

WISE COUNTY, TEXAS

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**Wise County, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2007**

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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, 2007, which collectively comprise the County's basic 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wise County, Texas, as of September 30, 2007, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 June 9, 2008, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing 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 basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Snow, Garrett & Company

Snow, Garrett & Company, CPA's
June 9, 2008

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, 2007. 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 2007 by \$69,803,626 (*net assets*). Of this amount, \$192,530 is restricted for specific purposes, \$45,664,708 is invested in capital assets net of related debt and \$23,946,388 represents unrestricted net assets.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at year-end of \$18,872,195, an increase of \$3,245,854 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$11,793,879, or 56% of total general fund expenditures.
- The County's total debt decreased by \$1,365,000 during the current fiscal year as a result of the scheduled annual debt service payments.

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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental 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-nine individual governmental funds (excluding fiduciary funds), twenty-five 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, which is classified as a major fund. 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 to demonstrate compliance with budget.

The governmental fund financial statements can be found on pages 15 through 18 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 19 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 20 through 32 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 34 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 \$69,803,626 as of September 30, 2007. Also, the County's net assets include a prior period adjustment that resulted in restated amounts for 2006. See Note P on page 32 for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

	Governmental Activities	
	2007	Restated 2006
Current and other assets	\$ 28,167,928	\$ 19,496,175
Capital assets, net of depreciation	54,131,643	53,800,156
Total assets	82,299,571	73,296,331
Long-term liabilities	8,870,000	10,235,000
Other liabilities	3,625,945	1,817,784
Total liabilities	12,495,945	12,052,784
Net assets:		
Invested in capital assets, net of related debt	45,664,708	44,924,409
Restricted	192,530	174,036
Unrestricted	23,946,388	16,145,102
Total Net Assets	\$ 69,803,626	\$ 61,243,547

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 \$45,664,708. 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 \$192,530 of the County's net assets represents resources that are subject to external restrictions on how they may be used. All restricted assets of the County are being held for the purpose of debt service requirements on the County's outstanding debt.

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 \$8,560,079 during the current fiscal year. The total cost of all governmental activities this year was \$34,732,480. The amount that our taxpayers paid for these activities through property taxes was \$22,000,452 or 63%.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Wise County's Changes in Net Assets

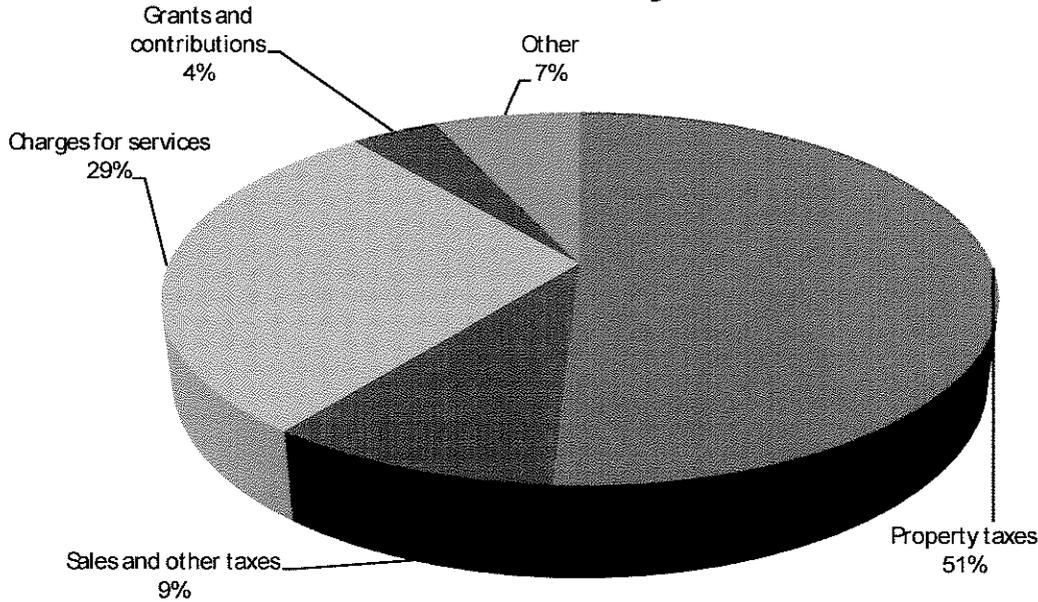
	Governmental Activities	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 12,433,201	\$ 6,917,506
Operating grants and contributions	1,295,548	1,179,846
Capital grants and contributions	442,016	346,735
General revenues:		
Property taxes	22,000,452	19,627,454
Sales and other taxes	4,163,085	3,332,950
Other	2,958,257	1,992,693
Total revenues	<u>43,292,559</u>	<u>33,397,184</u>
Expenses:		
General government	2,526,772	2,230,719
Judicial	2,096,133	1,980,199
Legal	1,167,047	1,002,456
Elections	43,519	37,901
Financial administration	1,659,947	1,499,248
Public facilities	2,895,880	2,486,418
Public safety	11,333,238	10,118,698
Public transportation	9,978,988	8,532,011
Health and welfare	1,893,450	1,075,537
Culture and recreation	302,939	248,769
Conservation	202,125	189,874
Interest on long-term debt	632,442	505,117
Total expenses	<u>34,732,480</u>	<u>29,906,947</u>
Increase in net assets	8,560,079	3,490,237
Net assets, beginning	32,612,575	28,711,100
Prior period adjustment	28,630,972	411,238
Net assets, beginning, restated	61,243,547	29,122,338
Net assets, ending	<u>\$ 69,803,626</u>	<u>\$ 32,612,575</u>

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

- Program revenues of \$14,170,765 equaled 41% of government expenses of \$34,732,480. As expected, general revenues (\$29,121,794) provided the required support and coverage for expenses;
- Almost one-third of the expenses are public safety (\$11,333,238) while this category provided program revenues of about 15% of total revenues of \$43,292,559;
- The next largest category of expenses is public transportation \$9,978,988 at 29% of total expenses while public transportation program revenues provided about 7% of total revenues; and
- Grant revenues and contributions comprised about 4% of total revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Revenues by Source



FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental funds. The general government functions are reported in the General, Special Revenue, Debt Service, and Capital 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 \$18,872,195, an increase of \$3,245,854 in comparison with the prior year. Approximately \$18,293,279 or 97% 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 (\$192,530) and to fund capital projects (\$386,386).

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 \$11,793,879, 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 56%, or slightly more than 204 days of total fund expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The fund balance of the County's general fund increased by \$3,892,227 during the current fiscal year. Key factors in this growth are as follows:

- While the property tax rate for the general fund decreased, general fund property tax revenue increased by \$2,722,399 due to higher assessed property values;
- Increase of \$827,608 in sales tax revenue received in current year compared to prior year;
- Increase of \$886,289 in fees of office received in current year compared to prior year; and
- Increase of \$647,643 in royalties and rentals received in current year due to increase in natural gas drilling.

