
WISE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011

Wise County, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2011

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Financial Section



SNOW GARRETT WILLIAMS
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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wise 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 the 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, 2011, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Lateral Road 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 March 27, 2012, on our consideration of Wise County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wise County, Texas' financial statements as a whole. The combining and budget statements and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and budget statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this section.

Snow Garrett Williams

Snow Garrett Williams
March 27, 2012

WISE COUNTY, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) of Wise County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2011. 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 2011 by \$73,914,741 (*net assets*). Of this amount, \$8,425,819 is restricted for specific purposes, \$54,943,282 is invested in capital assets net of related debt and \$10,545,640 represents unrestricted net assets.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at year-end of \$38,808,609, an increase of \$19,521,316 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,024,994, or 14% of total general fund expenditures.
- The County's total long-term debt increased \$26,450,887 during the current fiscal year as a result of the issuance of lease revenue bonds in the amount of \$29,000,000 and an increase in compensated absences net against scheduled annual debt service payments and amortization of bond premium.

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.

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

The County has adopted Governmental Accounting Standard Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as part of its fiscal year 2011 reporting. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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

The County maintains twenty-five individual governmental funds, twenty-two special revenue funds, one capital projects fund, 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, Lateral Road Funds, Capital Projects Fund and Debt Service Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements (original versus final) have been provided for the General Fund and Lateral Road Fund.

The governmental fund financial statements can be found on pages 15 through 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statement can be found on page 20 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 33 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 35 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 \$73,914,741 as of September 30, 2011.

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

A significant portion (74%) of the County's net assets reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional 11% of the County's net assets represent resources that are subject to external restrictions on how they may be used.

Wise County's Net Assets

	Governmental Activities	
	2011	2010
Current and other assets	\$ 46,229,865	\$ 25,688,550
Capital assets, net of depreciation	68,757,171	64,347,250
Total assets	114,987,036	90,035,800
Long-term liabilities	38,778,909	12,328,022
Other liabilities	2,293,386	1,698,730
Total liabilities	41,072,295	14,026,752
Net assets:		
Invested in capital assets, net of related debt	54,943,282	53,906,829
Restricted	8,425,819	200,889
Unrestricted	10,545,640	21,901,330
Total Net Assets	\$ 73,914,741	\$ 76,009,048

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

Governmental Activities

The County's governmental activities decreased net assets by \$2,094,307 during the current fiscal year. The total cost of all governmental activities this year was \$49,584,616. The amount that our taxpayers paid for these activities through property taxes was \$31,341,876 or 63% of total governmental expenses.

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

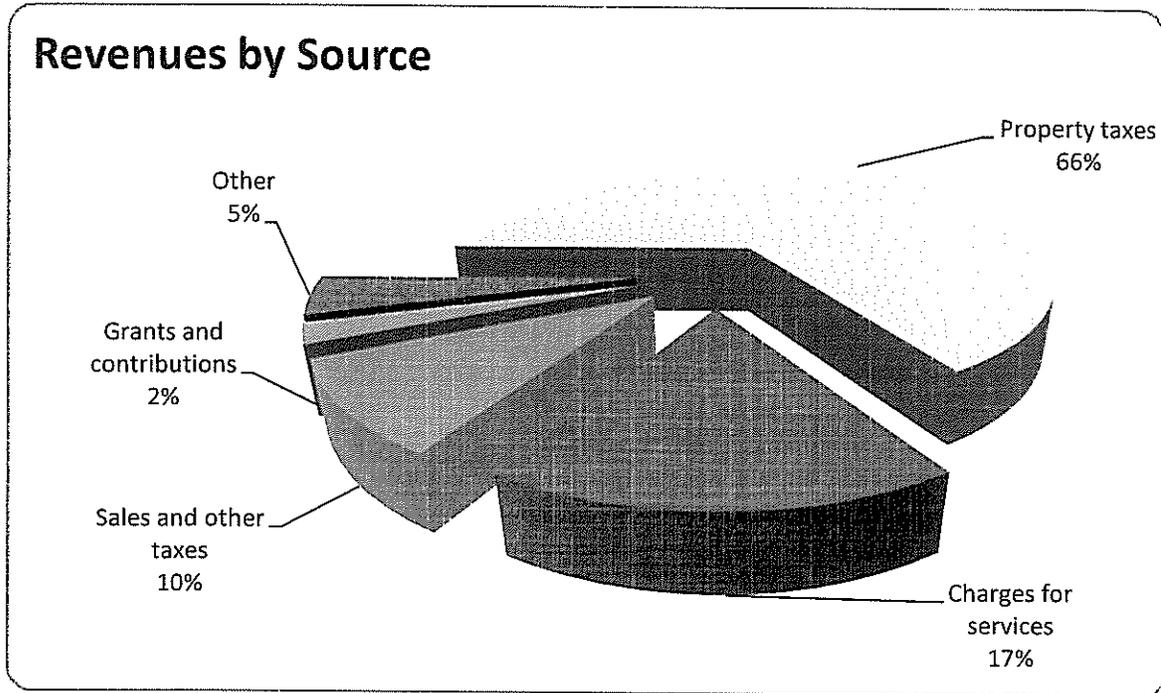
Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 8,235,615	\$ 7,981,277
Operating grants and contributions	1,015,310	1,478,257
Capital grants and contributions	75,194	213,641
General revenues:		
Property taxes	31,341,876	31,710,142
Sales and other taxes	4,709,596	3,514,582
Investment earnings	201,185	60,215
Royalties	1,542,103	628,501
Other	369,430	279,686
Total revenues	<u>47,490,309</u>	<u>45,866,301</u>
Expenses:		
General government	6,794,137	7,273,360
Judicial	2,834,810	2,586,248
Legal	1,861,591	1,692,133
Elections	313,354	282,124
Financial administration	1,791,165	1,737,398
Public facilities	3,691,002	3,454,084
Public safety	16,188,301	15,438,159
Public transportation	13,289,427	9,593,726
Health and welfare	1,115,367	1,132,768
Culture and recreation	480,008	463,892
Conservation	267,010	257,436
Interest and other costs	958,444	559,722
Total expenses	<u>49,584,616</u>	<u>44,471,050</u>
Change in net assets	(2,094,307)	1,395,251
Net assets-beginning	76,009,048	74,613,797
Net assets-ending	<u>\$ 73,914,741</u>	<u>\$ 76,009,048</u>

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

- Program revenues of \$9,326,119 equaled 19% of government expenses. As expected, general revenues (\$38,164,190) provided the required support and coverage for expenses;
- Public safety expenses increased approximately \$750 thousand due to a general increase in public need. More than one-third of the total expenses are related to public safety. This category provided program revenues of about 7% of total revenues;
- The next largest category of expenses is public transportation at 27% of total expenses while public transportation program revenues provided about 5% of total revenues. Public transportation expenses increased approximately \$3.6 million, which is mainly attributable to funding the rising need for roads and bridges;
- Grant revenues and contributions comprised about 2% of total revenues.

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



FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$38,808,609, an increase of \$19,521,316 in comparison with the prior year. Approximately \$32,418,451 or (84%) is restricted by external resources. Approximately \$4,024,994 or 10% of the total fund balance represents unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is committed to indicate that it is not available for new spending because it has already been set aside to fund public safety needs (\$379,950), to fund special road projects (\$908,211), and to fund other state and local programs (\$1,077,003).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,024,994, which is 84% of the total general fund balance. As a measure of the general fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 14%, or slightly more than 51 days of total fund expenditures. It is the County's goal to achieve and maintain an unassigned general fund balance equal to 25% of budgeted expenditures. At September 30, 2011, the unassigned general fund balance represented 14% of general fund budgeted expenditures primarily due to the unusual circumstances related to funding of the 2011 Lease Revenue Bonds, which required that \$2.5 million of the bond proceeds be set aside for 25 years in a separate restricted account to be used for debt service (on the Lease Revenue Bonds) instead of repaying the County for its contribution to the Weatherford College project.

