Interfund balances	(3,914)
Deferred debt issuance costs	68,484
Capital assets	
Land and construction in progress	6,339,451
Other capital assets, net of depreciation	10,805,943
Total capital assets	<u>17,145,394</u>
Total assets	<u>39,197,114</u>
Liabilities	
Accounts payable	2,708,310
Due to other governments	574,441
Accrued interest payable	61,401
Deferred Revenue	36,854
Compensated absences payable	369,755
Noncurrent liabilities	
Due within one year	1,300,085
Due in more than one year	<u>9,018,007</u>
Total liabilities	<u>14,068,853</u>
Net assets	
Invested in capital assets, net of related debt	9,813,510
Restricted for:	
Construction	150,498
Debt service	597,524
Unrestricted	<u>14,566,729</u>
Total net assets	<u><u>\$ 25,128,261</u></u>

WISE COUNTY, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
General government	\$ 2,089,410	\$ 1,150,154	\$ 86,538	\$ (852,718)
Judicial	1,585,515	514,246	44,149	(1,027,120)
Legal	880,198	124,673	25,425	(730,100)
Elections	7,964			(7,964)
Financial administration	1,332,163	389,381		(942,782)
Public facilities	1,780,143	128,430		(1,651,713)
Public safety	8,165,857	1,170,797	680,460	(6,314,600)
Public transportation	5,534,285	1,931,227	400,693	(3,202,365)
Health and welfare	830,378			(830,378)
Culture and recreation	202,099	24,406		(177,693)
Conservation	164,142			(164,142)
Interest on long-term debt	486,422			(486,422)
Total primary government	\$ 23,058,576	\$ 5,433,314	\$ 1,237,265	(16,387,997)

General revenues:	
Property taxes	15,602,819
Sales and other taxes	2,446,652
Investment earnings	536,512
Royalties	266,250
Gain on disposal of assets	95,904
Other	336,819
Total general revenues	19,284,956
 Change in net assets	 2,896,959
 Net assets, October 1, 2003	 22,231,302
 Net assets, September 30, 2004	 \$ 25,128,261

WISE COUNTY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2004

	General	Jail Project	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 11,808	\$ 626,526	\$ 1,004,263	\$ 1,642,597
Investments	7,651,266	3,733,103	5,847,891	17,232,260
Receivables:				
Property taxes (net of allowance)	1,035,912		478,618	1,514,530
Accounts	35,560		39,292	74,852
Due from other funds	81,112		19,027	100,139
Due from other governments	34,799		64,454	99,253
Total assets	<u>\$ 8,850,457</u>	<u>\$ 4,359,629</u>	<u>\$ 7,453,545</u>	<u>\$ 20,663,631</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 827,418	\$ 1,380,193	\$ 500,699	\$ 2,708,310
Due to other funds	103,091	311	651	104,053
Due to other governments	568,959		5,482	574,441
Deferred revenue				
Property taxes	1,035,912		478,618	1,514,530
Other			36,854	36,854
Total liabilities	<u>2,535,380</u>	<u>1,380,504</u>	<u>1,022,304</u>	<u>4,938,188</u>
Fund Balance				
Reserved for:				
Debt service			473,493	473,493
Capital projects		2,979,125	150,498	3,129,623
Unreserved	6,315,077			6,315,077
Unreserved, reported in nonmajor:				
Special revenues funds			5,807,250	5,807,250
Total fund balances	<u>6,315,077</u>	<u>2,979,125</u>	<u>6,431,241</u>	<u>15,725,443</u>
Total liabilities and fund balances	<u>\$ 8,850,457</u>	<u>\$ 4,359,629</u>	<u>\$ 7,453,545</u>	

Amounts reported for governmental activities in the statement of net assets (SNA) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,145,394
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,514,530
Other assets are not measurable and available in the current period and are not reported in the funds.	1,423,658
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(10,680,764)
Net assets of governmental activities - statement of net assets	<u>\$ 25,128,261</u>

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended September 30, 2004

	<u>General</u>	<u>Jail Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$10,306,200	\$	\$ 5,148,372	\$ 15,454,572
Sales tax	2,425,666			2,425,666
Licenses and permits			1,294,780	1,294,780
Intergovernmental	168,524		750,565	919,089
Fees of office	2,503,265		434,194	2,937,459
Fines and forfeitures	470,090		636,445	1,106,535
Interest	232,224	147,508	156,780	536,512
Royalties and rentals	267,530			267,530
Solid waste fees	234,079			234,079
Miscellaneous revenues and donations	312,194	5,925	403,722	721,841
Total revenues	<u>16,919,772</u>	<u>153,433</u>	<u>8,824,858</u>	<u>25,898,063</u>
Expenditures				
Current:				
General government	1,971,753		88,143	2,059,896
Judicial	1,585,515			1,585,515
Legal	815,598		60,343	875,941
Elections	7,964			7,964
Financial administration	1,330,963			1,330,963
Public facilities	1,611,969			1,611,969
Public safety	7,170,071		676,871	7,846,942
Public transportation	53,991		4,776,903	4,830,894
Health and welfare	522,372		308,006	830,378
Culture and recreation	162,079			162,079
Conservation	157,644			157,644
Capital outlay	275,885	5,360,817	1,821,035	7,457,737
Non-fixed assets			8,021	8,021
Debt and capitalized lease debt service:				
Principal retirement			1,503,588	1,503,588
Interest and fiscal charges			440,570	440,570
Total expenditures	<u>15,665,804</u>	<u>5,360,817</u>	<u>9,683,480</u>	<u>30,710,101</u>
Excess of revenues over (under) expenditures	<u>1,253,968</u>	<u>(5,207,384)</u>	<u>(858,622)</u>	<u>(4,812,038)</u>
Other financing sources (uses)				
Capital lease proceeds			521,209	521,209
Operating transfers in	758,535		390,649	1,149,184
Operating transfers out	(1,066,924)		(82,260)	(1,149,184)
Sales of assets	17,074		529,186	546,260
Total other financing sources (uses)	<u>(291,315)</u>	<u>-</u>	<u>1,358,784</u>	<u>1,067,469</u>
Excess of revenues and other sources over (under) expenditures and other uses	962,653	(5,207,384)	500,162	(3,744,569)
Fund balances, October 1, 2003	<u>5,352,424</u>	<u>8,186,509</u>	<u>5,931,079</u>	<u>19,470,012</u>
Fund balances, September 30, 2004	<u>\$ 6,315,077</u>	<u>\$ 2,979,125</u>	<u>\$ 6,431,241</u>	<u>\$ 15,725,443</u>

WISE COUNTY, TEXAS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended September 30, 2004

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

Net change in fund balances - total governmental funds	\$ (3,744,569)
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Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of some of the assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays for County owned assets exceeded depreciation in the current year.	6,221,434
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The net effect of various miscellaneous transactions involving capital assets.	(477,556)
--	-----------

Decrease in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(31,417)
--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.	(53,312)
--	----------

The issuance of long-term debt (e.g. certificates of obligation, tax notes, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	982,379
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Change in net assets of governmental activities - statement of activities	<u>\$ 2,896,959</u>
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WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
General Fund
For the Fiscal Year Ended September 30, 2004