The debt service fund has a total fund balance of \$192,530, 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 \$18,494. Total debt principal, interest and fiscal charges in the debt service fund totaled \$1,762,389, approximately \$18,536 increase from the prior year.

The two capital projects funds had combined ending fund balances of \$386,386, of which \$731,826 is reserved for the various 2005 capital projects and a negative \$345,440 was used for purchases expended from the 2008 capital projects fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

In total, the original general fund budget and the final general fund amended budget for expenditures and other financing uses was decreased by \$247,336 from the original to the final budget. Most of this difference resulted from a decrease in general government expenditures.

However, while the original to the final budget decreased in expenditures and other financing uses appropriations, the projected annual revenues and other financing sources included a \$3,270,031 upward revision. As stated earlier, healthy growth in sales tax revenue, together with increased property tax, and fees of office accounted for the majority of the upward revision. However, actual revenues exceeded amended budget amounts by \$166,786. Conversely, actual total expenditures for the year were \$114,371 less than amended budget appropriations. Including small variances in other financing sources, the actual ending fund balances of \$11,793,879 was \$293,489 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, 2007, net capital assets of the governmental activities totaled \$54,131,643. Depreciation on capital assets is recognized in the government-wide financial statements. Annual depreciation for buildings, improvements, infrastructure and machinery and equipment totaled \$4,040,142.

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

- Infrastructure (bridges and roads) additions of \$1,929,482;
- Purchase of mobile command trailer, mobile command radio equipment, and 2008 Ford F650 with Homeland Security grant funding;
- Purchase of an ambulance;
- Purchase of three Mack trucks for Precinct 4;
- Purchase of a vibratory roller to be shared by the precincts;
- Purchase of a motorgrader, a Mack truck, a New Holland tractor with tiger boom mower, an International truck, and an Ingersoll Rand compactor roller with the 2005 tax notes.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

Wise County Capital Assets (net of depreciation)

	Governmental Activities	
	2007	Restated 2006
Land	\$ 787,127	\$ 787,127
Buildings and improvements	15,132,057	15,265,526
Infrastructure	29,716,387	29,797,610
Construction in progress	250,157	177,641
Machinery and equipment	8,245,915	7,772,252
Total	<u>\$ 54,131,643</u>	<u>\$ 53,800,156</u>

Additional information on the County's capital assets can be found in Note H on pages 27 and 28 of this report.

Long-term debt. As of September 30, 2007, the County had certificates of obligation and tax notes outstanding of \$8,870,000. Certificates of obligation and tax notes retired in the current fiscal year totaled \$865,000 and \$500,000, respectively.

Wise County's Outstanding Debt

	Governmental Activities	
	2007	2006
Certificates of obligation	\$ 6,820,000	\$ 7,685,000
Tax notes	2,050,000	2,550,000
Total	<u>\$ 8,870,000</u>	<u>\$ 10,235,000</u>

Additional information on the County's long-term debt can be found in Note I on page 28 and 29 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 2008, 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, expects increases in population and retail sales, therefore increasing the sales tax revenues for the County.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

- 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.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the 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, 2007

	<u>Primary Government</u>
Assets	
Cash	\$ 1,994,300
Investments	18,965,736
Receivables (net of allowance for uncollectibles of \$508,708)	6,551,686
Due from other governments	594,717
Interfund balances	1,500
Deferred debt issuance costs	59,989
Capital assets	
Land and construction in progress	1,037,284
Other capital assets, net of depreciation	<u>53,094,359</u>
Total capital assets	<u>54,131,643</u>
Total assets	<u>82,299,571</u>
Liabilities	
Accounts payable	2,774,235
Due to other governments	208,106
Accrued interest payable	43,310
Deferred Revenue	29,985
Compensated absences payable	570,309
Noncurrent liabilities	
Due within one year	1,410,000
Due in more than one year	<u>7,460,000</u>
Total liabilities	<u>12,495,945</u>
Net assets	
Invested in capital assets, net of related debt	45,664,708
Restricted for:	
Debt service	192,530
Unrestricted	<u>23,946,388</u>
Total net assets	<u><u>\$ 69,803,626</u></u>

WISE COUNTY, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 2,526,772	\$ 1,994,230	\$ 45,209		\$ (487,333)
Judicial	2,096,133	1,780,610	91,065		(224,458)
Legal	1,167,047	114,475	31,250		(1,021,322)
Elections	43,519	1,280			(42,239)
Financial administration	1,659,947	480,583			(1,179,364)
Public facilities	2,895,880	162,500			(2,733,380)
Public safety	11,333,238	5,213,577	717,907	442,016	(4,959,738)
Public transportation	9,978,988	2,580,069	410,117		(6,988,802)
Health and welfare	1,893,450	69,137			(1,824,313)
Culture and recreation	302,939	36,740			(266,199)
Conservation	202,125				(202,125)
Interest on long-term debt	632,442				(632,442)
Total primary government	\$ 34,732,480	\$ 12,433,201	\$ 1,295,548	\$ 442,016	(20,561,715)

General revenues:	
Property taxes	22,000,452
Sales and other taxes	4,163,085
Investment earnings	1,254,926
Royalties	1,177,463
Gain on disposal of assets	176,144
Other	349,724
Total general revenues	29,121,794
Change in net assets	8,560,079
Net assets, October 1, 2006	32,612,575
Prior period adjustment	28,630,972
Net assets, October 1, 2006, restated	61,243,547
Net assets, September 30, 2007	\$ 69,803,626

WISE COUNTY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$	\$ 2,646,595	\$ 2,646,595
Investments	13,671,528	5,294,208	18,965,736
Receivables:			
Property taxes (net of allowances of \$241,076)	868,306	270,096	1,138,402
Accounts	276,357	51,911	328,268
Due from other funds	59,543	2,034	61,577
Due from other governments	104,955	489,762	594,717
Total assets	<u>\$ 14,980,689</u>	<u>\$ 8,754,606</u>	<u>\$ 23,735,295</u>
Liabilities and fund balances			
Liabilities			
Cash overdraft	\$ 652,295	\$	\$ 652,295
Accounts payable	1,421,717	1,352,518	2,774,235
Due to other funds	51,868	8,209	60,077
Due to other governments	192,624	15,482	208,106
Deferred revenue			
Property taxes	868,306	270,096	1,138,402
Other		29,985	29,985
Total liabilities	<u>3,186,810</u>	<u>1,676,290</u>	<u>4,863,100</u>
Fund Balance			
Reserved for:			
Debt service		192,530	192,530
Capital projects		386,386	386,386
Unreserved	11,793,879		11,793,879
Unreserved, reported in nonmajor:			
Special revenue funds		6,499,400	6,499,400
Total fund balances	<u>11,793,879</u>	<u>7,078,316</u>	<u>18,872,195</u>
Total liabilities and fund balances	<u>\$ 14,980,689</u>	<u>\$ 8,754,606</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			54,131,643
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			1,138,402
Other assets are not measurable and available in the current period and are not reported in the funds.			5,085,016
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(9,423,630)
Net assets of governmental activities - statement of net assets			<u>\$ 69,803,626</u>