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

The fund balance of the County's general fund decreased \$1,273,850 during the current fiscal year. This decrease is primarily due to:

- A decrease in property tax revenues and general government expenses due to reclassifying the property tax revenue and payments related to the Weatherford College branch maintenance tax;
- An increase in sales tax received;
- An increase in royalties and rental revenues; and
- An increase in transfers out to other funds.

The debt service fund has a total fund balance of \$4,654,431, all of which is restricted for the payment of debt service and reserve requirements. The net increase in fund balance during the current year in the debt service fund was \$4,453,542, which is attributable to the issuance of lease revenue bonds and the restricted reserve requirements. Total debt principal, interest and fiscal charges in the debt service fund totaled \$3,131,362.

The capital projects fund had an ending fund balance of \$19,938,053, which is restricted for various capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

In total, the original general fund budget and the final general fund amended budget for expenditures and other financing uses was decreased by \$380,907 from the original to the final budget. Most of this difference resulted from a decrease in all current expenditures as well as creating a separate special revenue fund for the lease payment for the Wise County Weatherford College Branch Campus.

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 \$1,331,933 upward revision. This was primarily due to a slight increase in the market economy that resulted in an increase of sales tax revenue and an increase in royalties and rentals in the current year. Actual revenues were \$671,794 more than amended budget amounts. Conversely, actual total expenditures for the year were \$225,942 more than amended budget appropriations.

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, 2011, net capital assets of the governmental activities totaled \$68,757,171. Depreciation on capital assets is recognized in the government-wide financial statements. Annual depreciation for buildings, improvements, infrastructure and machinery and equipment totaled \$5,555,045.

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

- Infrastructure (bridges and roads) additions;
- Land purchases for College campus;
- Construction in progress of the Wise County Weatherford College building;
- Construction in progress related to a radio system;
- Purchase of heavy equipment and machinery consisting of motor graders, back hoes, wheel loaders, rollers, trucks and trailers for the precincts;
- Purchase of 3 Dodge Chargers for the Sheriff's office; and
- Purchase of an ambulance and related equipment.

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

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

	Governmental Activities	
	2011	2010
Land	\$ 3,762,914	\$ 795,127
Construction in progress	6,505,183	3,108,245
Buildings and improvements	15,805,028	16,488,462
Infrastructure	33,395,403	34,374,658
Machinery and equipment	9,288,643	9,580,758
Total	\$ 68,757,171	\$ 64,347,250

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

Long-term debt. As of September 30, 2011, the County had certificates of obligation, tax notes and lease revenue bonds outstanding of \$38,010,000. Certificates of obligation and tax notes retired in the current fiscal year totaled \$1,050,000 and \$1,615,000, respectively. Also included in the County's long-term debt are unamortized bond premium of \$41,942 and compensated absences payable of \$726,967.

Wise County's Outstanding Debt

	Governmental Activities	
	2011	2010
Certificates of obligation	\$ 2,905,000	\$ 3,955,000
Tax notes	6,105,000	7,720,000
Lease revenue bonds	29,000,000	-
Unamortized premium	41,942	57,920
Compensated absences	726,967	595,102
Total	\$ 38,778,909	\$ 12,328,022

During the current fiscal year, the County received an issuer credit rating of AA- on all of its obligations from Standard & Poor's except for the lease revenue bonds, which were not rated.

Additional information on the County's long-term debt can be found in Note I on pages 28 through 30 of this report.

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

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 2012, the County Commissioners and management considered the following factors:

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

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, 2011

	<u>Primary Government</u>
Assets	
Current assets:	
Cash	\$ 4,374,020
Investments	7,591,479
Receivables, taxes (net of allowance for uncollectible of \$451,268)	1,058,827
Receivables, accounts (net of allowance of \$197,895)	4,036,552
Due from other governments	419,756
Non-current assets:	
Restricted cash and cash equivalents	27,931,000
Deferred debt issuance costs, net of accumulated amortization	818,231
Capital assets	
Land and construction in progress	10,268,097
Other capital assets, net of depreciation	<u>58,489,074</u>
Total capital assets	<u>68,757,171</u>
Total assets	<u>114,987,036</u>
Liabilities	
Current liabilities:	
Accounts payable	449,432
Accrued salaries and benefits	826,115
Due to other governments	482,008
Accrued interest payable	509,179
Deferred revenue	26,652
Noncurrent liabilities:	
Due within one year	2,770,000
Due in more than one year	<u>36,008,909</u>
Total liabilities	<u>41,072,295</u>
Net assets	
Invested in capital assets, net of related debt	54,943,282
Restricted for:	
Debt service	354,431
Indigent health	1,625,671
State and federal programs	803,259
Records management	694,039
General government	39,993
Legal	501,588
Public safety	582,565
Roads and bridges	3,549,692
Teen court	389
Justice courts technology	274,192
Unrestricted	<u>10,545,640</u>
Total net assets	<u><u>\$ 73,914,741</u></u>

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

WISE COUNTY, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General government	\$ 6,794,137	\$ 1,355,714	\$	\$	\$ (5,438,423)
Judicial	2,834,810	859,693	131,970		(1,843,147)
Legal	1,861,591	166,421	31,250		(1,663,920)
Elections	313,354	18,829			(294,525)
Financial administration	1,791,165	756,384			(1,034,781)
Public facilities	3,691,002	76,132			(3,614,870)
Public safety	16,188,301	2,664,345	702,641	64,500	(12,756,815)
Public transportation	13,289,427	2,210,703	121,368	10,694	(10,946,662)
Health and welfare	1,115,367	96,644			(1,018,723)
Culture and recreation	480,008	30,750			(449,258)
Conservation	267,010		28,081		(238,929)
Interest/fees on long-term debt	958,444				(958,444)
Total primary government	\$ 49,584,616	\$ 8,235,615	\$ 1,015,310	\$ 75,194	(40,258,497)
General revenues:					
					31,341,876
					4,709,596
					201,185
					1,542,103
					106,490
					262,940
					<u>38,164,190</u>
					(2,094,307)
					<u>76,009,048</u>
					<u>\$ 73,914,741</u>