	<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	\$ 10,086,400	\$ 10,306,200	\$ 10,306,200	\$ -
Sales tax	2,100,000	2,425,666	2,425,666	-
Intergovernmental	138,301	152,489	168,524	16,035
Fees of office	2,243,240	2,503,379	2,503,265	(114)
Fines and forfeitures	190,000	470,090	470,090	-
Interest	145,500	232,225	232,224	(1)
Royalties and rentals	151,440	231,971	267,530	35,559
Solid waste fees	213,600	234,080	234,079	(1)
Miscellaneous revenues and donations	185,834	311,208	312,194	986
Total revenues	<u>15,454,315</u>	<u>16,867,308</u>	<u>16,919,772</u>	<u>52,464</u>
Expenditures				
Current:				
General government	1,809,876	2,012,721	1,971,753	40,968
Judicial	1,629,505	1,732,281	1,585,515	146,766
Legal	803,225	847,717	815,598	32,119
Elections	48,600	48,600	7,964	40,636
Financial administration	1,386,937	1,431,117	1,330,963	100,154
Public facilities	1,604,887	1,676,635	1,611,969	64,666
Public safety	7,148,857	7,597,926	7,170,071	427,855
Public transportation	-	53,991	53,991	-
Health and welfare	506,543	556,026	522,372	33,654
Culture and recreation	178,346	164,004	162,079	1,925
Conservation	187,325	188,480	157,644	30,836
Capital outlay	170,000	282,298	275,885	6,413
Total expenditures	<u>15,474,101</u>	<u>16,591,796</u>	<u>15,665,804</u>	<u>925,992</u>
Excess of revenues over (under) expenditures	<u>(19,786)</u>	<u>275,512</u>	<u>1,253,968</u>	<u>978,456</u>
Other financing sources (uses)				
Operating transfers in	1,214,689	758,535	758,535	-
Operating transfers out	(1,202,403)	(1,058,679)	(1,066,924)	(8,245)
Sales of assets	7,500	18,062	17,074	(988)
Total other financing sources (uses)	<u>19,786</u>	<u>(282,082)</u>	<u>(291,315)</u>	<u>(9,233)</u>
Excess of revenues and other sources (uses) over (under) expenditures and other uses	<u>-</u>	<u>(6,570)</u>	<u>962,653</u>	<u>969,223</u>
Fund balances, October 1, 2003	5,352,424	5,352,424	5,352,424	-
Fund balances, September 30, 2004	<u>\$ 5,352,424</u>	<u>\$ 5,345,854</u>	<u>\$ 6,315,077</u>	<u>\$ 969,223</u>

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Jail Project Fund
For the Fiscal Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		2004 Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$	\$ 147,508	\$ 147,508	\$ -
Miscellaneous revenues and donations		5,925	5,925	-
Total revenues	-	153,433	153,433	-
Expenditures				
Capital outlay	-	5,360,817	5,360,817	-
Total expenditures	-	5,360,817	5,360,817	-
Excess of revenues over (under) expenditures	-	(5,207,384)	(5,207,384)	-
Carryover from prior year fund balance	-	5,207,384	-	5,207,384
Fund balance, October 1, 2003	8,186,509	8,186,509	8,186,509	-
Fund balance, September 30, 2004	<u>\$8,186,509</u>	<u>\$8,186,509</u>	<u>\$2,979,125</u>	<u>\$ 5,207,384</u>

WISE COUNTY, TEXAS
Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2004

Assets	
Cash	\$ 501,866
Investments	716,365
Receivables:	
Property taxes - for other governments	276,591
Due from other funds	<u>5,400</u>
Total assets	<u><u>\$ 1,500,222</u></u>
Liabilities	
Deposits held and due to others	\$ 1,222,145
Due to other funds	1,486
Property taxes to be collected - due to other governments	<u>276,591</u>
Total liabilities	<u><u>\$ 1,500,222</u></u>

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note A - 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 accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. 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, 2004.

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.

Note B - Summary of Significant Accounting Policies

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

Government-wide and fund financial statements

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report, except for County fiduciary activity, information on all of the 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 and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate fund 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 and the Jail Projects Fund meet 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, Capital Projects and Debt Service funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Combining and Budget Statements.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note B - Summary of Significant Accounting Policies (Continued)

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 revenue.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2004, and became due October 1, 2004 have been assessed to finance the budget of the fiscal year beginning October 1, 2004 and, accordingly, have been reflected as deferred revenue and taxes receivable in the fund financial statements at September 30, 2004. 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 general operating fund of the County and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The Jail Project Fund is used to account for the acquisition and construction of a new County jail.

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 three percent or less, no public hearing is required. If the Court increases taxes more than three but less than eight percent, then a public hearing is required prior to final adoption. If the Court increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election. Beginning with the 1999 tax levy, any increase in property taxes will require a public hearing.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note B - Summary of Significant Accounting Policies (Continued)

- (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.
- (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, 2004.

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 of \$5,000 or more. Capital assets are recorded at historical costs 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 assets lives 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

GASB Statement No. 34 requires the County to record and depreciate new infrastructure assets effective for the fiscal year beginning October 1, 2002. Infrastructure acquired prior to October 1, 2002 has not been recorded. Infrastructure assets include roads, bridges and culverts. These infrastructure assets are likely to be the largest asset class of the County. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for the fiscal year ending September 30, 2007.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. On new certificates of obligations or tax notes, premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Certificates of obligation and tax notes payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note B - Summary of Significant Accounting Policies (Continued)

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

Note C – Reconciliation of Government-wide and Fund financial statements

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

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net assets as reported in the government-wide statement of net assets. One element of that reconciliation explains "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds." The details of this \$10,680,764 difference are as follows:

Certificate of obligation and tax notes payable:	\$ (9,290,000)
Less: deferred charge for issuance costs (to be amortized over life of debt)	68,484
Accrued interest payable	(61,401)
Capital leases payable	(1,028,092)
Compensated absences	<u>(369,755)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (10,680,764)</u>

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation indicates that "governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of capital assets is allocated over their estimate useful lives and reported as depreciation expense" on capital outlays for County owned assets only. The details of this \$6,221,434 difference are as follows:

Capital outlay	\$ 7,457,737
Depreciation expense	<u>(1,236,303)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 6,221,434</u>

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note C – Reconciliation of Government-wide and Fund financial statements (Continued)

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets" (i.e., sales and trade-ins) is to decrease net assets. The details of this \$477,556 difference are as follows:

The statement of activities reports a gain arising from the sale of existing capital assets to acquire new capital assets. Conversely, governmental funds only report the proceeds received from the sale.	<u>\$ (477,556)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (477,556)</u>

Another element of the reconciliation states "the issuance of long-term debt (e.g., certificate of obligation, tax notes, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect of net assets. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$982,379 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (521,209)
Principal repayments	
Tax notes	785,000
Capital leases	<u>718,588</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 982,379</u>

Another element of the reconciliation states "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds." The details of this \$53,312 difference are as follows:

Compensated absences	\$ (27,645)
Accrued interest	(18,761)
Amortization of issuance costs	<u>(6,906)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (53,312)</u>

Note D - Deposits, Securities and Investments

Deposits

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

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note D - Deposits, Securities and Investments (Continued)

The County's cash and certificates of deposit at September 30, 2004 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank. The deposits were collateralized in accordance with Texas Law. However, the deposits were not adequately secured on the highest cash day of the year, which occurred on January 28, 2004.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Name of bank: First National Bank of Bridgeport, Bridgeport, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$15,698,397.
- c. Largest cash, savings and time deposit combined account balance amounted to \$17,337,474 and occurred during the month of January 2004.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$300,000.

Cash and certificates of deposit held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

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

Based on these levels of risk, \$15,998,397 of the County's deposits is classified as Category 2, while the remaining \$1,339,077 of the County's deposits is classified as Category 3. At year end, the carrying amount of the County's cash deposits was \$16,641,325 (including \$13,948,000 in County's certificates of deposit, \$349,611 in agency fund certificates of deposits and \$685,562 in agency fund cash) and bank balances totaled \$17,035,843.

Authorized Investments

The County has adopted a written investment policy regarding the investment of its funds as defined in the amended Public Funds Investment Act (Chapter 2256, Texas Government Code). The County's investments are in compliance with the investment policy.