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended September 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 16,248,491	\$ 6,049,647	\$ 22,298,138
Sales tax	4,130,154		4,130,154
Licenses and permits		1,567,496	1,567,496
Intergovernmental	254,388	1,362,019	1,616,407
Fees of office	4,051,828	468,502	4,520,330
Fines and forfeitures	592,540	1,012,573	1,605,113
Interest	808,375	446,551	1,254,926
Royalties and rentals	1,177,743		1,177,743
Solid waste fees	355,922		355,922
Miscellaneous revenues and donations	403,040	307,534	710,574
Total revenues	<u>28,022,481</u>	<u>11,214,322</u>	<u>39,236,803</u>
Expenditures			
Current:			
General government	2,344,008	62,835	2,406,843
Judicial	2,096,133		2,096,133
Legal	1,115,706	47,151	1,162,857
Elections	41,822	1,697	43,519
Financial administration	1,654,423		1,654,423
Public facilities	2,406,614		2,406,614
Public safety	10,043,947	818,792	10,862,739
Public transportation		7,074,598	7,074,598
Health and welfare	588,045	1,305,405	1,893,450
Culture and recreation	213,857		213,857
Conservation	197,250		197,250
Capital outlay	513,158	4,125,481	4,638,639
Debt service			
Principal retirement		1,365,000	1,365,000
Interest and fiscal charges		397,389	397,389
Total expenditures	<u>21,214,963</u>	<u>15,198,348</u>	<u>36,413,311</u>
Excess of revenues over (under) expenditures	<u>6,807,518</u>	<u>(3,984,026)</u>	<u>2,823,492</u>
Other financing sources (uses)			
Operating transfers in	958,179	3,245,799	4,203,978
Operating transfers out	(3,919,762)	(284,216)	(4,203,978)
Sales of assets	46,292	376,070	422,362
Total other financing sources (uses)	<u>(2,915,291)</u>	<u>3,337,653</u>	<u>422,362</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>3,892,227</u>	<u>(646,373)</u>	<u>3,245,854</u>
Fund balances, October 1, 2006	<u>7,901,652</u>	<u>7,724,689</u>	<u>15,626,341</u>
Fund balances, September 30, 2007	<u>\$ 11,793,879</u>	<u>\$ 7,078,316</u>	<u>\$ 18,872,195</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, 2007

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

Net change in fund balances - total governmental funds	\$ 3,245,854
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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 exceeded depreciation in the current year.	598,497
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The net effect of various miscellaneous transactions involving capital assets.	(267,010)
--	-----------

Increase in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,900,404
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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.	(279,107)
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The issuance of long-term debt (e.g. certificates of obligation and tax notes) 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 in addition to the change in interest accrual on long-term debt.	<u>1,361,441</u>
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Change in net assets of governmental activities - statement of activities	<u><u>\$ 8,560,079</u></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, 2007

	<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	\$ 15,540,000	\$ 16,248,493	\$ 16,248,491	\$ (2)
Sales tax	2,950,000	4,130,154	4,130,154	-
Intergovernmental	214,480	236,405	254,388	17,983
Fees of office	4,015,750	4,007,784	4,051,828	44,044
Fines and forfeitures	484,000	592,542	592,540	(2)
Interest	415,000	808,377	808,375	(2)
Royalties and rentals	331,200	1,011,436	1,177,743	166,307
Solid waste fees	332,000	355,926	355,922	(4)
Miscellaneous revenues and donations	300,008	464,578	403,040	(61,538)
Total revenues	<u>24,582,438</u>	<u>27,855,695</u>	<u>28,022,481</u>	<u>166,786</u>
Expenditures				
Current:				
General government	3,454,684	2,309,304	2,344,008	(34,704)
Judicial	2,160,053	2,161,306	2,096,133	65,173
Legal	1,132,520	1,115,731	1,115,706	25
Elections	62,700	41,826	41,822	4
Financial administration	1,698,731	1,654,462	1,654,423	39
Public facilities	2,451,864	2,421,666	2,406,614	15,052
Public safety	10,103,098	10,040,974	10,043,947	(2,973)
Health and welfare	693,940	581,316	588,045	(6,729)
Culture and recreation	246,424	218,751	213,857	4,894
Conservation	206,286	197,262	197,250	12
Capital outlay	35,000	586,736	513,158	73,578
Total expenditures	<u>22,245,300</u>	<u>21,329,334</u>	<u>21,214,963</u>	<u>114,371</u>
Excess of revenues over expenditures	<u>2,337,138</u>	<u>6,526,361</u>	<u>6,807,518</u>	<u>281,157</u>
Other financing sources (uses)				
Operating transfers in	970,365	950,879	958,179	7,300
Operating transfers out	(3,317,503)	(8,024,163)	(3,919,762)	4,104,401
Sales of assets	10,000	26,260	46,292	20,032
Total other financing sources (uses)	<u>(2,337,138)</u>	<u>(7,047,024)</u>	<u>(2,915,291)</u>	<u>4,131,733</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(520,663)	3,892,227	4,412,890
Carryover from prior year fund balance	-	520,663	-	(520,663)
Fund balances, October 1, 2006	<u>7,901,652</u>	<u>7,901,652</u>	<u>7,901,652</u>	<u>-</u>
Fund balances, September 30, 2007	<u>\$ 7,901,652</u>	<u>\$ 7,901,652</u>	<u>\$ 11,793,879</u>	<u>\$ 3,892,227</u>

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

WISE COUNTY, TEXAS
Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2007

Assets	
Cash	\$ 1,835,294
Investments	216,560
Receivables:	
Property taxes - for other governments	<u>53,098</u>
 Total assets	 <u><u>\$ 2,104,952</u></u>
 Liabilities	
Deposits held and due to others	\$ 2,050,354
Due to other funds	1,500
Property taxes to be collected - due to other governments	<u>53,098</u>
 Total liabilities	 <u><u>\$ 2,104,952</u></u>

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2007

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, 2007.

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.

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 meets the criteria as a *major governmental fund*. 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 Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Combining and Budget Statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2007

Note B - Summary of Significant Accounting Policies (Continued)

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

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. 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 fund:

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.

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.
- (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, 2007.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2007

Note B - Summary of Significant Accounting Policies (Continued)

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 asset 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

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.

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 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 \$9,423,630 difference are as follows:

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2007

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

Certificate of obligation and tax notes payable:	\$ 8,870,000
Less: deferred charge for issuance costs (to be amortized over life of debt)	(59,989)
Accrued interest payable	43,310
Compensated absences	<u>570,309</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	 <u><u>\$ 9,423,630</u></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 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." The details of this \$598,497 difference are as follows:

Capital outlay and other reclassifications	\$ 4,638,639
Depreciation expense	<u>(4,040,142)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u><u>\$ 598,497</u></u>

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 \$267,010 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>(267,010)</u>
 Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u><u>\$ (267,010)</u></u>

Another element of the reconciliation states "the issuance of long-term debt (e.g., certificates of obligation and tax notes) 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 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 \$1,361,441 difference are as follows:

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2007

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

Principal repayments	
Certificates of obligation and tax notes	\$ 1,365,000
Accrued interest	6,680
Amortization of issuance costs	<u>(10,239)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,361,441</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 \$279,107 difference are as follows:

Compensated absences	\$ (47,613)
Increase in allowance for uncollectible accounts receivable	<u>(231,494)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (279,107)</u>

Note D - Deposits, Securities and Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, availability of cash to meet the County's obligations and maximization of interest earnings. The investment policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code. The County's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by Commissioners' Court. The Investment Policy includes a list of authorized investments and a maximum allowable maturity of any individual investment.