WISE COUNTY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2011

	General	Lateral Road Funds	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 879,048	\$ 192,687	\$ 372,298	\$ 4,534,431	\$ 3,825,193	\$ 9,803,657
Investments	4,862,750	4,630,000	19,600,000	120,000	1,403,000	30,615,750
Receivables:						
Property taxes (net of allowances of \$451,268)	733,985	245,421			79,421	1,058,827
Accounts	231,890	37,346			7,325	276,561
Due from other funds	54,579				746	55,325
Due from other governments	418,022				1,734	419,756
Total assets	<u>\$ 7,180,274</u>	<u>\$ 5,105,454</u>	<u>\$ 19,972,298</u>	<u>\$ 4,654,431</u>	<u>\$ 5,317,419</u>	<u>\$ 42,229,876</u>
Liabilities and fund balances						
Liabilities						
Cash overdraft	\$	\$ 522,908	\$	\$	\$	\$ 522,908
Accounts payable	412,842	433	34,245		1,912	449,432
Accrued salaries and benefits	716,580	96,787			12,748	826,115
Due to other funds	54,435	771			119	55,325
Due to other governments	481,898				110	482,008
Deferred revenue:						
Property taxes	733,985	245,421			79,421	1,058,827
Other		26,652				26,652
Total liabilities	<u>2,399,740</u>	<u>892,972</u>	<u>34,245</u>	<u>-</u>	<u>94,310</u>	<u>3,421,267</u>
Fund balances						
Restricted for:						
Debt service				4,654,431		4,654,431
Capital projects			19,938,053			19,938,053
Indigent health					1,625,671	1,625,671
State and federal programs					803,259	803,259
Records management					694,039	694,039
General government					39,993	39,993
Legal					501,588	501,588
Public safety					582,565	582,565
Roads and bridges		3,304,271				3,304,271
Teen court	389					389
Justice courts technology	274,192					274,192
Committed to:						
Special road projects		908,211				908,211
State programs					314,209	314,209
General government					387,505	387,505
Public safety	379,950					379,950
Public transportation					162,513	162,513
Judicial	39,075					39,075
Elections					72,784	72,784
Legal					38,983	38,983
Parks and recreation	61,934					61,934
Unassigned	<u>4,024,994</u>					<u>4,024,994</u>
Total fund balances	<u>4,780,534</u>	<u>4,212,482</u>	<u>19,938,053</u>	<u>4,654,431</u>	<u>5,223,109</u>	<u>38,808,609</u>
Total liabilities and fund balances	<u>\$ 7,180,274</u>	<u>\$ 5,105,454</u>	<u>\$ 19,972,298</u>	<u>\$ 4,654,431</u>	<u>\$ 5,317,419</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.						
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.						
Other assets, additional receivables, and issuance costs are not measurable and available in the current period and are not reported in the funds.						
Some liabilities, including certificates of obligation, tax notes, bonds, bond premiums, compensated absences and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.						
Net assets of governmental activities - statement of net assets						
						<u>\$ 73,914,741</u>

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
September 30, 2011

	General	Lateral Road Funds	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 21,317,628	\$ 6,619,650	\$	\$	\$ 3,409,637	\$ 31,346,915
Sales tax	4,672,662					4,672,662
Licenses and permits		1,269,878				1,269,878
Intergovernmental	347,798	121,368			638,154	1,107,320
Fees of office	4,077,147				435,621	4,512,768
Fines and forfeitures	561,384	891,035				1,452,419
Interest	22,945	11,886	12,166	151,459	2,729	201,185
Royalties and rentals	1,542,103					1,542,103
Solid waste fees	504,703					504,703
Miscellaneous revenues and donations	435,583	23,114	5,026		166,741	630,464
Total revenues	33,481,953	8,936,931	17,192	151,459	4,652,882	47,240,417
Expenditures						
Current:						
General government	2,986,225	46,980	9,982		3,549,479	6,592,666
Judicial	2,789,808					2,789,808
Legal	1,808,356				36,747	1,845,103
Elections	263,662				32,512	296,174
Financial administration	1,786,841					1,786,841
Public facilities	3,009,134					3,009,134
Public safety	14,005,836		318,868		866,045	15,190,749
Public transportation		9,715,265			41,473	9,756,738
Health and welfare	871,141				244,226	1,115,367
Culture and recreation	302,629					302,629
Conservation	254,054					254,054
Capital outlay	270,755	2,515,357	7,187,914		849,582	10,823,608
Debt service						
Principal retirement				2,665,000		2,665,000
Interest, issuance costs, and fiscal charges			790,000	466,362		1,256,362
Total expenditures	28,348,441	12,277,602	8,306,764	3,131,362	5,620,064	57,684,233
Excess (deficiency) of revenues over (under) expenditures	5,133,512	(3,340,671)	(8,289,572)	(2,979,903)	(967,182)	(10,443,816)
Other financing sources (uses)						
Bond proceeds			24,700,000	4,300,000		29,000,000
Operating transfers in	4,581,261	587,308	1,556,571	3,133,445	1,797,542	11,656,127
Operating transfers out	(11,090,110)		(365,946)		(200,071)	(11,656,127)
Sales of assets	101,487	863,645				965,132
Total other financing sources (uses)	(6,407,362)	1,450,953	25,890,625	7,433,445	1,597,471	29,965,132
Net change in fund balances	(1,273,850)	(1,889,718)	17,601,053	4,453,542	630,289	19,521,316
Fund balances, October 1, 2010	6,054,384	6,102,200	2,337,000	200,889	4,592,820	19,287,293
Fund balances, September 30, 2011	<u>\$ 4,780,534</u>	<u>\$ 4,212,482</u>	<u>\$ 19,938,053</u>	<u>\$ 4,654,431</u>	<u>\$ 5,223,109</u>	<u>\$ 38,808,609</u>

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

WISE COUNTY, TEXAS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
September 30, 2011

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

Net change in fund balances - total governmental funds		\$ 19,521,316
<p>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.</p>		
Capital outlay	\$ 10,823,608	
Depreciation	<u>(5,555,045)</u>	
Net Capital Outlay		5,268,563
The net effect of various miscellaneous transactions involving capital assets. (i.e., sales, trade-ins, disposals, donations) decreasing net assets.		(858,642)
Real property taxes and fees billed less allowance in the Statement of Activities includes all billed amounts which differ from the current financial resource measurement of the governmental funds. This is the net difference of both measurement focuses.		143,403
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		2,665,000
Bond proceeds are reported as other financing sources in the governmental funds and contribute to the increase in the fund balances. In the government-wide statements, however issuing debt increases long-term liabilities and affects the Statement of Net Assets.		(29,000,000)
Some items reported in the Statement of Activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
These activities are:		
Amortization of premium from bond issuance	\$ 15,978	
Amortization of deferred bond issuance costs	(57,666)	
Issuance costs on 2011 bond issuance	790,000	
Increase in accrued interest payable	(450,394)	
Increase in compensated absences payable	<u>(131,865)</u>	
Net Increase in Expenditures		<u>166,053</u>
Change in net assets of governmental activities - statement of activities		<u><u>\$ (2,094,307)</u></u>

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
General Fund
For the Fiscal Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 21,330,000	\$ 21,317,630	\$ 21,317,628	\$ (2)
Sales tax	3,340,000	4,280,456	4,672,662	392,206
Intergovernmental	356,250	335,711	347,798	12,087
Fees of office	3,935,144	4,077,160	4,077,147	(13)
Fines and forfeitures	517,000	561,385	561,384	(1)
Interest	26,400	23,960	22,945	(1,015)
Royalties and rentals	401,000	1,317,409	1,542,103	224,694
Solid waste fees	432,000	496,389	504,703	8,314
Miscellaneous revenues and donations	554,008	400,059	435,583	35,524
Total revenues	30,891,802	32,810,159	33,481,953	671,794
Expenditures				
Current:				
General government	6,159,687	2,953,217	2,986,225	(33,008)
Judicial	2,791,229	2,759,099	2,789,808	(30,709)
Legal	1,889,881	1,758,204	1,808,356	(50,152)
Elections	283,359	258,698	263,662	(4,964)
Financial administration	1,886,223	1,745,937	1,786,841	(40,904)
Public facilities	3,044,441	2,972,088	3,009,134	(37,046)
Public safety	14,245,178	13,982,831	14,005,836	(23,005)
Health and welfare	935,184	866,331	871,141	(4,810)
Culture and recreation	268,227	307,037	302,629	4,408
Conservation	271,733	248,302	254,054	(5,752)
Capital outlay	-	270,755	270,755	-
Total expenditures	31,775,142	28,122,499	28,348,441	(225,942)
Excess (deficiency) of revenues over (under) expenditures	(883,340)	4,687,660	5,133,512	445,852
Other financing sources (uses)				
Operating transfers in	5,248,487	4,581,262	4,581,261	(1)
Operating transfers out	(7,818,474)	(11,090,110)	(11,090,110)	-
Sales of assets	5,000	85,801	101,487	15,686
Total other financing sources (uses)	(2,564,987)	(6,423,047)	(6,407,362)	15,685
Net change in fund balances	(3,448,327)	(1,735,387)	(1,273,850)	461,537
Carryover from prior year fund balance	3,448,227	1,735,387	-	(1,735,387)
Fund balances, October 1, 2010	6,054,384	6,054,384	6,054,384	-
Fund balances, September 30, 2011	\$ 6,054,284	\$ 6,054,384	\$ 4,780,533	\$ (1,273,850)