The County's investments consist of the following:

	Carrying Amount	Market Value
Certificates of Deposit	\$ 14,297,611	\$ 14,297,611
Tex Pool Investments	3,526,506	3,526,506
Total Investments	\$ 17,824,117	\$ 17,824,117

The certificates of deposit are included with the County's other cash deposits in the above footnote disclosure for deposits.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note D - Deposits, Securities and Investments (Continued)

Tex Pool is a state agency, which invests solely in government and low risk securities. The State Comptroller of Public Accounts exercises oversight responsibility over Tex Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Tex Pool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Tex Pool is the same as the value of Tex Pool shares.

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 E - 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 rates for the year ended September 30, 2004 to finance maintenance and operations of the County and the payment of principal and interest on long-term debt were \$.45975 and \$.04069 per \$100 valuation, respectively, for a total of \$.50044 per \$100 valuation.

Note F - Property Taxes Receivable

At the individual fund level of financial statement reporting, taxes are recognized as revenue when received and the remaining balance is recorded as fully deferred income at year end.

The following schedule details property taxes receivable by fund:

Fund	Property Taxes Receivable (Net)
General	\$ 1,035,912
Indigent Health	54,561
Lateral Road	297,185
Debt Service	126,872
Total	\$ 1,514,530

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note G – Interfund Balances

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of September 30, 2004.

From	To	Amount
General fund	General fund	\$ 80,114
	Jail project fund	311
	Other governmental funds	651
	Agency funds	36
Other governmental funds	General fund	17,577
	Agency funds	1,450
Agency funds	General fund	5,400
Total		\$ 105,539

Interfund balances resulted from the timing difference between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note H – Capital Assets

Capital asset activity for the year ended September 30, 2004 was as follows:

	Balance 10/1/03	Additions	Deletions	Balance 9/30/04
Governmental activities				
Capital assets not being depreciated				
Land	\$ 660,760	\$ 23,180	\$ -	\$ 683,940
Construction in progress	480,485	5,417,985	242,959	5,655,511
Total capital assets not being depreciated	1,141,245	5,441,165	242,959	6,339,451
Other capital assets				
Buildings and improvements	10,420,166	576,319	-	10,996,485
Infrastructure	167,407	197,441	-	364,848
Machinery and equipment	10,234,869	1,485,771	936,292	10,784,348
Total other capital assets	20,822,442	2,259,531	936,292	22,145,681
Less accumulated depreciation for:				
Building and improvements	6,034,878	170,350	-	6,205,228
Infrastructure	2,099	7,713	-	9,812
Machinery and equipment	4,525,195	1,058,240	458,737	5,124,698
Total accumulated depreciation	10,562,172	1,236,303	458,737	11,339,738
Other capital assets, net	10,260,270	1,023,228	477,555	10,805,943
Governmental activities capital assets, net	\$ 11,401,515	\$ 6,464,393	\$ 720,514	\$ 17,145,394

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note H – Capital Assets (Continued)

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

Governmental activities:

General government	\$ 1,869
Legal	4,257
Financial administration	1,200
Public facilities	168,174
Public safety	318,915
Public transportation	695,370
Culture and recreation	40,020
Conservation	6,498
	<hr/>
Total depreciation for governmental activities	<u>\$ 1,236,303</u>

Note I - Long-Term Debt

The principal long-term obligations of the County include general obligation bonds, tax notes, the accrued liability for compensated absences, and capital lease agreements.

Tax Notes – 1998 Series

- ◆ To purchase buildings and equipment for county use, acquire right of way and utility relocation, and pay tax note issuance costs.
- ◆ \$2,500,000 notes originally issued.
- ◆ Payable in annual installments of \$125,000 to \$485,000 through August 15, 2005.
- ◆ Interest rates ranging from 4.35% to 4.55%.
- ◆ Outstanding balance of \$485,000 at September 30, 2004.

Tax Notes – 2000 Series

- ◆ To purchase buildings (Juvenile Probation and Public Works), rehabilitation and improvements to the Jail Facility, and pay tax note issuance costs.
- ◆ \$1,150,000 notes originally issued.
- ◆ Payable in annual installments of \$165,000 to \$220,000 through August 15, 2006.
- ◆ Interest rate of 5.375%.
- ◆ Outstanding balance of \$430,000 at September 30, 2004.

Certificates of Obligation – 2004 Series

- ◆ To construct a jail facility.
- ◆ \$8,500,000 of certificates of obligation originally issued.
- ◆ Payable in annual installments of \$90,000 to \$1,155,000 through August 15, 2014.
- ◆ Interest rates ranging from 3.33% to 3.99%.
- ◆ Outstanding balance of \$8,375,000 at September 30, 2004.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note I - Long-Term Debt (Continued)

The following are changes by type of debt:

	Balance 10/1/03	Increase	Decrease	Balance 09/30/04
Tax notes	\$ 1,575,000	\$ -	\$ 660,000	\$ 915,000
Certificates of Obligation	8,500,000	-	125,000	8,375,000
Capital Lease Agreements	1,225,471	521,209	718,588	1,028,092
Compensated Absences	342,110	27,645	-	369,755
Totals	\$ 11,642,581	\$ 548,854	\$ 1,503,588	\$ 10,687,847

The following are the annual requirements needed to fund tax notes and the certificates of obligation:

Year	Tax Notes		Certificates of Obligation		Total
	Principal	Interest	Principal	Interest	
2005	\$ 695,000	\$ 45,180	\$ 90,000	\$ 329,872	\$ 1,160,052
2006	220,000	11,825	600,000	326,282	1,158,107
2007	-	-	865,000	302,341	1,167,341
2008	-	-	910,000	267,828	1,177,828
2009	-	-	955,000	231,519	1,186,519
2010-2015	-	-	4,955,000	547,923	5,502,923
Totals	\$ 915,000	\$ 57,005	\$ 8,375,000	\$ 2,005,765	\$ 11,352,770

The 2003 Certificates of Obligation require that a minimum of 2% of the original amount of the Certificates or \$170,000 be maintained by the County as an interest and sinking fund reserve. The County is in compliance with this reserve requirement.

Note J - Capital Lease Agreements

General information related to capital lease agreements is summarized below:

Citi Capital - 2001 Acquisition

- ◆ To purchase a 2002 Mack dump truck for Precinct #1.
- ◆ Total purchase price was \$68,800 payable in sixty monthly installments of \$1,347, which includes interest at a rate of 6.52%.
- ◆ Outstanding balance of \$26,660 at September 30, 2004.

Government Capital Corporation - 2001 Acquisition

- ◆ To purchase a 2002 Mack truck for Precinct #2.
- ◆ Total purchase price was \$68,800 payable in sixty monthly installments of \$1,347, which includes interest at a rate of 6.52%.
- ◆ Outstanding balance of \$25,458 at September 30, 2004.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note J - Capital Lease Agreements (Continued)

Darr Equipment Company - 2002 Acquisition

- ◆ To purchase a 2002 wheel loader for each precinct.
- ◆ Total purchase price was \$178,686, with a trade allowance \$115,000.
- ◆ Balance of \$63,686 payable in three annual installments of \$23,386, which includes interest at a rate of 5.00%.
- ◆ Outstanding balance of \$22,272 at September 30, 2004.

Citi Capital - 2002 Acquisition

- ◆ To purchase two Mack trucks for Precinct #1.
- ◆ Total purchase price was \$142,000 payable in sixty monthly installments of \$2,778, which includes interest at a rate of 6.35%.
- ◆ Outstanding balance of \$69,728 at September 30, 2004.

Volvo Commercial Finance - 2002 Acquisition

- ◆ To purchase vibrator roller for Precinct #1.
- ◆ Total purchase price was \$76,745 payable in four annual installments of \$20,749, which includes interest at a rate of 5.35%.
- ◆ Outstanding balance of \$19,669 at September 30, 2004.