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

1. Time Deposits
2. Certificates of Deposits
3. Security repurchase agreements
4. Money Market investment accounts
5. Negotiable Order of Withdrawal (NOW) accounts
6. United States Treasury Bills
7. United States Government
8. Investment Pools
9. Commercial Paper

The County participates in TexPool, which is a local government investment pool, established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller oversees TexPool, with Lehman Brothers and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2007

Note D - Deposits, Securities and Investments (Continued)

TexPool is rated AAAM by Standard & Poors and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses the amortized cost, which seeks to maintain a constant net asset value of \$1.00 per unit, rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

As of September 30, 2007, the County had the following investments:

	<u>Market Value</u>	<u>% of Total</u>
Government Funds		
Certificates of Deposit	\$ 6,065,000	31.62%
TexPool	12,900,736	67.25%
Total Government Funds	<u>18,965,736</u>	<u>98.87%</u>
Agency Funds		
TexPool	<u>216,560</u>	<u>1.13%</u>
Total Investments	<u>\$ 19,182,296</u>	<u>100.00%</u>

Interest Rate Risk – Investments are exposed to interest rate risk if changes in market interest rates will adversely affect the fair value of an investment. As of September 30, 2007, the County's investments included certificates of deposit and investment pools and therefore were not exposed to interest rate risk.

Credit Risk – State statute requires that investments in Local Government Investment Pools be rated AAA or the equivalent by a nationally recognized credit rating agency. As of September 30, 2007, the TexPool investment pool was rated AAAM by Standard & Poor's.

Concentration of Credit Risk - The County does not place a limit on the amount that may be invested. As of September 30, 2007, 31.62% of the County's investments were included in certificates of deposit and 68.38% were included in investment pools.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. At September 30, 2007, the County's cash and certificates of deposit were insured or collateralized with securities held by the County or by its agent in the County's name.

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

Note 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 rate for the year ended September 30, 2007 to finance maintenance and operations of the County was \$.4007 per \$100 valuation.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2007

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	\$ 868,306
Lateral Road	270,096
Total	\$ 1,138,402

Note G – Interfund Balances

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of September 30, 2007.

From	To	Amount
General fund	General fund	\$ 51,284
	Other governmental funds	8,259
Other governmental funds	General fund	584
	Other governmental funds	1,450
Total		\$ 61,577

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.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2007

Note H – Capital Assets

Capital asset activity for the year ended September 30, 2007 was as follows:

	Restated Balance 10/1/06	Additions	Deletions	Balance 9/30/07
Governmental activities				
Capital assets not being depreciated				
Land	\$ 787,127	\$ -	\$ -	\$ 787,127
Construction in progress	177,641	72,516	-	250,157
Total capital assets not being depreciated	964,768	72,516	-	1,037,284
Other capital assets				
Buildings and improvements	21,872,712	345,440	-	22,218,152
Infrastructure	59,906,990	1,929,482	-	61,836,472
Machinery and equipment	13,835,393	2,291,201	1,118,932	15,007,662
Total other capital assets	95,615,095	4,566,123	1,118,932	99,062,286
Less accumulated depreciation for:				
Building and improvements	6,607,186	478,909	-	7,086,095
Infrastructure	30,109,380	2,010,705	-	32,120,085
Machinery and equipment	6,063,141	1,550,528	851,922	6,761,747
Total accumulated depreciation	42,779,707	4,040,142	851,922	45,967,927
Other capital assets, net	52,835,388	525,981	267,010	53,094,359
Governmental activities capital assets, net	<u>\$ 53,800,156</u>	<u>\$ 598,497</u>	<u>\$ 267,010</u>	<u>\$ 54,131,643</u>

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2007

Note H – Capital Assets (Continued)

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

Governmental activities:

General government	\$	72,316
Legal		4,190
Financial administration		5,524
Public facilities		489,266
Public safety		470,499
Public transportation		2,904,390
Culture and recreation		89,082
Conservation		4,875
		4,875
Total depreciation for governmental activities	\$	4,040,142

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.

Certificates of Obligation – 2003 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 \$6,820,000 at September 30, 2007.

Tax Notes – 2005 Series

- ◆ To purchase computer hardware and software, County vehicles, road maintenance, building equipment and a records building for the County.
- ◆ \$3,000,000 notes originally issued.
- ◆ Payable in annual installments of \$450,000 to \$550,000 through August 15, 2011.
- ◆ Interest rate of 3.699%.
- ◆ Outstanding balance of \$2,050,000 at September 30, 2007.

The following are changes by type of debt:

	Balance 10/1/06	Increase	Decrease	Balance 09/30/07
Tax notes	\$ 2,550,000	\$ -	\$ 500,000	\$ 2,050,000
Certificates of Obligation	7,685,000	-	865,000	6,820,000
Compensated Absences	522,696	47,613	-	570,309
	\$ 10,757,696	\$ 47,613	\$ 1,365,000	\$ 9,440,309
Totals	\$ 10,757,696	\$ 47,613	\$ 1,365,000	\$ 9,440,309

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2007

Note I - Long-Term Debt (Continued)

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	
2008	\$ 500,000	\$ 75,830	\$ 910,000	\$ 267,828	\$ 1,753,658
2009	500,000	57,334	955,000	231,519	1,743,853
2010	500,000	38,840	1,000,000	193,415	1,732,255
2011	550,000	20,344	1,050,000	153,514	1,773,858
2012	-	-	1,100,000	111,620	1,211,620
2013-2017	-	-	1,805,000	89,374	1,894,374
Totals	<u>\$ 2,050,000</u>	<u>\$ 192,348</u>	<u>\$ 6,820,000</u>	<u>\$ 1,047,270</u>	<u>\$ 10,109,618</u>

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 - 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, 2007 the value of accumulated vacation benefits was \$570,309 and the value of accumulated sick pay benefits was approximately \$302,365.

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 K - Interfund Transfers

Interfund transfers during the year were as follows:

Transfers Out	
	Amount
General fund	\$ 3,919,762
Other governmental funds	284,216
Total transfers out	<u>\$ 4,203,978</u>
Transfers In	
Fund	Amount
General fund	\$ 958,179
Other governmental funds	3,245,799
Total transfers in	<u>\$ 4,203,978</u>

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 special revenue funds to the General fund to cover County expenditures.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2007

Note L - 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 575 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 8.24% for the months of the accounting year in 2006, and 9.04% for the months of the accounting year in 2007.