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

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Lateral Road Fund
For the Fiscal Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 6,630,800	\$ 6,619,664	\$ 6,619,650	\$ (14)
License and permits	1,436,000	1,269,880	1,269,878	(2)
Intergovernmental	133,600	121,368	121,368	-
Fines and forfeitures	862,000	891,045	891,035	(10)
Interest	13,000	11,889	11,886	(3)
Miscellaneous revenues and donations	9,500	30,513	23,114	(7,399)
Total revenues	9,084,900	8,944,359	8,936,931	(7,428)
Expenditures				
Current:				
General government	54,300	46,981	46,980	1
Public transportation	9,124,804	9,834,495	9,715,265	119,230
Capital outlay	1,877,949	2,515,357	2,515,357	-
Total expenditures	11,057,053	12,396,833	12,277,602	119,231
Deficiency of revenues under expenditures	(1,972,153)	(3,452,474)	(3,340,671)	111,803
Other financing sources				
Operating transfers in	570,000	587,308	587,308	-
Sales of assets	-	856,250	863,645	7,395
Total other financing sources	570,000	1,443,558	1,450,953	7,395
Net change in fund balances	(1,402,153)	(2,008,916)	(1,889,718)	119,198
Carryover from prior year fund balance	1,402,153	2,008,916	-	(2,008,916)
Fund balances, October 1, 2010	6,102,200	6,102,200	6,102,200	-
Fund balances, September 30, 2011	\$ 6,102,200	\$ 6,102,200	\$ 4,212,482	\$ (1,889,718)

WISE COUNTY, TEXAS
Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2011

Assets	
Cash	\$ 2,353,707
Investments	104,203
Receivables:	
Property taxes - for other governments	<u>61,009</u>
Total assets	<u><u>\$ 2,518,919</u></u>
Liabilities	
Deposits held and due to others	\$ 2,457,910
Property taxes to be collected - due to other governments	<u>61,009</u>
Total liabilities	<u><u>\$ 2,518,919</u></u>

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

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

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

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed below. The remainder of the Notes is organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended September 30, 2011.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

Note B - Summary of Significant Accounting Policies (Continued)

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

The County reports the following major governmental funds:

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

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

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

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

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

Budgets and Budgetary Accounting

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

- (A) In the event the Commissioners' Court increases property taxes 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.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

Note B - Summary of Significant Accounting Policies (Continued)

- (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, 2011.

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. On new certificates of obligations, tax notes or revenue bonds, 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. Debt premiums, discounts and 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. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Balances

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

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

Note B - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

It is the County's goal to achieve and maintain an unassigned General Fund balance equal to 25% of budgeted expenditures. At the end of fiscal year 2011, the unassigned General Fund balance was 14% of budgeted expenditures.

Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt—This category consists of all capital assets net of accumulated depreciation and reduced by outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets.

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

Unrestricted net assets—This category represents net assets, not restricted for any project or other purpose.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

The government-wide statement of net assets reports consists of \$1,931,179 of restricted net assets by enabling legislation.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

Note C - 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
10. FHLB Letters of Credit

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 of Public Accounts oversees TexPool with Federated Investors, Inc., 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.

TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. 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, 2011, the County had the following investments:

	Quality Ratings AAAm		Weighted Average Maturities
	Market Value	% of Total	
Certificates of Deposit- Agency Funds	\$ 103,861	0.34%	6 months
TexPool			
Governmental Funds	30,615,750	99.66%	44 days
Agency Funds	342	0.00%	44 days
Total Investments	<u>\$ 30,719,953</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, 2011, the County's investments included local government investment pools and certificates of deposit, and therefore, were not exposed to interest rate risk.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

Note C - Deposits, Securities and Investments (Continued)

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, 2011, 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, 2011, 99.66% of the County's investments were included in local government investment pools and .34% was included in certificates of deposit. External investment pools are exempt from concentration risk disclosures.

Custodial Credit Risk – With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy limits exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured with collateralization pledged by the applicable financial institution to the extent of 102% of the value of the deposit. As of September 30, 2011, the County's cash was insured or collateralized with securities held by the County or by its agent in the County's name.

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

Note D - 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, 2011, to finance maintenance and operations (M&O) of the County were \$.38000 per \$100 valuation. During the fiscal year, the County levied .04625 per \$100 of appraised valuation for the Weatherford College Branch Campus Maintenance Tax (WCBCMT) to be used for the operations of the Wise County Branch Campus.

Note E - 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- (M&O)	\$ 733,985
Special Revenue- (WCBCMT)	79,421
Lateral Road	245,421
Total	\$ 1,058,827

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

Note F – Interfund Balances

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of September 30, 2011.

Receivable From	Payable To	Amount
General fund	General fund	\$ 54,435
Lateral road fund	Other governmental funds	746
Lateral road fund	General fund	25
Other governmental funds	General fund	119
Total		\$ 55,325

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

Note G – Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Balance 10/1/10	Additions	Deletions	Balance 9/30/11
Governmental activities				
Capital assets not being depreciated				
Land	\$ 795,127	\$ 2,972,787	\$ 5,000	\$ 3,762,914
Construction in progress	3,108,245	6,067,474	2,670,536	6,505,183
Total capital assets not being depreciated	3,903,372	9,040,261	2,675,536	10,268,097
Other capital assets				
Buildings and improvements	25,101,255	-	134,858	24,966,397
Infrastructure	73,107,860	1,478,093	96,246	74,489,707
Machinery and equipment	21,253,925	3,090,650	2,222,389	22,122,186
Total other capital assets	119,463,040	4,568,743	2,453,493	121,578,290
Less accumulated depreciation for:				
Building and improvements	8,612,793	556,104	7,528	9,161,369
Infrastructure	38,733,202	2,457,348	96,246	41,094,304
Machinery and equipment	11,673,167	2,541,593	1,381,217	12,833,543
Total accumulated depreciation	59,019,162	5,555,045	1,484,991	63,089,216
Other capital assets, net	60,443,878	(986,302)	968,502	58,489,074
Governmental activities capital assets, net	\$ 64,347,250	\$ 8,053,959	\$ 3,644,038	\$ 68,757,171

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

Note G – Capital Assets (Continued)

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

Governmental activities:

General government	\$ 69,606
Judicial	45,002
Legal	16,488
Elections	17,180
Financial administration	4,324
Public facilities	681,868
Public safety	997,553
Public transportation	3,532,689
Culture and recreation	177,379
Conservation	12,956
	<hr/>
Total depreciation for governmental activities	<u>\$ 5,555,045</u>

Note H - Restricted Assets

Some of the County's assets have certain constraints that have been placed on how they can be used. By definition, restricted assets are cash or other assets whose use in whole or in part is restricted for specific purposes bound by virtue of contractual agreements, legal requirements or enabling legislation. Restricted cash and cash equivalents consist of the following:

Debt Service Fund	\$ 4,654,431
Capital Projects Fund	19,972,298
Lateral Road Fund	<u>3,304,271</u>
Total Restricted Assets	<u>\$ 27,931,000</u>

Note I - Long-Term Debt

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

Certificates of Obligation – 2003 Series

- ◆ To construct a jail facility.
- ◆ \$8,500,000 of certificates of obligation originally issued.
- ◆ Payable in annual installments of \$650,000 to \$1,155,000 through August 15, 2014.
- ◆ Interest rates range from 3.99% to 4.22%.
- ◆ Outstanding balance of \$2,905,000 at September 30, 2011.