Citi Capital - 2002 Acquisition

- ◆ To purchase 2002 Ford F250 for Precinct #1.
- ◆ Total purchase price was \$31,391 payable in three annual installments of \$11,588, which includes interest at a rate of 5.28%.
- ◆ Outstanding balance of \$11,007 at September 30, 2004.

Darr Equipment Company - 2002 Acquisition

- ◆ To purchase a motor grader for Precinct #1.
- ◆ Total purchase price was \$35,535 payable in three annual installments of \$13,000, which includes interest at a rate of 4.80%.
- ◆ Outstanding balance of \$12,405 at September 30, 2004.

Darr Equipment Company - 2002 Acquisition

- ◆ To purchase a motor grader for Precinct #1.
- ◆ Total purchase price was \$35,535 payable in three annual installments of \$13,000, which includes interest at a rate of 4.80%.
- ◆ Outstanding balance of \$12,405 at September 30, 2004.

Darr Equipment Company - 2002 Acquisition

- ◆ To purchase 2001 motor grader for Precinct #2.
- ◆ Total purchase price was \$140,000 payable in three annual installments of \$51,892, which includes interest at a rate of 5.366%.
- ◆ Outstanding balance of \$49,186 at September 30, 2004.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note J - Capital Lease Agreements (Continued)

Citi Capital - 2002 Acquisition

- ◆ To purchase 2002 distributor truck for Precinct #3.
- ◆ Total purchase price was \$93,000 payable in four annual installments of \$26,402, which includes interest at a rate of 5.85%.
- ◆ Outstanding balance of \$48,507 at September 30, 2004.

Darr Equipment Company - 2002 Acquisition

- ◆ To purchase 2002 motor grader for Precinct #3.
- ◆ Total purchase price was \$167,086, with a \$31,086 down payment.
- ◆ Balance of \$136,000 payable in three annual installments of \$50,409, which includes interest at a rate of 5.50%.
- ◆ Outstanding balance of \$47,781 at September 30, 2004.

Bank One – 2003 Acquisition

- ◆ To purchase a chpsreader for Precinct #1, 2 1996 Mack Truck, and DuroPatcher for Precinct #3, and a track loader for Precinct #4.
- ◆ Total purchase price was \$408,486, with a \$108,386 down payment.
- ◆ Balance of \$400,000 payable in three annual installments of \$139,621, which includes interest at a rate of 2.34%.
- ◆ Outstanding balance of \$269,740 at September 30, 2004.

First National Bank of Bridgeport – 2004 Acquisition

- ◆ To purchase a 2004 Ford F550 Crew Cab Pickup Truck with rise bed for Precinct #3.
- ◆ Total purchase price was \$34,361 payable in two annual installments of \$18,100, which includes interest at a rate of 3.49%.
- ◆ Outstanding balance of \$34,361 at September 30, 2004.

Citicorp – 2004 Acquisition

- ◆ To purchase three 2005 Mack Trucks for Precinct #3.
- ◆ Total purchase price was \$201,570 payable in 60 monthly installments of \$3,788, which includes interest at a rate of 4.83%.
- ◆ Outstanding balance of \$195,604 at September 30, 2004.

Caterpillar Financial Services – 2004 Acquisition

- ◆ To purchase a 140H Motor Grader for Precinct #4.
- ◆ Total purchase price was \$180,249, with a \$62,161 down payment.
- ◆ Balance of \$118,088 payable in two annual installments of \$62,161, which includes interest at a rate of 3.5%
- ◆ Outstanding balance of \$118,088 at September 30, 2004.

Citicorp – 2004 Acquisition

- ◆ To purchase a 2005 Mack Truck for Precinct #4.
- ◆ Total purchase price was \$67,190 payable in 60 monthly installments of \$1,279, which includes interest at a rate of 5.34%.
- ◆ Outstanding balance of \$65,221 at September 30, 2004.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note J - Capital Lease Agreements (Continued)

Future minimum lease payments for the above capital leases are as follows:

Scheduled future minimum lease payments	\$ 1,101,690
Amount representing interest	73,598
Present value of future minimum capital lease payments (principal payoff)	\$ 1,028,092

The following is the future annual requirements for capitalized leases:

Year	Principal	Interest	Total
2005	\$ 515,085	\$ 41,684	\$ 556,769
2006	344,419	18,900	363,319
2007	62,331	6,804	69,135
2008	56,819	4,982	61,801
2009	49,438	1,228	50,666
Totals	\$ 1,028,092	\$ 73,598	\$ 1,101,690

Note K - Accumulated Unpaid Vacation and Sick Leave

County policy allows the accrual of vacation and sick pay benefit for all employees other than elected and appointed officials. The expense of the benefits is recognized when incurred. Vacation pay is paid upon termination if the employee gives two weeks' notice or is terminated by the County. Sick pay is not paid upon termination for any reason. At September 30, 2004 the value of accumulated vacation benefits was \$369,755 and the value of accumulated sick pay benefits was approximately \$183,490.

Due to the current portion of accrued vacation pay being immaterial, the entire liability has been classified as long-term. No liability has been recorded for sick pay since it is non-vesting.

Note L - Interfund Transfers

Interfund transfers during the year were as follows:

Transfers Out	
Fund	Amount
General fund	\$ 1,066,924
Other governmental funds	82,260
Total transfers out	\$ 1,149,184
Transfers In	
Fund	Amount
General fund	\$ 758,535
Other governmental funds	390,649
Total transfers in	\$ 1,149,184

Transfers are generally used (1) to transfer funds from the General fund to fund various programs and supplement grants and (2) to move receipts collected for various fees in various special revenue funds to the General fund to cover County expenditures.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note M - 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 553 nontraditional defined benefit pension plans. 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 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 8.64% for the months of the accounting year in 2003, and 8.73% for the months of the accounting year in 2004.

The deposit rate payable by the employee members for calendar year 2004 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.

Annual Pension Cost

For the employer's accounting year ending September 30, 2004, the annual pension cost for the TCDRS plan for its employees was \$837,989, and the actual contributions were \$1,487,612.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2001 and December 31, 2002, the basis for determining the contribution rates for calendar years 2003 and 2004. The December 31, 2003 actuarial valuation is the most recent valuation.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note M - Retirement Pension Plan (Continued)

Actuarial Valuation Information

Actuarial valuation date	12/31/2001	12/31/2002	12/31/2003
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Amortization period (in years)	20	20	20
Asset valuation method	long-term appreciation with adjustment	long-term appreciation with adjustment	long-term appreciation with adjustment
Actuarial Assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.50%	5.50%	5.50%
Inflation	3.50%	3.50%	3.50%
Cost of living adjustments	0.00%	0.00%	0.00%

* Includes inflation at the stated rate

Trend Information
for the Retirement Plan for the Employees of
Wise County

<u>Accounting</u> <u>Year Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
9/30/2002	\$ 666,823	100.00%	\$ -
9/30/2003	743,783	100.00%	-
9/30/2004	837,989	100.00%	-

Note N - 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.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2004

Note O - 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 coverages. 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 P - Other Required Fund Disclosures

Generally accepted accounting principles require disclosure as part of the Combined Statements - Overviews of certain information concerning individual funds including segment information for certain individual Enterprise Funds. The County does not maintain any Enterprise Funds requiring this disclosure.