The deposit rate payable by the employee members for calendar year 2007 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, 2007, the annual pension cost for the TCDRS plan for its employees was \$1,086,883, and the actual contributions were \$1,912,989.

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, 2004 and December 31, 2005, the basis for determining the contribution rates for calendar years 2006 and 2007. The December 31, 2006 actuarial valuation is the most recent valuation.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2007

Note L - Retirement Pension Plan (Continued)

Actuarial Valuation Information

Actuarial valuation date	12/31/2004	12/31/2005	12/31/2006
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, closed
Amortization period (in years)	20	20	15
Asset valuation method	long-term appreciation with adjustment	long-term appreciation with adjustment	SAF: 10 year smoothed value ESF: Fund value
Actuarial Assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.50%	5.50%	5.30%
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 Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2005	\$ 829,743	100.00%	\$ -
9/30/2006	915,622	100.00%	-
9/30/2007	1,086,883	100.00%	-

Note M - 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, 2007

Note N - 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 O - 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.

Note P - Prior Period Adjustment

The governmental activities prior period adjustment of \$28,630,972 is related to an understatement of capital assets on the September 30, 2006 Statement of Net Assets due to the retroactive reporting of infrastructure that was subject to an extended implementation period and first effective for the fiscal year ending September 30, 2007. See Note H for restated capital asset amounts as of October 1, 2006.

Note Q - Subsequent Event

In May 2008, the County issued \$8,750,000 in Tax Notes, Series 2008 to be used for the acquisition of buildings and equipment.

**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)
12/31/2004	\$ 14,362,367	\$ 16,303,420	\$ 1,941,053	88.09%	\$ 9,135,144	21.25%
12/31/2005	16,446,966	18,732,585	2,285,619	87.80%	9,779,873	23.37%
12/31/2006	19,286,087	20,913,684	1,627,597	92.22%	10,861,095	14.99%

Combining and Budget Statements

Nonmajor Governmental Funds

WISE COUNTY, TEXAS
 Combining Balance Sheet -
 Nonmajor Governmental Funds
 September 30, 2007

Assets	Indigent Health Care	County Grants	Special Revenue Funds					Right of Way and Fencing	Juvvenile Probation T.JPC 06-249	Other Special Revenue	Total Special Revenue	Debt Service Fund			Capital Projects Funds			Total Nonmajor Governmental Funds
			Precinct No. 1	Precinct No. 2	Precinct No. 3	Precinct No. 4	County Thoroughfare					County Wide	2005 Capital Projects	2008 Capital Projects	Total Capital Projects			
Cash	\$ 290,162	\$ (76,228)	\$ 394,268	\$ 248,892	\$ (1,190)	\$ 34,519	\$ 442,111	\$ (13,743)	\$ 1,618,161	\$ 2,986,924	\$ 4,237	\$ 20,874	\$ (345,440)	\$ (324,666)	\$ 2,846,585			
Investments	46,697		1,050,860	1,020,351	1,144,499	786,575		86,461		4,291,720	189,293	814,195		814,195	5,294,208			
Receivables:																		
Property taxes (net of allowance of \$44,973)			62,773	76,766	57,651	60,629			6,465	270,096					270,096			
Miscellaneous			29,985	15,441					2,034	51,911					51,911			
Due from other funds									1,865	2,034					2,034			
Due from other governments	6,548	83,642	181,040	54,947	29,820		131,900			489,762					489,762			
Total assets	\$ 343,407	\$ 7,414	\$ 1,679,061	\$ 1,400,756	\$ 1,246,221	\$ 881,723	\$ 442,111	\$ 204,618	\$ 1,628,545	\$ 9,072,447	\$ 192,530	\$ 835,069	\$ (345,440)	\$ 489,629	\$ 8,754,908			
Liabilities and fund balances																		
Liabilities:																		
Accounts payable	\$ 172,417	\$ 1,213	\$ 89,069	\$ 229,540	\$ 189,753	\$ 204,371	\$	\$ 9,560	\$ 11,965	\$ 1,249,275	\$	\$ 103,243	\$	\$ 103,243	\$ 1,352,518			
Due to other funds	1,254	6,201	150	188	158	136		122		8,209					8,209			
Due to other governments	2,531			1,031				11,730	190	15,482					15,482			
Deferred revenue																		
Property taxes			12,277	76,766	57,651	60,629				270,096					270,096			
Other			29,985							29,985					29,985			
Total liabilities	176,202	7,414	131,331	307,525	247,562	265,136		21,412	12,155	1,573,047		103,243		103,243	1,676,290			
Fund balances																		
Reserved for debt service											192,530				192,530			
Reserved for capital projects												731,826	(345,440)		386,386			
Unreserved	167,205		107,260	1,093,231	998,659	616,587	442,111	183,206	1,616,390	6,499,400					6,499,400			
Total fund balances	167,205		107,260	1,093,231	998,659	616,587	442,111	183,209	1,616,390	6,499,400	192,530	731,826	(345,440)	386,386	7,078,316			
Total liabilities and fund balances	\$ 343,407	\$ 7,414	\$ 1,679,061	\$ 1,400,756	\$ 1,246,221	\$ 881,723	\$ 442,111	\$ 204,618	\$ 1,628,545	\$ 9,072,447	\$ 192,530	\$ 835,069	\$ (345,440)	\$ 489,629	\$ 8,754,908			