Tax Notes – 2008 Series

- ◆ For the remodeling of existing buildings, construction of new buildings and the purchase of land and equipment.
- ◆ \$8,750,000 notes originally issued.
- ◆ Payable in annual installments of \$1,670,000 to \$2,530,000 through August 15, 2014.
- ◆ Interest rate of 4.00%.
- ◆ Outstanding principal balance of \$6,105,000 at September 30, 2011.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

Note I - Long-Term Debt (Continued)

Lease Revenue Bonds – 2011 Series

- ◆ Secured by a lien on pledged revenues, including lease payments subject to annual appropriations, payable to the County under the intergovernmental agreement with the Parker County Junior College District.
- ◆ To construct and equip buildings for lease to the District for use as a branch campus and to fund a debt service reserve fund requirement of \$2,500,000.
- ◆ \$29,000,000 originally issued.
- ◆ Payable in annual installments of \$45,000 to \$3,265,000 through August 15, 2034.
- ◆ Interest rate ranges from 4.50% to 8.00%.
- ◆ Outstanding principal balance of \$29,000,000 at September 30, 2011.

The following are changes by type of debt:

	Balance 10/1/10	Increase	Decrease	Balance 09/30/11	Amounts Due Within One Year
Tax Notes-Series 2005	\$ 550,000	\$ -	\$ 550,000	\$ -	\$ -
Tax Notes-Series 2008	7,170,000	-	1,065,000	6,105,000	1,670,000
Certificates of Obligation	3,955,000	-	1,050,000	2,905,000	1,100,000
Lease Revenue Bonds	-	29,000,000	-	29,000,000	-
Unamortized bond premium	57,920	-	15,978	41,942	-
Compensated Absences	595,102	131,865	-	726,967	-
Totals	\$ 12,328,022	\$ 29,131,865	\$ 2,680,978	\$ 38,778,909	\$ 2,770,000

The general fund revenues are used to liquidate compensated absences liability.

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	
2012	\$ 1,670,000	\$ 244,200	\$ 1,100,000	\$ 117,405	\$ 3,131,605
2013	1,905,000	177,400	1,155,000	73,515	3,310,915
2014	2,530,000	101,200	650,000	27,430	3,308,630
Totals	\$ 6,105,000	\$ 522,800	\$ 2,905,000	\$ 218,350	\$ 9,751,150

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

Note I - Long-Term Debt (Continued)

The following is the annual requirements needed to fund the lease revenue bonds:

Year	Principal	Interest	Total
2012	\$ -	\$ 2,969,458	\$ 2,969,458
2013	45,000	2,227,094	2,272,094
2014	120,000	2,225,068	2,345,068
2015	210,000	2,219,218	2,429,218
2016	305,000	2,208,194	2,513,194
2017-2021	2,945,000	10,646,700	13,591,700
2022-2026	6,030,000	9,178,877	15,208,877
2027-2031	10,360,000	6,230,100	16,590,100
2032-2036	8,985,000	1,480,400	10,465,400
Totals	\$ 29,000,000	\$ 39,385,109	\$ 68,385,109

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

Note J – Compensated Absences

County policy allows the accrual of vacation, overtime compensation, and sick pay benefits for all employees other than elected and appointed officials. Vacation and overtime compensation are paid upon termination if employees give two weeks' notice or are terminated by the County. Sick pay is not paid upon termination for any reason. At September 30, 2011 the value of the liability for compensated absences was \$726,967 and the value of accumulated sick pay benefits was approximately \$460,116.

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:

Fund	Transfer In	Transfer Out
General fund	\$ 4,581,261	\$ 11,090,110
Lateral road fund	587,308	-
Capital projects funds	1,556,571	365,946
Debt service fund	3,133,445	-
Other governmental funds	1,797,542	200,071
Total transfers out	\$ 11,656,127	\$ 11,656,127

Transfers are generally used (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to transfer funds from the General fund to fund various programs and supplement grants and construction projects, (3) to transfer funds from receipts collected for various fees in special revenue funds to the General fund to cover County expenditures, and (4) to transfer capital assets between funds.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

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 618 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 report is also available at www.tcdrs.org.

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

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

Funding Policy

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 9.43% for the months of the accounting year in 2010, and 9.66% for the months of the accounting year in 2011.

The deposit rate payable by the employee members for calendar year 2011 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

The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was 85.47% funded. The actuarial accrued liability for benefits was \$35,649,941, and the actuarial value of assets was \$30,469,170, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,180,771. The covered payroll (annual payroll of active employees covered by the plan) was \$16,419,397 and the ratio of the UAAL to the covered payroll was 31.55%.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

Note L - Retirement Pension Plan (Continued)

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

Actuarial Valuation Information

Actuarial valuation date	12/31/2008	12/31/2009	12/31/2010
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period (in years)	20	20	20
Asset valuation method	10 year	10 year	10 year
Subdivision Accumulation Fund	smoothed value	smoothed value	smoothed value
Employees Saving Fund	Fund value	Fund value	Fund value
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.30%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost of living adjustments	0.00%	0.00%	0.00%

Trend Information for the
Wise County Employee's Retirement Plan

Accounting Year End	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2009	\$ 1,408,719	100%	\$ -
9/30/2010	1,526,310	100%	-
9/30/2011	1,578,796	100%	-

Note M - Postemployment Benefits Other Than Pensions

Plan Description:

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

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

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2011

Note M - Postemployment Benefits Other Than Pensions (Continued)

Funding Policy:

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County contributions to the GTLF for the years ended September 30, 2011, 2010, and 2009 were \$44,828, \$54,189, and \$51,941, respectively, which equaled the contractually required contributions each year.

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 coverage's. The pool coverage is offered through interlocal agreements between the Pool and counties. The Pool has the power to establish fees, contributions and methods for establishing rates. Under contract with the Pool, the Association provides for such services as claims administration and management, underwriting, loss control services and training, and financial reporting for its members. The Association submits sealed bids to counties during the bid process. The Pool is governed by a Board of Directors made up of employees or officials of counties which are members of the Pool. Member counties make contributions to the Pool, and the Pool provides insurance coverage and applicable reinsurance or stop loss coverage. The insurance policies carry various deductibles and aggregate maximum loss totals. The by-laws of the Pool are detailed in a separate document which can be obtained from the Texas Association of Counties, 1210 San Antonio Street, Austin, TX 78701.