**Required Supplementary
Information**

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)	UUAL as a Percentage Covered of Payroll ((b-a)/c)
12/31/2001	\$ 9,812,217	\$ 11,592,186	\$ 1,779,969	84.64%	\$ 7,370,405	24.15%
12/31/2002	10,758,754	12,847,308	2,088,554	83.74%	8,201,202	25.46%
12/31/2003	12,707,535	14,450,438	1,742,903	87.93%	8,667,583	20.11%

Combining and Budget Statements

Nonmajor Governmental Funds

WISE COUNTY, TEXAS
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2004

	Special Revenue Funds										Total Nonmajor Governmental Funds		
	Right of Way and Fencing				Road & Bridge				Juvenile Probation	Total Special Revenue		Debt Service Fund	Capital Projects Fund
	Indigent Health Care	Precinct No. 1	Precinct No. 2	Precinct No. 3	Precinct No. 4	JJC 04-249	Other Special Revenue	County Wide	County Wide				
Assets													
Cash	\$ 795	\$ 6,385	\$ 57,435	\$ 35,444	\$ 7,577	\$ 37,687	\$ 64,423	\$ 1,065,808	\$ 1,275,554	\$ 60	\$(271,351)	\$ 1,004,263	
Investments	1,868,541	661,555	765,059	537,111	605,653	437,095	73,517	4,948,531	473,433	473,433	425,927	5,847,891	
Receivables:													
Property taxes (net of allowance)	54,561	13,507	66,816	98,157	56,082	62,623		351,746	126,872			478,618	
Miscellaneous		33,318						5,974	39,292			39,292	
Due from other funds	8,168		1,858	75	1,801	1,185		5,940	19,027			19,027	
Due from other governments					12,827		48,627	3,000	64,454			64,454	
Total assets	\$ 1,932,065	\$ 714,765	\$ 891,168	\$ 670,787	\$ 683,940	\$ 538,590	\$ 186,567	\$ 1,080,722	\$ 6,698,604	\$ 600,365	\$ 154,576	\$ 7,453,545	
Liabilities and fund balances													
Liabilities:													
Accounts payable	\$ 39,782	\$ 42,990	\$ 96,748	\$ 81,077	\$ 74,873	\$ 61,863	\$ 83,693	\$ 15,595	\$ 496,621	\$	\$ 4,078	\$ 500,699	
Due to other funds			123	161	146	126	83	12	651			651	
Due to other governments			111	845		186	2,387	1,953	5,482			5,482	
Deferred revenue	54,561	13,507	66,816	98,157	56,082	62,623		351,746	126,872			478,618	
Property taxes		33,318						3,536	36,854			36,854	
Other													
Total liabilities	94,343	89,815	163,798	180,240	131,101	124,798	86,163	21,096	891,354	126,872	4,078	1,022,304	
Fund balances													
Reserved for debt service										473,493		473,493	
Reserved for capital projects											150,498	150,498	
Unreserved	1,837,722	624,950	727,370	490,547	552,839	413,792	100,404	1,059,626	5,807,250			5,807,250	
Total fund balances	1,837,722	624,950	727,370	490,547	552,839	413,792	100,404	1,059,626	5,807,250	473,493	150,498	6,431,241	
Total liabilities and fund balances	\$ 1,932,065	\$ 714,765	\$ 891,168	\$ 670,787	\$ 683,940	\$ 538,590	\$ 186,567	\$ 1,080,722	\$ 6,698,604	\$ 600,365	\$ 154,576	\$ 7,453,545	

WISE COUNTY, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2004

	Special Revenue Funds										Total Nonmajor Governmental Funds	
	Road & Bridge				Precinct No. 4	Juvenile Probation TJPC 03-249	Other Special Revenue	Total Special Revenue	County Wide	Capital Projects Fund		
	Precinct No. 1	Precinct No. 2	Precinct No. 3	Precinct No. 4								
Revenues												
Indigent Health Care												
Right of Way and Fencing												
Property taxes	\$ 542,830	\$ 151,953	\$ 751,674	\$ 1,104,258	\$ 630,914	\$ 704,500	\$ 3,886,129	\$ 1,294,780	\$ 1,262,243	\$	\$ 5,146,372	
Licenses and permits			323,695	323,695	323,695	323,695	1,294,780				1,294,780	
Intergovernmental			51,648	51,648	51,648	51,648	48,435	434,194			750,565	
Fees of office			159,112	159,112	159,111	159,110	434,194	636,445			434,194	
Fines and forfeitures	39,816	20,529	20,954	18,580	14,798	13,947	128,721	128,721	22,275	5,784	636,445	
Interest		18,186	114,622	24,509	138,889	32,554	73,462	403,722			156,780	
Miscellaneous revenues and donations											403,722	
Total revenues	562,646	190,668	1,421,705	1,661,802	1,319,055	1,285,354	557,091	7,534,556	1,284,518	5,784	8,624,858	
Expenditures												
Current:												
General government		8,773					79,370	88,143			88,143	
Legal							60,343	60,343			60,343	
Public safety							62,275	676,871			676,871	
Public transportation			1,022,798	1,464,942	1,157,830	1,088,765	42,568	4,776,903			4,776,903	
Health and welfare							308,006	308,006			308,006	
Capital outlay	308,006	245,412	164,931	405,209	247,931	413,848	1,477,331	8,021	343,704		1,821,035	
Non-fixed assets											8,021	
Debt and capitalized lease debt service:												
Principal retirement			132,509	184,140	302,089	39,837		658,575	845,013		1,503,588	
Interest and fiscal charges			16,078	15,893	25,047	3,471		60,489	380,061		440,570	
Total expenditures	308,006	262,206	1,336,316	2,070,184	1,732,897	1,545,921	244,556	8,114,682	1,225,094	343,704	9,693,480	
Excess of revenues over (under) expenditures	274,640	(71,538)	85,389	(388,382)	(413,842)	(260,567)	312,535	(580,126)	59,424	(337,920)	(858,622)	
Other financing sources (uses)												
Capital lease proceeds				100,000	235,931	185,278		521,209			521,209	
Operating transfers in			54,380	66,295	66,866	53,529	24,854	390,649			390,649	
Operating transfers out							(82,260)	(82,260)			(82,260)	
Sales of assets			12,715	183,070	181,836	151,565		529,186			529,186	
Total other financing sources (uses)	-	-	67,095	339,365	484,653	380,372	(57,406)	1,358,784			1,358,784	
Excess of revenues and other sources over (under) expenditures and other uses	274,640	(71,538)	152,484	(49,017)	70,811	129,805	255,129	778,658	59,424	(837,920)	500,162	
Fund balances, October 1, 2003	1,563,082	696,488	574,886	539,564	482,028	283,987	804,497	5,028,592	414,069	488,418	5,931,079	
Fund balances, September 30, 2004	\$ 1,837,722	\$ 624,950	\$ 727,370	\$ 490,547	\$ 552,839	\$ 413,792	\$ 1,059,626	\$ 5,807,250	\$ 473,493	\$ 150,488	\$ 6,431,241	

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 -
All Special Revenue Funds
For the Fiscal Year Ended September 30, 2004