WISE COUNTY, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2007

	Special Revenue Funds										Capital Projects Funds			Total Nonmajor Governmental Funds	
	Indigent Health Care	County Grants	Right of Way and Fencing	Precinct No. 1	Precinct No. 2	Precinct No. 3	Precinct No. 4	County Thoroughfare	Juvenile Probation T/JPC 05-249	Other Special Revenue	Total Special Revenue	County Wide	2005 Capital Projects		2008 Capital Projects
Revenues															
Property taxes	\$	\$	\$274,964	\$1,405,999	\$1,719,431	\$1,291,298	\$1,357,965	\$	\$	\$6,049,647	\$	\$	\$	\$	\$ 6,049,647
Licenses and permits				391,874	391,874	391,874	391,874			1,567,496					1,567,496
Intergovernmental				211,681	86,589	56,808	30,642			1,362,019					1,362,019
Fees of office		442,015							531,746	3,540					468,502
Fines and forfeitures				253,124	253,200	253,125	253,124			468,502					1,012,573
Interest	48,970		14,571	84,627	76,661	80,378	53,276		9,954	388,435					448,551
Miscellaneous revenues and donations	68,147	10,000	32,359	3,170	650	46,698	6,521		1,185	134,804		57,400			307,534
Total revenues	118,117	452,015	321,884	2,950,475	2,527,405	2,120,177	2,093,402	-	545,895	608,846		57,400			11,214,322
Expenditures															
Current															
General government			38,120							24,715					62,835
Legal										47,151					47,151
Elections										1,697					1,697
Public safety									772,867	37,022					818,792
Public transportation		9,103	216,467	1,680,688	1,839,460	1,771,270	1,521,208			46,495					7,074,598
Health and welfare	1,305,405		228,197	291,664	299,963	514,146	515,582	789,529		16,113		887,135	345,440		1,305,405
Capital outlay															4,126,481
Debt service															1,365,000
Principal retirement															397,389
Interest and fiscal charges															15,198,348
Total expenditures	1,305,405	445,814	463,784	1,972,382	2,139,423	2,285,416	2,036,730	789,529	772,867	172,193	1,762,389	687,135	345,440	1,032,576	15,198,348
Excess of revenues over (under) expenditures	(1,187,288)	6,201	(181,900)	378,113	387,982	(165,239)	56,612	(789,529)	(228,762)	434,653	(1,741,673)	(629,736)	(345,440)	(975,176)	(3,984,026)
Other financing sources (uses)															
Operating transfers in			9,779	(32,910)	(42,688)	(44,182)	(44,184)		200,917	5,750	1,760,167	22,546			3,245,798
Operating transfers out		(6,201)		3,195	27,291	115,663	228,056			(114,050)					(284,216)
Sales of assets										1,845					376,070
Total other financing sources (uses)		(6,201)	9,779	(29,715)	(15,398)	71,501	198,872	1,231,640	200,917	(106,455)	1,760,167	22,546		22,546	3,337,653
Excess of revenues and other sources over (under) expenditures and other uses	(1,187,288)		(152,121)	348,398	372,584	(63,738)	255,484	442,111	(25,865)	328,198	18,494	(607,190)	(345,440)	(952,630)	(646,373)
Fund balances, October 1, 2006	1,354,483		259,381	928,353	720,647	1,082,397	361,103		208,071	1,288,192	174,038	1,339,016		1,339,016	7,724,699
Fund balances, September 30, 2007	\$ 167,205	\$ -	\$ 107,260	\$ 1,274,751	\$ 1,093,231	\$ 998,659	\$ 616,587	\$ 442,111	\$ 183,205	\$ 1,616,390	\$ 192,530	\$ 731,826	\$ (345,440)	\$ 385,386	\$ 7,078,318

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, 2007

	<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	\$ 5,788,700	\$ 6,049,659	\$ 6,049,647	\$ (12)
Licenses and permits	1,320,000	1,579,460	1,567,496	(11,964)
Intergovernmental	1,056,793	1,138,033	1,362,019	223,986
Fees of office	407,160	468,513	468,502	(11)
Fines and forfeitures	768,000	1,012,582	1,012,573	(9)
Interest	192,000	367,963	368,435	472
Miscellaneous revenues and donations	69,500	279,617	307,534	27,917
Total revenues	<u>9,602,153</u>	<u>10,895,827</u>	<u>11,136,206</u>	<u>240,379</u>
Expenditures				
Current:				
General government	215,050	217,978	62,835	155,143
Legal	67,000	92,024	47,151	44,873
Elections	2,000	1,697	1,697	-
Public safety	1,285,220	925,007	818,792	106,215
Public transportation	7,998,000	7,892,166	7,074,598	817,568
Health and welfare	1,201,291	1,242,686	1,305,405	(62,719)
Capital outlay	593,000	3,461,021	3,092,905	368,116
Total expenditures	<u>11,361,561</u>	<u>13,832,579</u>	<u>12,403,383</u>	<u>1,429,196</u>
Excess of revenues over (under) expenditures	<u>(1,759,408)</u>	<u>(2,936,752)</u>	<u>(1,267,177)</u>	<u>1,669,575</u>
Other financing sources (uses)				
Operating transfers in	552,167	1,453,307	1,463,086	9,779
Operating transfers out	(114,050)	(274,438)	(284,216)	(9,778)
Sales of assets	170,000	299,279	376,070	76,791
Total other financing sources (uses)	<u>608,117</u>	<u>1,478,148</u>	<u>1,554,940</u>	<u>76,792</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(1,151,291)</u>	<u>(1,458,604)</u>	<u>287,763</u>	<u>1,746,367</u>
Carryover from prior year fund balance	1,151,291	1,458,604	-	(1,458,604)
Fund balances, October 1, 2006	<u>6,211,637</u>	<u>6,211,637</u>	<u>6,211,637</u>	<u>-</u>
Fund balances, September 30, 2007	<u>\$ 6,211,637</u>	<u>\$ 6,211,637</u>	<u>\$ 6,499,400</u>	<u>\$ 287,763</u>

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 3,500	\$ 20,716	\$ 20,716	\$ -
Total revenues	<u>3,500</u>	<u>20,716</u>	<u>20,716</u>	<u>-</u>
Expenditures				
Debt and capital lease debt service:				
Principal retirement	1,365,000	1,365,000	1,365,000	-
Interest and fiscal charges	<u>398,667</u>	<u>415,883</u>	<u>397,389</u>	<u>18,494</u>
Total expenditures	<u>1,763,667</u>	<u>1,780,883</u>	<u>1,762,389</u>	<u>18,494</u>
Excess of revenues over (under) expenditures	(1,760,167)	(1,760,167)	(1,741,673)	18,494
Other financing sources				
Operating transfers in	<u>1,760,167</u>	<u>1,760,167</u>	<u>1,760,167</u>	<u>-</u>
Total other financing sources	<u>1,760,167</u>	<u>1,760,167</u>	<u>1,760,167</u>	<u>-</u>
Excess of revenues and other sources over expenditures	-	-	18,494	18,494
Fund balances, October 1, 2006	<u>174,036</u>	<u>174,036</u>	<u>174,036</u>	<u>-</u>
Fund balances, September 30, 2007	<u>\$ 174,036</u>	<u>\$ 174,036</u>	<u>\$ 192,530</u>	<u>\$ 18,494</u>

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
All Capital Projects Funds
For the Fiscal Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 25,000	\$ 57,400	\$ 57,400	\$ -
Total revenues	<u>25,000</u>	<u>57,400</u>	<u>57,400</u>	<u>-</u>
Expenditures				
Capital outlay	<u>1,382,250</u>	<u>1,032,579</u>	<u>1,032,576</u>	<u>3</u>
Total expenditures	<u>1,382,250</u>	<u>1,032,579</u>	<u>1,032,576</u>	<u>3</u>
Excess of revenues over (under) expenditures	(1,357,250)	(975,179)	(975,176)	3
Other financing sources				
Operating transfers in	<u>-</u>	<u>22,547</u>	<u>22,546</u>	<u>(1)</u>
Total other financing sources	<u>-</u>	<u>22,547</u>	<u>22,546</u>	<u>(1)</u>
Excess of revenues and other sources over (under) expenditures	(1,357,250)	(952,632)	(952,630)	2
Carryover from prior year fund balance	1,357,250	952,632	-	(952,632)
Fund balance, October 1, 2006	<u>1,339,016</u>	<u>1,339,016</u>	<u>1,339,016</u>	<u>-</u>
Fund balance, September 30, 2007	<u>\$ 1,339,016</u>	<u>\$ 1,339,016</u>	<u>\$ 386,386</u>	<u>\$ (952,630)</u>

Agency Funds

WISE COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities -
All Agency Funds
September 30, 2007