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

Note O – Commitments and Contingencies

Litigation

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

Grants

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

Construction

On September 13, 2010, the County approved a contract with Steele and Freeman, Inc., in the amounts of \$19,617,573 for the Wise County Weatherford College Branch Campus construction project. This project is funded with lease revenue bond funds and is scheduled for completion in August 2012. As of September 30, 2011 work completed and billed totaled \$3,657,860.

Note P – Excess of Expenditures over Appropriations

For the year ended September 30, 2011, expenditures exceeded appropriations in the General Fund. Through formal supplementary appropriations, the General Fund original budgeted expenditures decreased by slightly more than 11%. Actual expenditures were less than 1% over the final amended budget.

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)
12/31/2008	\$ 23,280,935	\$ 27,518,109	\$ 4,237,174	84.60%	\$ 14,383,915	29.46%
12/31/2009	27,483,448	32,243,385	4,759,937	85.24%	16,776,350	28.37%
12/31/2010	30,469,170	35,649,941	5,180,771	85.47%	16,419,397	31.55%

COMBINING AND BUDGET STATEMENTS

MAJOR GOVERNMENTAL FUNDS COMBINING AND
BUDGETARY COMPARISON STATEMENTS

WISE COUNTY, TEXAS
Combining Balance Sheet
Lateral Road Fund
September 30, 2011

Assets	Right of Way and Fencing	Precinct No. 1	Precinct No. 2	Precinct No. 3	Precinct No. 4	County Thoroughfare	Total Lateral Road Fund
Cash	\$	\$ 98,653	\$	\$	\$ 93,823	\$ 211	\$ 192,687
Investments	391,000	400,000	1,600,000	431,000	900,000	908,000	4,630,000
Receivables:							
Property taxes (net of allowance of \$88,767)	13,645	56,375	81,122	42,654	51,625		245,421
Accounts	26,652	10,694					37,346
Total assets	\$ 431,297	\$ 565,722	\$ 1,681,122	\$ 473,654	\$ 1,045,448	\$ 908,211	\$ 5,105,454
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$	\$ 122	\$ 311	\$	\$	\$	\$ 433
Cash overdraft	24,813		481,210	16,885			522,908
Accrued salaries and benefits		24,237	28,410	24,776	19,364		96,787
Due to other funds		202	229	192	148		771
Deferred revenue:							
Property taxes	13,645	56,375	81,122	42,654	51,625		245,421
Other	26,652						26,652
Total liabilities	65,110	80,936	591,282	84,507	71,137	-	892,972
Fund balances							
Restricted for:							
Roads and bridges	366,187	484,786	1,089,840	389,147	974,311		3,304,271
Committed to:							
Special road projects						908,211	908,211
Total fund balances	366,187	484,786	1,089,840	389,147	974,311	908,211	4,212,482
Total liabilities and fund balances	\$ 431,297	\$ 565,722	\$ 1,681,122	\$ 473,654	\$ 1,045,448	\$ 908,211	\$ 5,105,454

WISE COUNTY, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Lateral Road Fund
For the Fiscal Year Ended September 30, 2011

	Right of Way and Fencing	Precinct No. 1	Precinct No. 2	Precinct No. 3	Precinct No. 4	County Thoroughfare	Total Lateral Road Fund
Revenues							
Property taxes	\$ 367,722	\$ 1,495,114	\$ 2,167,141	\$ 1,197,693	\$ 1,391,980	\$	\$6,619,650
Licenses and permits		317,469	317,469	317,470	317,470		1,269,878
Intergovernmental		30,342	30,342	30,342	30,342		121,368
Fines and forfeitures		222,736	222,740	222,835	222,724		891,035
Interest	1,060	1,951	3,474	1,659	1,778	1,964	11,886
Miscellaneous revenues and donations	132	13,274	3,588	5,639	481		23,114
Total revenues	368,914	2,080,886	2,744,754	1,775,638	1,964,775	1,964	8,936,931
Expenditures							
Current:							
General Government	46,980						46,980
Public transportation	46,544	2,554,557	3,214,244	2,173,914	1,725,342	664	9,715,265
Capital outlay	406,911	308,974	777,181	32,996	612,332	376,963	2,515,357
Total expenditures	500,435	2,863,531	3,991,425	2,206,910	2,337,674	377,627	12,277,602
Deficiency of revenues under expenditures	(131,521)	(782,645)	(1,246,671)	(431,272)	(372,899)	(375,663)	(3,340,671)
Other financing sources							
Operating transfers in	52,308	75,000		75,000	75,000	310,000	587,308
Sale of assets		174,573	192,100	2,472	494,500		863,645
Total financing sources	52,308	249,573	192,100	77,472	569,500	310,000	1,450,953
Net change in fund balances	(79,213)	(533,072)	(1,054,571)	(353,800)	196,601	(65,663)	(1,889,718)
Fund balances, October 1, 2010	445,400	1,017,858	2,144,411	742,947	777,710	973,874	6,102,200
Fund balances, September 30, 2011	\$ 366,187	\$ 484,786	\$ 1,089,840	\$ 389,147	\$ 974,311	\$ 908,211	\$4,212,482

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

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Capital Projects Fund
For the Fiscal Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Interest	\$ -	\$ 12,166	\$ 12,166	\$ -
Miscellaneous revenues and donations	-	5,027	5,026	(1)
Total revenues	<u>-</u>	<u>17,193</u>	<u>17,192</u>	<u>(1)</u>
Expenditures				
General government	802,205	185,757	9,982	175,775
Public safety	270,000	427,782	318,868	108,914
Capital outlay	21,126,545	25,132,217	7,187,914	17,944,303
Issuance costs	-	790,000	790,000	-
Total expenditures	<u>22,198,750</u>	<u>26,535,756</u>	<u>8,306,764</u>	<u>18,337,906</u>
Deficiency of revenues under expenditures	(22,198,750)	(26,518,563)	(8,289,572)	18,337,905
Other financing sources (uses)				
Bond proceeds	24,000,000	24,700,000	24,700,000	-
Operating transfers in	-	1,556,571	1,556,571	-
Operating transfers out	(3,000,000)	(365,946)	(365,946)	-
Total other financing sources (uses)	<u>21,000,000</u>	<u>25,890,625</u>	<u>25,890,625</u>	<u>-</u>
Net change in fund balances	<u>(1,198,750)</u>	<u>(627,938)</u>	<u>17,601,053</u>	<u>18,337,905</u>
Carryover from prior year fund balance	1,198,750	627,938	-	(627,938)
Fund balances, October 1, 2010	<u>2,337,000</u>	<u>2,337,000</u>	<u>2,337,000</u>	<u>-</u>
Fund balances, September 30, 2011	<u>\$ 2,337,000</u>	<u>\$ 2,337,000</u>	<u>\$ 19,938,053</u>	<u>\$ 17,709,967</u>