	<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	\$ 3,834,600	\$ 3,886,133	\$ 3,886,129	\$ (4)
Licenses and permits	1,400,000	1,294,779	1,294,780	1
Intergovernmental	167,779	772,498	750,565	(21,933)
Fees of office	370,800	439,112	434,194	(4,918)
Fines and forfeitures	1,037,942	636,449	636,445	(4)
Interest	73,050	123,774	128,721	4,947
Miscellaneous revenues and donations	49,500	463,521	403,722	(59,799)
Total revenues	<u>6,933,671</u>	<u>7,616,266</u>	<u>7,534,556</u>	<u>(81,710)</u>
Expenditures				
Current:				
General government	233,240	284,436	88,143	196,293
Legal	77,468	103,712	60,343	43,369
Elections	-	-	-	-
Public safety	761,498	780,568	676,871	103,697
Public transportation	4,553,600	4,998,859	4,776,903	221,956
Health and welfare	1,012,649	582,646	308,006	274,640
Capital outlay	1,070,300	1,523,261	1,477,331	45,930
Non-fixed assets	5,000	58,318	8,021	50,297
Debt and capitalized lease debt service:				
Principal retirement	535,805	672,898	658,575	14,323
Interest and fiscal charges	56,276	55,860	60,489	(4,629)
Total expenditures	<u>8,305,836</u>	<u>9,060,558</u>	<u>8,114,682</u>	<u>945,876</u>
Excess of revenues over (under) expenditures	<u>(1,372,165)</u>	<u>(1,444,292)</u>	<u>(580,126)</u>	<u>864,166</u>
Other financing sources (uses)				
Capital lease proceeds		421,208	521,209	100,001
Operating transfers in	816,600	414,546	390,649	(23,897)
Operating transfers out	(82,260)	(83,808)	(82,260)	1,548
Sales of assets	637,825	547,632	529,186	(18,446)
Total other financing sources (uses)	<u>1,372,165</u>	<u>1,299,578</u>	<u>1,358,784</u>	<u>59,206</u>
Excess of revenues and other sources (uses) over (under) expenditures and other uses	-	(144,714)	778,658	923,372
Carryover from prior year fund balance	-	144,714	-	(144,714)
Fund balances, October 1, 2003	<u>5,028,592</u>	<u>5,028,592</u>	<u>5,028,592</u>	<u>-</u>
Fund balances, September 30, 2004	<u><u>\$ 5,028,592</u></u>	<u><u>\$ 5,028,592</u></u>	<u><u>\$ 5,807,250</u></u>	<u><u>\$ 778,658</u></u>

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 -
County Wide Debt Service Fund
For the Fiscal Year Ended September 30, 2004

	<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	\$ 1,227,700	\$ 1,262,245	\$ 1,262,243	\$ (2)
Interest	8,000	22,275	22,275	-
Total revenues	<u>1,235,700</u>	<u>1,284,520</u>	<u>1,284,518</u>	<u>(2)</u>
Expenditures				
Debt and capitalized lease debt service:				
Principal retirement	785,000	845,014	845,013	1
Interest and fiscal charges	378,368	380,081	380,081	-
Total expenditures	<u>1,163,368</u>	<u>1,225,095</u>	<u>1,225,094</u>	<u>1</u>
Excess of revenues over (under) expenditures	72,332	59,425	59,424	(1)
Fund balances, October 1, 2003	<u>414,069</u>	<u>414,069</u>	<u>414,069</u>	<u>-</u>
Fund balances, September 30, 2004	<u>\$ 486,401</u>	<u>\$ 473,494</u>	<u>\$ 473,493</u>	<u>\$ (1)</u>

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
County Wide Capital Projects Fund
For the Fiscal Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$	\$ 5,785	\$ 5,784	\$ (1)
Total revenues	-	5,785	5,784	(1)
Expenditures				
Capital outlay	500,000	341,927	343,704	(1,777)
Total expenditures	500,000	341,927	343,704	(1,777)
Excess of revenues over (under) expenditures	(500,000)	(336,142)	(337,920)	(1,778)
Carryover from prior year fund balance	500,000	336,142	-	(336,142)
Fund balances, October 1, 2003	488,418	488,418	488,418	-
Fund balances, September 30, 2004	<u>\$ 488,418</u>	<u>\$ 488,418</u>	<u>\$ 150,498</u>	<u>\$ (337,920)</u>

Agency Funds

WISE COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities -
All Agency Funds
September 30, 2004

	County Attorney Payment	County Attorney Trust	District Attorney Trust	District Attorney Crininal Justice	County Attorney Special	Bond Holding	Juvenile Probation Fee
Assets							
Cash	\$ 9,315	\$ 40,238	\$ 16,424	\$ 37,427	\$ 24,901	\$ 131,263	\$ 21,386
Investments							
Receivables:							
Property Taxes - for other governments							
Due from other funds	5,400						
Total assets	\$ 16,219	\$ 40,238	\$ 16,424	\$ 37,427	\$ 24,901	\$ 131,263	\$ 21,386
Liabilities							
Deposits held and due to others	\$ 14,733	\$ 40,238	\$ 16,424	\$ 37,427	\$ 24,901	\$ 131,263	\$ 21,386
Due to other funds	1,486						
Property taxes to be collected - due to other governments							
Total liabilities	\$ 16,219	\$ 40,238	\$ 16,424	\$ 37,427	\$ 24,901	\$ 131,263	\$ 21,386

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, 2004

	Jury Fund	Fireman Association	County Attorney Forfeiture	District Attorney Restitution	Sheriff's Department Bond and Fine	Tax A/C Special Inventory	Registry Funds	Special Inventory	Sheriff Emp Rec
Assets									
Cash	\$ 5,426	\$ 22	\$ 668	\$ 3,417	\$ 1	\$ 1,014	\$ -	\$ 3,891	\$ 906
Investments		50,436					124,508	225,103	
Receivables:									
Property Taxes - for other governments									
Due from other funds									
Total assets	\$ 5,426	\$ 50,458	\$ 668	\$ 3,417	\$ 1	\$ 1,014	\$ 124,508	\$ 228,994	\$ 906
Liabilities									
Deposits held and due to others	\$ 5,426	\$ 50,458	\$ 668	\$ 3,417	\$ 1	\$ 1,014	\$ 124,508	\$ 228,994	\$ 906
Due to other funds									
Property taxes to be collected - due to other governments									
Total liabilities	\$ 5,426	\$ 50,458	\$ 668	\$ 3,417	\$ 1	\$ 1,014	\$ 124,508	\$ 228,994	\$ 906

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, 2004

	Sheriff's Prisoner's Commissary	Tax A/C Auto Registration	District Clerk Trust	District Clerk Child Support	Tax Office	Sheriffs Department Commissary	Constable Precinct #4	Property Taxes - Other Governments	Total 2004
Assets									
Cash	\$ 5,352	\$ 6,800	\$ 61,005	\$ 1,029	\$ 94,870	\$ 29,057	\$ 3,103	\$ -	\$ 501,866
Investments			314,814						716,365
Receivables:									
Property Taxes - for other governments								276,591	276,591
Due from other funds									5,400
Total assets	\$ 5,352	\$ 6,800	\$ 375,819	\$ 1,029	\$ 94,870	\$ 29,057	\$ 3,103	\$ 276,591	\$ 1,500,222
Liabilities									
Deposits held and due to others	\$ 5,352	\$ 6,800	\$ 375,819	\$ 1,029	\$ 94,870	\$ 29,057	\$ 3,103	\$ -	\$ 1,222,145
Due to other funds									1,486
Property taxes to be collected - due to other governments								276,591	276,591
Total liabilities	\$ 5,352	\$ 6,800	\$ 375,819	\$ 1,029	\$ 94,870	\$ 29,057	\$ 3,103	\$ 276,591	\$ 1,500,222

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

STATISTICAL SECTION

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

Fiscal Year	Intergovernmental		Licenses and Permits	Fees of Office	Fines and Forfeitures	Interest	Royalties & Rentals	Solid Waste Fees	Miscellaneous	Total
	Non-Federal Funds	Federal Funds								
1995	\$ 822,913	\$ 109,874	\$ 1,099,744	\$ 1,378,754	\$ 362,264	\$ 175,423	\$ 47,258	\$ 102,420	\$ 153,318	\$ 11,205,328
1996	676,067	109,932	1,160,640	1,668,210	375,594	163,027	81,152	121,788	173,732	12,104,150
1997	724,389	135,426	1,268,868	1,968,583	417,394	202,998	87,062	121,804	183,664	13,158,934
1998	812,808	135,791	1,225,612	2,260,484	726,539	277,985	53,208	184,028	495,614	15,301,904
1999	781,765	161,420	1,269,204	2,151,877	634,304	409,509	45,381	186,984	1,006,991	16,477,438
2000	956,132	219,986	1,318,120	2,376,876	830,863	530,756	32,240	184,258	357,654	17,520,939
2001	1,147,168	299,178	1,374,416	2,640,721	688,473	557,782	41,183	215,461	393,373	19,755,484
2002	1,370,470	493,879	1,433,556	2,893,323	829,883	319,883	127,402	247,774	516,667	23,299,932
2003	573,175	407,908	1,321,502	2,724,430	845,455	317,151	254,284	227,939	948,999	24,082,710
2004	389,915	529,174	1,294,780	2,937,459	1,106,535	536,512	267,530	234,079	721,841	25,898,063