	Jail Industries	County Attorney Trust	District Attorney		County Attorney Fee	Bond Holding	Juvenile Probation Fee	Jury Fund	Fireman Association
			Criminal Justice	Attorney Fee					
Assets									
Cash	\$ 947	\$ 47,771	\$ 64,192	\$ 9,827	\$ 20,789	\$ 204,758	\$ 22,497	\$ 2,000	\$ 8,763
Investments	502								328
Receivables:									
Property Taxes - for other governments									
Total assets	\$ 1,449	\$ 47,771	\$ 64,192	\$ 9,827	\$ 20,789	\$ 204,758	\$ 22,497	\$ 2,000	\$ 9,091
Liabilities									
Deposits held and due to others	\$ (51)	\$ 47,771	\$ 64,192	\$ 9,827	\$ 20,789	\$ 204,758	\$ 22,497	\$ 2,000	\$ 9,091
Due to other funds	1,500								
Property taxes to be collected - due to other governments									
Total liabilities	\$ 1,449	\$ 47,771	\$ 64,192	\$ 9,827	\$ 20,789	\$ 204,758	\$ 22,497	\$ 2,000	\$ 9,091

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, 2007

	County Attorney Forfeiture	District Attorney Restitution	Sheriff's Department Bond and Fine	Tax A/C Special Inventory	Special Inventory	Sheriff's Prisoner's Commissary	Tax A/C Auto Registration	District Clerk Trust
Assets								
Cash	\$ 99	\$ 2,649	\$ 8,765	\$ 254,593	\$ 6,821	\$ 16,543	\$ 856,774	\$ 256,249
Investments								215,730
Receivables:								
Property Taxes - for other governments								
Total assets	\$ 99	\$ 2,649	\$ 8,765	\$ 254,593	\$ 6,821	\$ 16,543	\$ 856,774	\$ 471,979
Liabilities								
Deposits held and due to others	\$ 99	\$ 2,649	\$ 8,765	\$ 254,593	\$ 6,821	\$ 16,543	\$ 856,774	\$ 471,979
Due to other funds								
Property taxes to be collected - due to other governments								
Total liabilities	\$ 99	\$ 2,649	\$ 8,765	\$ 254,593	\$ 6,821	\$ 16,543	\$ 856,774	\$ 471,979

WISE COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities -
All Agency Funds
September 30, 2007

	District Clerk Child Support	Tax Office	Sheriff's Department Commissary	Constable Precinct #4	Property Taxes - Other Governments	Total Agency Funds
Assets						
Cash	\$ 544	\$ 3,751	\$ 42,590	\$ 4,372	\$	\$ 1,835,294
Investments						216,560
Receivables:						
Property Taxes - for other governments					53,098	53,098
Total assets	\$ 544	\$ 3,751	\$ 42,590	\$ 4,372	\$ 53,098	\$ 2,104,952
Liabilities						
Deposits held and due to others	\$ 544	\$ 3,751	\$ 42,590	\$ 4,372	\$	\$ 2,050,354
Due to other funds						1,500
Property taxes to be collected - due to other governments					53,098	53,098
Total liabilities	\$ 544	\$ 3,751	\$ 42,590	\$ 4,372	\$ 53,098	\$ 2,104,952

STATISTICAL SECTION

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

Fiscal Year	Taxes	Intergovernmental		Licenses and Permits	Fees of Office	Fines and Forfeitures	Interest	Royalties & Rentals	Solid Waste Fees	Miscellaneous	Total
		Non-Federal Funds	Federal Funds								
1998	\$ 9,129,835	\$ 812,808	\$ 135,791	\$ 1,225,612	\$ 2,260,484	\$ 726,539	\$ 277,985	\$ 53,208	\$ 184,028	\$ 495,614	\$ 15,301,904
1999	9,830,003	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	10,714,054	956,132	219,986	1,318,120	2,376,876	830,863	530,756	32,240	184,258	357,654	17,520,939
2001	12,397,729	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	15,067,095	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	16,461,867	573,175	407,908	1,321,502	2,724,430	845,455	317,151	254,284	227,939	948,999	24,082,710
2004	17,880,238	389,915	529,174	1,294,780	2,937,459	1,106,535	536,512	267,530	234,079	721,841	25,898,063
2005	19,705,869	677,179	544,874	1,311,124	2,991,966	1,193,466	613,268	412,713	278,437	482,060	28,210,956
2006	22,878,285	618,487	731,800	1,357,264	3,634,041	1,421,713	974,913	530,100	360,521	682,518	33,189,642
2007	26,428,292	618,168	998,239	1,567,496	4,520,330	1,605,113	1,254,926	1,177,743	355,922	710,574	39,236,803

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

Fiscal Year	General Government	Judicial	Legal	Elections	Financial Administration	Public Facilities	Public Safety	Public Transportation	Health and Welfare	Culture and Recreation	Conservation	Debt Service	Total
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	3,266,032	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
2005	2,031,057	1,697,946	832,044	55,129	1,294,443	1,705,558	8,530,776	5,474,645	1,123,382	158,564	173,525	2,102,986	25,180,055
2006	2,136,829	1,980,199	1,002,456	37,901	1,498,048	2,247,724	9,803,387	7,654,339	1,075,537	184,896	183,376	1,883,473	29,688,165
2007	2,406,843	2,096,133	1,162,857	43,519	1,654,423	2,406,614	10,862,739	7,074,598	1,893,450	213,857	197,250	1,762,389	31,774,672

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of		Total Tax Collections	Delinquent Tax Collections	Total Tax	Ratio of		Ratio of Delinquent Taxes to Total Tax Levy
			Current Taxes Collected	Delinquent Tax Collections				Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	
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%
2005	17,337,660	16,110,326	92.92%	560,059	16,670,385			96.15%	1,625,449	9.38%
2006	19,261,710	18,739,469	97.29%	509,337	19,248,806			99.93%	1,677,164	8.71%
2007	21,649,530	21,317,917	98.47%	618,934	21,936,851			101.33%	1,379,477	6.37%

WISE COUNTY, TEXAS
Computation of Legal Debt Margin
September 30, 2007

Assessed valuations:		
Assessed Value		\$ 7,447,907,327
Add back: exempt real property		<u>290,737,750</u>
Total Assessed value		<u><u>\$ 7,738,645,077</u></u>
Legal debt margin:		
Debt Limit (25 Percent of Assessed Value)		1,934,661,269
Debt applicable to limitation:		
Total Bonded Debt		
Add: Tax Notes	2,050,000	
Certificates of Obligation	6,820,000	
Less: Special assessment bonds		
Revenue bonds		
Amount available for repayment of bonded debt	<u>192,530</u>	
Total debt applicable to limitation		<u>8,677,470</u>
Legal Debt Margin		<u><u>\$ 1,925,983,799</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

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
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
2005	59,904	5,248,373,343	11,505,000	173,204	11,331,796	0.216%	189.17
2006	61,450	5,789,396,532	10,235,000	174,036	10,060,964	0.174%	163.73
2007	63,000	7,447,907,327	8,870,000	192,530	8,677,470	0.117%	137.74