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

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Debt Service Funds
September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 500	\$ 151,459	\$ 151,459	\$ -
Total revenues	<u>500</u>	<u>151,459</u>	<u>151,459</u>	<u>-</u>
Expenditures				
Debt and capital lease debt service:				
Principal retirement	2,665,000	2,665,000	2,665,000	-
Interest and fiscal charges	<u>468,945</u>	<u>4,919,904</u>	<u>466,362</u>	<u>4,453,542</u>
Total expenditures	<u>3,133,945</u>	<u>7,584,904</u>	<u>3,131,362</u>	<u>4,453,542</u>
Deficiency of revenues under expenditures	(3,133,445)	(7,433,445)	(2,979,903)	4,453,542
Other financing sources				
Bond proceeds	-	4,300,000	4,300,000	-
Operating transfers in	<u>3,133,445</u>	<u>3,133,445</u>	<u>3,133,445</u>	<u>-</u>
Total other financing sources	<u>3,133,445</u>	<u>7,433,445</u>	<u>7,433,445</u>	<u>-</u>
Net change in fund balances	-	-	4,453,542	4,453,542
Fund balances, October 1, 2010	<u>200,889</u>	<u>200,889</u>	<u>200,889</u>	<u>-</u>
Fund balances, September 30, 2011	<u>\$ 200,889</u>	<u>\$ 200,889</u>	<u>\$ 4,654,431</u>	<u>\$ 4,453,542</u>

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

NONMAJOR GOVERNMENTAL FUNDS COMBINING AND
BUDGETARY COMPARISON STATEMENTS

WISE COUNTY, TEXAS
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2011

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Indigent Health Care	County Grants	County Clerk Record Management	Juvenile Probation TJPC 10-249	Other Special Revenue	
Assets						
Cash	\$ 360,671	\$ 803,259	\$ 652,340	\$ 189,134	\$ 1,819,789	\$ 3,825,193
Investments	1,265,000			138,000		1,403,000
Receivables:						
Property tax					79,421	79,421
Accounts					7,325	7,325
Due from other funds					746	746
Due from other governments				1,734		1,734
Total assets	<u>\$ 1,625,671</u>	<u>\$ 803,259</u>	<u>\$ 652,340</u>	<u>\$ 328,868</u>	<u>\$ 1,907,281</u>	<u>\$ 5,317,419</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$	\$	\$	\$ 1,782	\$ 130	\$ 1,912
Accrued salaries and benefits				12,748		12,748
Due to other funds				119		119
Due to other governments				10	100	110
Deferred property tax revenue					79,421	79,421
Total liabilities	-	-	-	14,659	79,651	94,310
Fund balances						
Restricted for:						
Indigent health	1,625,671					1,625,671
State and federal programs		803,259				803,259
Records management			652,340		41,699	694,039
General government					39,993	39,993
Legal					501,588	501,588
Public safety					582,565	582,565
Committed to:						
State programs				314,209		314,209
General government					387,505	387,505
Public transportation					162,513	162,513
Elections					72,784	72,784
Legal					38,983	38,983
Total fund balances	<u>1,625,671</u>	<u>803,259</u>	<u>652,340</u>	<u>314,209</u>	<u>1,827,630</u>	<u>5,223,109</u>
Total liabilities and fund balances	<u>\$ 1,625,671</u>	<u>\$ 803,259</u>	<u>\$ 652,340</u>	<u>\$ 328,868</u>	<u>\$ 1,907,281</u>	<u>\$ 5,317,419</u>

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

WISE COUNTY, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2011

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Indigent Health Care	County Grants	County Clerk Record Management	Juvenile Probation TJPC 11-249	Other Special Revenue	
Revenues						
Property taxes	\$	\$	\$	\$	\$ 3,409,637	\$ 3,409,637
Intergovernmental		113,866		481,095	43,193	638,154
Fees of office			166,421		269,200	435,621
Interest	1,855	33		696	145	2,729
Miscellaneous revenues and donations	12,835	8,500		1,269	144,137	166,741
Total revenues	<u>14,690</u>	<u>122,399</u>	<u>166,421</u>	<u>483,060</u>	<u>3,866,312</u>	<u>4,652,882</u>
Expenditures						
Current:						
General government			85,235		3,464,244	3,549,479
Legal					36,747	36,747
Elections					32,512	32,512
Public safety		35,157		797,284	33,604	866,045
Public transportation					41,473	41,473
Health and welfare	244,226					244,226
Capital outlay		804,301			45,281	849,582
Total expenditures	<u>244,226</u>	<u>839,458</u>	<u>85,235</u>	<u>797,284</u>	<u>3,653,861</u>	<u>5,620,064</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(229,536)</u>	<u>(717,059)</u>	<u>81,186</u>	<u>(314,224)</u>	<u>212,451</u>	<u>(967,182)</u>
Other financing sources (uses)						
Operating transfers in	400,000	1,000,000		377,542	20,000	1,797,542
Operating transfers out		(15,571)	(102,500)		(82,000)	(200,071)
Total other financing sources (uses)	<u>400,000</u>	<u>984,429</u>	<u>(102,500)</u>	<u>377,542</u>	<u>(62,000)</u>	<u>1,597,471</u>
Net change in fund balances	170,464	267,370	(21,314)	63,318	150,451	630,289
Fund balances, October 1, 2010	1,455,207	535,889	673,654	250,891	1,677,179	4,592,820
Fund balances, September 30, 2011	<u>\$ 1,625,671</u>	<u>\$ 803,259</u>	<u>\$ 652,340</u>	<u>\$ 314,209</u>	<u>\$ 1,827,630</u>	<u>\$ 5,223,109</u>

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

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Non Major - Special Revenue Funds
September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ -	\$ 3,409,638	\$ 3,409,637	\$ (1)
Intergovernmental	580,000	645,611	638,154	(7,457)
Fees of office	408,915	435,632	435,621	(11)
Interest	3,900	2,735	2,729	(6)
Miscellaneous revenues and donations	124,500	158,653	166,741	8,088
Total revenues	1,117,315	4,652,269	4,652,882	614
Expenditures				
Current:				
General government	1,085,463	3,567,184	3,549,479	17,705
Legal	82,060	92,985	36,747	56,238
Elections	31,200	32,512	32,512	-
Public safety	1,169,804	1,025,066	866,045	159,021
Public transportation	60,000	74,887	41,473	33,414
Health and welfare	1,499,580	414,692	244,226	170,466
Capital outlay	900,000	1,098,884	849,582	249,302
Total expenditures	4,828,107	6,306,210	5,620,064	686,146
Excess (deficiency) of revenues over (under) expenditures	(3,710,792)	(1,653,941)	(967,182)	686,760
Other financing sources (uses)				
Operating transfers in	1,377,542	1,797,542	1,797,542	-
Operating transfers out	(152,500)	(184,500)	(200,071)	(15,571)
Total other financing sources (uses)	1,225,042	1,613,042	1,597,471	(15,571)
Net change in fund balances	(2,485,750)	(40,899)	630,289	671,189
Carryover from prior year fund balance	2,485,750	40,899	-	(40,899)
Fund balances, October 1, 2010	4,592,820	4,592,820	4,592,820	-
Fund balances, September 30, 2011	\$ 4,592,820	\$ 4,592,820	\$ 5,223,109	\$ 630,290

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

AGENCY FUNDS

WISE COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities -
All Agency Funds
September 30, 2011

	District Attorney Criminal Justice	District Attorney Hot Check	District Attorney Fee	County Attorney Fee	Bond Holding	Juvenile Probation Fee	Jury Fund	Stray Animal	Fireman's Assoc. Fund
Assets									
Cash	\$38,842	\$ 1,882	\$10,291	\$18,208	\$126,366	\$ 23,921	\$ 12,238	\$ 4,014	\$
Investments									342
Receivables:									
Property Taxes - for other governments									
Total assets	<u>\$38,842</u>	<u>\$ 1,882</u>	<u>\$10,291</u>	<u>\$18,208</u>	<u>\$126,366</u>	<u>\$ 23,921</u>	<u>\$ 12,238</u>	<u>\$ 4,014</u>	<u>\$ 342</u>
Liabilities									
Deposits held and due to others	\$38,842	\$ 1,882	\$10,291	\$18,208	\$126,366	\$ 23,921	\$ 12,238	\$ 4,014	\$ 342
Property taxes to be collected - due to other governments									
Total liabilities	<u>\$38,842</u>	<u>\$ 1,882</u>	<u>\$10,291</u>	<u>\$18,208</u>	<u>\$126,366</u>	<u>\$ 23,921</u>	<u>\$ 12,238</u>	<u>\$ 4,014</u>	<u>\$ 342</u>