WISE COUNTY, TEXAS
General Governmental Expenditures by Function
(Excluding Capital Outlay and Non-Fixed Assets)
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
1995	\$ 736,962	\$ 790,714	\$ 298,319	\$ 16,973	\$ 727,891	\$ 698,145	\$ 3,633,685	\$ 1,947,678	\$ 814,778	\$ 75,046	\$ 100,581	\$ 698,436	\$ 10,539,208
1996	900,454	817,883	421,871	12,792	728,682	790,313	3,728,505	2,126,092	568,488	85,119	101,547	740,681	11,022,397
1997	897,693	798,350	452,200	23,103	760,919	743,321	3,924,869	2,299,750	599,169	93,077	102,707	1,011,694	11,706,852
1998	1,038,479	848,448	527,775	14,623	791,639	842,554	4,158,615	2,550,593	661,164	80,420	104,638	820,879	12,439,827
1999	1,301,644	939,301	536,821	9,747	831,217	1,058,010	4,605,465	3,341,322	736,367	83,303	107,568	1,276,639	14,827,404
2000	1,502,349	1,078,421	672,319	14,282	905,935	1,059,562	5,325,841	3,266,082	630,038	110,312	122,719	1,319,030	16,006,840
2001	1,475,725	1,276,632	708,301	23,117	1,041,714	1,261,063	5,936,209	3,577,625	609,337	144,904	125,500	1,286,974	17,467,101
2002	1,765,566	1,442,158	783,909	29,532	1,183,081	1,547,691	7,236,687	4,246,085	854,868	149,347	157,607	1,883,416	21,279,947
2003	1,933,418	1,514,705	801,068	29,902	1,243,991	1,660,634	7,540,538	4,351,023	971,770	191,067	167,822	2,040,405	22,446,343
2004	2,059,896	1,585,515	875,941	7,964	1,330,963	1,611,969	7,846,942	4,830,894	830,378	162,079	157,644	1,944,158	23,244,343

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

Fiscal Year	Total Tax Levy	Percent of		Total Tax Collections	Delinquent Tax Collections	Total Tax Collections	Ratio of		Ratio of Delinquent Taxes to Total Tax Levy
		Current Tax Collections	Current Taxes Collected				Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	
1995	\$5,821,873	\$5,638,865	96.86%	\$278,590	\$5,917,455	101.64%	\$ 1,030,390	17.70%	
1996	6,348,462	6,142,933	96.76%	254,924	6,397,857	100.78%	1,014,640	15.98%	
1997	6,781,279	6,475,937	95.50%	271,086	6,747,023	99.49%	1,140,917	16.82%	
1998	7,594,426	7,165,780	94.36%	331,278	7,497,058	98.72%	1,082,809	14.26%	
1999	8,338,745	7,850,887	94.15%	349,265	8,200,152	98.34%	1,167,972	14.01%	
2000	8,991,454	8,334,588	92.69%	405,746	8,740,334	97.21%	996,985	11.09%	
2001	10,450,395	9,780,087	93.59%	414,798	10,194,885	97.56%	1,123,107	10.75%	
2002	12,938,371	12,228,312	94.51%	415,260	12,643,572	97.72%	1,327,546	10.26%	
2003	14,287,474	13,470,335	94.28%	502,464	13,972,799	97.80%	1,561,971	10.93%	
2004	15,233,019	14,665,061	96.27%	476,971	15,142,032	99.40%	1,692,179	11.11%	

WISE COUNTY, TEXAS
Computation of Legal Debt Margin
September 30, 2004

Assessed valuations:		
Assessed Value		\$ 4,246,993,922
Add back: exempt real property		<u>193,767,305</u>
 Total Assessed value		 <u><u>\$ 4,440,761,227</u></u>
 Legal debt margin:		
Debt Limit (25 Percent of Assessed Value)		1,110,190,307
Debt applicable to limitation:		
Total Bonded Debt		
Add: Tax Notes	915,000	
Certificates of Obligation	8,375,000	
Less: Special assessment bonds		
Revenue bonds		
Amount available for repayment of bonded debt	<u>473,493</u>	
Total debt applicable to limitation		<u>8,816,507</u>
 Legal Debt Margin		 <u><u>\$ 1,101,373,800</u></u>

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

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995	34,900	\$ 1,708,034,334	\$ 1,910,000	\$ 70,883	\$ 1,839,117	0.108%	\$ 52.70
1996	40,000	1,715,745,612	1,575,000	133,899	1,441,101	0.084%	36.03
1997	40,000	1,716,575,662	1,215,000	200,664	1,014,336	0.059%	25.36
1998	40,000	2,062,982,223	3,335,000	368,930	2,966,070	0.144%	74.15
1999	41,400	2,093,131,566	2,805,000	347,023	2,457,977	0.117%	59.37
2000	45,950	2,249,460,802	3,380,000	380,640	2,999,360	0.133%	65.27
2001	48,793	3,374,267,689	3,205,000	488,453	2,716,547	0.081%	55.67
2002	51,233	3,607,202,892	2,530,000	459,918	2,070,082	0.057%	40.41
2003	54,334	3,627,626,362	10,075,000	414,069	9,660,931	0.266%	177.81
2004	57,051	4,246,993,922	9,290,000	473,493	8,816,507	0.208%	154.54

WISE COUNTY, TEXAS
Schedule of Insurance in Force
September 30, 2004

Type of Coverage, Name of Company and Policy Number and Period	Department/ Building	Details of Coverage	Liability Limits	Annual Premium
<u>Buildings, Contents & Equipment</u> Texas Association of Counties From 10/1/03 to 10/1/04 Policy #2490	Courthouse	Three Story, Slate Roof, Granite Bldg., Fire & Lightning, Extended Coverage, &1,000 Deductible Insured at Replacement Cost.	\$10,036,682	\$120,617
	Courthouse Annex	One Story, Approved Roof, Building & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$450,000	
	Records Building	One & Two Story Sfr-HC Bldg. & Contents, Antenna Masx & Antennas; Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$2,700,525	
	Emergency Services Offices	Brick Bldg. & Contents, Decatur, TX. Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$110,000	
	Jail & Sheriff's Office	One Story, SFR/SWR Bldg. & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$4,500,000	
	Public Works	Metal NC-ICM Bldg. & Contents, Decatur, TX. Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$60,000	
	J.P. #2	Contents only, \$1,000 Deductible. Insured at Replacement Cost.	\$15,000	
	J.P. #2 Alvord	One Story, Building & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$70,000	
	J.P. #4 Bridgeport	One Story, Comp. Roof, Brick Veneer Bldg. & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$157,942	
	Precinct #1	Metal ICM Bldg., & Contents & Barn, Decatur, TX, One Story Frame, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$100,000	
	Precinct #2	Metal NC-ICM Bldg. & Contents, Alvord, TX. One story frame, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$100,000	
	Precinct #3	Metal Bldg. & Contents, Boyd, TX. One story frame, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$100,000	
	Precinct #4	One Story NC-ICM Bldg. & Contents, Hwy 380 One Story Frame, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$100,000	
	Precincts & Department Const Equip	Contractors Equipment + All Risk Policy, \$1,000 Deductible. Insured at Replacement Cost.	\$5,798,790	
	Office Building S. State Street	Brick Bldg. & Contents, Decatur, TX, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$242,000	
	Office Building FM 515	One Story metal Building & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at replacement cost.	\$60,000	