WISE COUNTY, TEXAS
Schedule of Insurance in Force
September 30, 2007

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 10/1/06 to 10/1/07 Policy #2490	Courthouse	Three Story, Slate Roof, Granite Bldg., Fire & Lightning, Extended Coverage, \$1,000 Deductible Insured at Replacement Cost.	\$10,036,682	\$206,783
	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.	\$19,000,000	
	Public Works	Metal NC-ICM Bldg. & Contents, Decatur, TX. Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$79,000	
	J.P. #2	Contents only, \$1,000 Deductible. Insured at Replacement Cost.	\$15,000	
	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.	\$105,650	
	Precinct #2	Metal NC-ICM Bldg. & Contents, Alvord, TX. One story frame, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$106,930	
	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.	\$5,769,114	
	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	
	Portable Building FM 51	Two Portable Buildings, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at replacement cost.	\$20,000	

WISE COUNTY, TEXAS
Schedule of Insurance in Force
September 30, 2007

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 10/1/06 to 10/1/07 Policy #2490	County	Electronic Data Processing, Fire, Extended Coverage Vandalism, Malicious Mischief, All Risk, \$1,000 Deductible. Insured at Replacement Cost.	\$1,678,000	
	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.	\$105,000	
	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.	\$2,212,000	
	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.	\$1,000,000	
	Boyd Sub-Courthouse	Masonry Bldg. & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$780,000	
	Juvenile Probation	Brick Bldg. & Contents, Decatur, TX. Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$449,000	
	Park	3 Pavillions, Metal Structure, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$46,972	
	Storage Building	Metal 60x40 Building, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$70,000	
	Park	One Story Building & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$22,834	
	Auditor Storage Building	One Story Building & Contents, Fire & Lightning, Extended Coverage, \$1,000 Deductible. Insured at Replacement Cost.	\$57,000	

WISE COUNTY, TEXAS
Schedule of Insurance in Force
September 30, 2007

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 10/1/06 to 10/1/07 Policy #2490	All Depts. & Precincts	Automobile Physical Damage Comprehensive and Collision Automobile Insurance, \$1,000 Deductible.		\$103,341
		Automobile Liability Insurance. Bodily Injury \$100,000/\$300,000. Property Damage \$100,000. Uninsured Motorists 20/40/15.		\$44,680
<u>General Liability</u> Texas Association of Counties From 10/1/06 to 10/01/07 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.		\$45,909
<u>Public Official & Employees</u> Texas Association of Counties From 10/1/06 to 10/1/07 Policy #2490		Public Officials & Employees Liability Insurance; \$5,000 Deductible.	\$2,000,000	\$50,301
Meyers Agency Various Periods		Public Officials' Bonds. Bond amounts range from \$1,000 to \$250,000.		\$9,237
<u>Law Enforcement Officials</u> Texas Association of Counties From 10/1/06 to 10/1/07 Policy #2490		Law Enforcement Officials Professional Liability Insurance. \$20,000 Deductible.	\$2,000,000	\$66,942
<u>Worker's Compensation</u> Texas Association of Counties From 1/1/07 to 1/1/08 Policy #2490		Statutory-\$100,000 Per Occurrence.		\$335,941
<u>Unemployment Compensation</u> Texas Association of Counties From 10/1/06 to 10/1/07 Policy #2490		Statutory.		
<u>Bailees Coverage</u> William Rigg Company From 10/1/06 to 10/1/07 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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 9, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wise County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Wise County, Texas, in a separate letter dated June 9, 2008.

This report is intended solely for the information and use of management, Commissioners' Court, others within the entity, 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
June 9, 2008

WISE COUNTY, TEXAS
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2007

<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, 2007

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

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

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

Type of auditor's report issued on compliance for major programs: 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 Homeland Security
97.067 Homeland Security Grant Program

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

Auditee qualified as a low-risk auditee? X yes no

Section II – Financial Statement Findings

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

None Reported.

Section III – Federal Award Findings and Questioned Costs

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

WISE COUNTY, TEXAS
Corrective Action Plan
For the Year Ended September 30, 2007

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 ON
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, 2007. 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, 2007.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Commissioners' Court, others within the entity, 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
June 9, 2008

WISE COUNTY, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Programs			
Schools and Roads - Grants to Counties	10.666		\$ 135,416
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Office of Rural Community Affairs			
Community Development Block Grant	14.228	724087	3,000
<u>U.S. Department of Justice</u>			
Direct Programs			
State Criminal Alien Assistance Program	16.606		17,014
Bullet Proof Vest Partnership Program	16.607		<u>1,866</u>
Total U.S. Department of Justice			<u>18,880</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Office of Attorney General			
Child Support Enforcement	93.563		1,675
Passed Through Texas Juvenile Probation Commission			
Title IV-E Foster Care	93.658	TJPC-E-2006-249	4,497
Title IV-E Foster Care	93.658	TJPC-E-2007-249	<u>142,028</u>
Total CFDA # 93.658			<u>146,525</u>
Total U.S. Department of Health and Human Services			<u>148,200</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through Texas Department of Public Safety			
Disaster Grants-Public Assistance (Presidentially Declared Disasters) - Fire	97.036	497-99497-00	2,112
Passed Through Texas Department of Public Safety-			
Division of Emergency Management			
Hazard Mitigation Grant	97.039	497-99497-00	262,152
2005 Emergency Management Performance Grant	97.067	EMT-2005-GR-0105	1,768
2005 Homeland Security Grant Program	97.067	2005-GE-T5-4025	303,918
2006 Homeland Security Grant Program	97.067	2006-GE-T6-0068	<u>122,793</u>
Total CFDA # 97.067			<u>428,479</u>
Total U.S. Department of Homeland Security			<u>692,743</u>
Total Expenditures of Federal Awards			<u>\$ 998,239</u>

See Notes to Schedule on following page.

WISE COUNTY, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

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 \$67,708 passed through to:

Alvord Independent School District	\$	45,229
Decatur Independent School District		14,896
Slidell Independent School District		5,755
Chico Independent School District		1,828
 Total passed through by Wise County	 \$	 <u>67,708</u>

CFDA No. 97.036, Disaster Grants-Public Assistance (Presidentially Declared Disasters) - Fire grant expenditures includes \$2,030 passed through to:

Boonesville-Balsora	\$	566
Central Community Volunteer Fire Department		12
Chico Volunteer Fire Department		58
City of Alvord		126
City of Azle		6
City of Haslet		5
City of Decatur		28
City of Newark		400
Eagle Mountain Volunteer Fire Department		40
East Wise Fire Rescue		149
La Junta Volunteer Fire Department		99
Lake Bridgeport Volunteer Fire Department		55
Peaster Volunteer Fire Department		61
Reno Volunteer Fire Department		6
Salt Creek Volunteer Fire Department		209
Springtown Volunteer Fire Department		194
Valley View Volunteer Fire Department		16
 Total passed through by Wise County	 \$	 <u>2,030</u>