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

WISE COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities -
All Agency Funds
September 30, 2011

	District Attorney Restitution	Sherriff's Department Bond and Fine	Tax A/C Special Inventory	Special Inventory	Inmate Trust Fund	Justice of Peace #4	Tax A/C Auto Registration	County Attorney Forfeiture	District Clerk Trust	Water Project
Assets										
Cash	\$ 3,566	\$ 39	\$ 161,776	\$ 3,232	\$ 21,277	\$ 1	\$ 1,030,962	\$ 1,715	\$ 621,688	\$ 11
Investments										
Receivables:										
Property Taxes - for other governments										
Total assets	\$ 3,566	\$ 39	\$ 161,776	\$ 3,232	\$ 21,277	\$ 1	\$ 1,030,962	\$ 1,715	\$ 621,688	\$ 11
Liabilities										
Deposits held and due to others	\$ 3,566	\$ 39	\$ 161,776	\$ 3,232	\$ 21,277	\$ 1	\$ 1,030,962	\$ 1,715	\$ 621,688	\$ 11
Property taxes to be collected - due to other governments										
Total liabilities	\$ 3,566	\$ 39	\$ 161,776	\$ 3,232	\$ 21,277	\$ 1	\$ 1,030,962	\$ 1,715	\$ 621,688	\$ 11

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, 2011

	County Credit Card	Tax Office	Sheriff's Department Commissary	Sheriff's Special Account	EFTPS	Bail Bond	County Attorney Restitution	Mobile Home Escrow	Property Taxes - Other Governments	Total Agency Funds
Assets										
Cash	\$ 977	\$ 13,759	\$ 133,081	\$ 58,834	\$ 1,067	\$ 4,773	\$ 7,890	\$ 7,771	\$	\$ 2,353,707
Investments		103,861								104,203
Receivables:										
Property Taxes - for other governments									61,009	61,009
Total assets	\$ 977	\$ 117,620	\$ 133,081	\$ 58,834	\$ 1,067	\$ 4,773	\$ 7,890	\$ 7,771	\$ 61,009	\$ 2,518,919
Liabilities										
Deposits held and due to others	\$ 977	\$ 117,620	\$ 133,081	\$ 58,834	\$ 1,067	\$ 4,773	\$ 7,890	\$ 7,771	\$	\$ 2,457,910
Property taxes to be collected - due to other governments									61,009	61,009
Total liabilities	\$ 977	\$ 117,620	\$ 133,081	\$ 58,834	\$ 1,067	\$ 4,773	\$ 7,890	\$ 7,771	\$ 61,009	\$ 2,518,919

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

STATISTICAL SCHEDULES

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

Fiscal Year	Taxes	Intergovernmental		Licenses and Permits	Fees of Office	Fines and Forfeitures	Interest	Royalties and Rentals	Solid Waste Fees	Miscellaneous	Total
		Non-Federal Funds	Federal Funds								
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
2008	29,236,626	899,981	546,451	1,508,784	4,463,724	1,477,670	863,348	1,132,259	460,770	1,174,551	41,764,164
2009	31,502,288	1,156,235	177,098	1,415,776	4,459,122	1,334,617	248,836	373,935	467,713	696,222	41,831,842
2010	35,121,296	862,613	793,832	1,372,604	4,336,133	1,391,440	60,215	628,501	442,673	555,223	45,564,530
2011	36,019,577	727,971	379,349	1,269,878	4,512,768	1,452,419	201,185	1,542,103	504,703	630,464	47,240,417

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
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	2,102,985	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
2008	2,571,222	2,248,356	1,252,861	218,701	1,440,154	2,832,750	12,883,805	7,404,404	1,725,757	234,027	211,024	1,754,381	34,777,442
2009	3,011,867	2,503,556	1,486,646	248,492	1,665,163	2,844,331	13,956,642	5,968,841	1,394,676	284,021	249,570	2,950,453	36,564,258
2010	7,052,060	2,581,025	1,680,625	282,124	1,731,874	2,787,673	14,563,483	6,133,246	1,132,768	279,076	244,480	2,966,762	41,435,196
2011	6,592,666	2,789,808	1,845,103	296,174	1,786,841	3,009,134	15,190,749	9,756,738	1,115,367	302,629	254,054	3,921,362	46,860,625

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

Fiscal Year	Total Tax Levy (Including Supplements)	Percent of			Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
		Current Tax Collections	Delinquent Tax Collections	Total Tax				
2002	\$ 12,938,371	\$12,228,312	\$ 415,260	\$12,643,572	97.72%	\$ 1,327,546	10.26%	
2003	14,287,474	13,470,335	502,464	13,972,799	97.80%	1,561,971	10.93%	
2004	15,233,019	14,665,061	476,971	15,142,032	99.40%	1,692,179	11.11%	
2005	17,337,660	16,110,326	560,059	16,670,385	96.15%	1,625,449	9.38%	
2006	19,261,710	18,739,469	509,337	19,248,806	99.93%	1,677,164	8.71%	
2007	21,649,530	21,317,917	618,934	21,936,851	101.33%	1,379,477	6.37%	
2008	23,579,843	23,386,381	436,392	23,822,773	101.03%	1,324,336	5.62%	
2009	26,817,785	26,168,136	430,189	26,598,325	99.18%	1,358,915	5.07%	
2010	31,631,104	30,901,649	384,090	31,285,739	98.91%	1,474,240	4.66%	
2011	32,528,854	30,523,119	503,928	31,027,047	95.38%	1,510,093	4.64%	

WISE COUNTY, TEXAS
Computation of Legal Debt Margin
September 30, 2011

Assessed valuation:		
Assessed Valuation of Property		\$ 9,563,419,911
Less: Exemptions		<u>(2,245,431,342)</u>
 Taxable Assessed Value		 <u><u>\$ 7,317,988,569</u></u>
 Legal debt margin:		
Debt Limit (25 Percent of Assessed Value)		\$ 1,829,497,142
Debt applicable to limitation:		
Total Bonded Debt		
Add: Tax Notes	\$ 6,105,000	
Certificates of Obligation	2,905,000	
Less: Special assessment bonds		
Amount available for repayment of bonded debt	<u>354,431</u>	
Total debt applicable to limitation		<u><u>8,655,569</u></u>
 Legal Debt Margin		 <u><u>\$ 1,820,841,573</u></u>

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

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
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
2008	64,500	8,270,290,118	16,210,000	213,581	15,996,419	0.193%	248.01
2009	66,100	6,645,204,398	14,080,000	206,802	13,873,198	0.209%	209.88
2010	66,950	7,048,173,424	11,675,000	200,889	11,474,111	0.163%	171.38
2011	59,127	7,317,988,569	9,010,000	354,431	8,655,569	0.118%	146.39

OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION



SNOW GARRETT WILLIAMS
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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 27, 2012. 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

Management of Wise County, Texas is responsible for establishing and maintaining effective 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 March 27, 2012.

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

Snow Garrett Williams
March 27, 2012