WISE COUNTY, TEXAS
Schedule of Insurance in Force
September 30, 2004

Type of Coverage, Name of Company and Policy Number and Period	Department/ Building	Details of Coverage	Liability Limits	Annual Premium
<u>(Continued)</u> <u>Buildings, Contents & Equipment</u> Texas Association of Counties From 10/1/03 to 10/1/04 Policy #2490	Auditor & Treasurer Tax A/C	Computer & Software Fire, Extended Coverage Vandalism, Malicious Mischief, All Risk, \$1,000 Deductible. Insured at Replacement Cost.	\$360,478	
	200' Antenna	Decatur, TX. \$1,000 Deductible. Insured at Replacement Cost.	\$60,000	
	Animal Control	One Story ICM Bldg. & Contents, one story metal structure, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Costs.	\$50,000	
	Old County Tax Building	Brick Bldg.; Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$2,360,000	
	Maintenance Shop Bldg.	One Story ICM Bldg. & Contents, Fire & Lightning, Extended Coverage; \$1,000 Deductible. Insured at Replacement Cost.	\$122,500	
	Boyd Emergency Services	One Story CD Bldg. & Contents, Fire & Lightning, Extended Coverage; \$1,000 Deductible. Insured at Replacement Cost.	\$77,000	
	Bridgeport Emergency Services	One Story metal sided Building & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$45,000	
	Emergency Services Storage	Metal Bldg. & Contents, Decatur, TX. One story frame, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$57,000	
	Auditor & Treasurer Office	One Story . Composition Roof, Stone Building Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$2,356,958	
	Lake Bridgeport Public Works	Metal Bldg. & Contents, Bridgeport, TX. One story frame, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$40,000	
County	Valuable Papers. \$1,000 Deductible. Insured at Replacement Cost.	\$200,000		
County Tax Building	Brick Bldg. & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$2,162,325		
Adult Probation	Three Story Brick Bldg. & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost	\$2,490,000		
Ambulance Training Building	One Story Metal Bldg. & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$155,000		
Boyd Sub- Courthouse	Masonry Bldg. & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$675,000		
Juvenile Probation	Brick Bldg. & Contents, Decatur, TX. Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$423,000		
Park	3 Pavillions, Metal Structure, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$45,000		
Bridgeport Storage Building	Metal 60x40 Building, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$70,000		

WISE COUNTY, TEXAS
Schedule of Insurance in Force
September 30, 2004

Type of Coverage, Name of Company and Policy Number and Period	Department/ Building	Details of Coverage	Liability Limits	Annual Premium
<u>Automobiles</u>				
Texas Association of Counties From 10/1/03 to 10/1/04 Policy #2490	All Depts. & Precincts	Automobile Physical Damage Comprehensive and Collision Automobile Insurance, \$1,000 Deductible.		\$77,927
		Automobile Liability Insurance. Bodily Injury \$100,000/\$300,000. Property Damage \$100,000. Uninsured Motorists 20/40/15.		\$60,106
<u>General Liability</u>				
Texas Association of Counties From 10/1/03 to 10/01/04 Policy #2490		Comprehensive General Liability Insurance Bodily Injury 100,000/300,000 Property Damage 100,000/100,000 Employee Benefits 100,000/100,000 No Deductible.		\$48,402
<u>Public Official & Employees</u>				
Texas Association of Counties From 10/1/03 to 10/1/04 Policy #2490		Public Officials & Employees Liability Insurance; \$5,000 Deductible.	\$2,000,000	\$83,343
<u>Meyers Agency</u>				
Various Periods		Public Officials' Bonds. Bond amounts range from \$1,000 to \$250,000.		\$7,312
<u>Law Enforcement Officials</u>				
Texas Association of Counties From 10/1/03 to 10/1/04 Policy #2490		Law Enforcement Officials Professional Liability Insurance. \$20,000 Deductible.	\$2,000,000	\$95,945
<u>Worker's Compensation</u>				
Texas Association of Counties From 1/1/04 to 1/1/05 Policy #2490		Statutory-\$100,000 Per Occurrence.		\$331,573
<u>Unemployment Compensation</u>				
Texas Association of Counties From 10/1/03 to 10/1/04 Policy #2490		Statutory.		
<u>Bailees Coverage</u>				
William Rigg Company From 10/1/03 to 10/1/04 Policy #3AT 628592 05	Sheriff's Dept.	Property of others impounded by the named, insured while stored at 400 Rock Ramsey Road. \$1,000 Deductible.	\$500,000	\$3,500

Note: This Statement is presented for information purposes only and is not intended as an expression as to adequacy of coverage.

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



Snow, Garrett & Company

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Judge and 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, as of and for the year ended September 30, 2004, which collectively comprise of the County's financial statements and have issued our report thereon dated December 16, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether Wise County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wise County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Wise County, Texas, in a separate letter dated December 16, 2004.

This report is intended solely for the information and use of the 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.

Snow, Garrett & Company

Snow, Garrett & Company
December 16, 2004

WISE COUNTY, TEXAS
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2004

<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 Year Ended September 30, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Reportable condition(s) 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

Reportable condition(s) identified that are not considered to be material weaknesses? yes X none reported

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

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:

U.S. Department of Agriculture
 CFDA # 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? yes X 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 Year Ended September 30, 2004

Financial Statement Findings:

There are no current year financial statement findings.

Federal Award Findings:

There are no current year federal award findings.

FEDERAL AWARDS SECTION



Snow, Garrett & Company

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Judge and Members of
the Commissioners' Court
Wise County, Texas

Compliance

We have audited the compliance of Wise County, Texas, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wise County's management. Our responsibility is to express an opinion on Wise County's compliance based on our audit.

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. Our audit does not provide a legal determination on Wise County's compliance with those requirements.

In our opinion, Wise County, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of Wise County, Texas, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wise County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the 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.

Snow, Garrett & Company

Snow, Garrett & Company, CPA's
December 16, 2004

WISE COUNTY, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct Programs			
Schools and Roads - Grants to Counties	10.666		\$ 309,106
<u>U.S. Department of Justice</u>			
Direct Programs			
Local Law Enforcement Block Grants Program	16.592		9,620
State Criminal Alien Assistance Program	16.606		12,639
Bullet Proof Vest Partnership Program	16.607		<u>2,237</u>
Total U.S. Department of Justice			<u>24,496</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through Texas Department of Public Safety			
Emergency Management Performance Grants	83.552	EMT-2003-GR-0005	2,251
Emergency Management Performance Grants	83.552	EMT-2004-GR-0005	<u>8,385</u>
Total CFDA # 83.552			<u>10,636</u>
<u>U.S. Department of Education</u>			
Passed Through Office of the Governor - Criminal Justice Division			
Safe and Drug-Free School and Communities	84.186	ED-03-J20-15990-03	<u>16,611</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Texas Juvenile Probation Commission			
Title IV-E Foster Care	93.658	TJPC-E-2003-249	27,446
Title IV-E Foster Care	93.658	TJPC-E-2003-249	<u>140,879</u>
Total CFDA # 93.658			<u>168,325</u>
Total Expenditures of Federal Awards			<u>\$ 529,174</u>

See Notes to Schedule on following page.

WISE COUNTY, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Note 1: Significant Accounting Policies used in Preparing the Schedule.

The accompanying schedule of expenditures of Federal awards includes the federal grant activity of Wise County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Amounts passed through by Wise County

The following amounts were passed-through to the listed subrecipients by Wise County.

CFDA No. 10.666, Schools and Roads - Grants to Counties grant expenditures includes \$151,803 passed through to:

Alvord Independent School District	\$ 101,404
Decatur Independent School District	33,397
Slidell Independent School District	12,903
Chico Independent School District	<u>4,099</u>
 Total passed through by Wise County	 <u><u>\$ 151,803</u></u>