
WISE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

**Wise County, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2012**

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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, 2012, 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, 2012, 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 April 9, 2013, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and budget statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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
April 9, 2013

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, 2012. 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 2012 by \$71,182,571 (*net assets*). Of this amount, \$10,343,339 is restricted for specific purposes, \$49,585,234 is invested in capital assets net of related debt and \$11,253,998 represents unrestricted net assets.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at year-end of \$18,966,201, a decrease of \$19,842,408 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,732,362, or 13% of total general fund expenditures.
- The County's total long-term debt decreased by a net amount of \$2,713,393 during the current fiscal year primarily as a result of 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*. 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 thirty-three individual governmental funds – twenty-eight special revenue funds, two capital projects funds, two debt service funds, and the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Lateral Road Funds, Capital Projects Fund and Debt Service Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The 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 \$71,182,571 as of September 30, 2012.

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

A significant portion (70%) 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 15% 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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 28,074,076	\$ 46,229,865
Capital assets, net of depreciation	82,725,609	68,757,171
Total assets	<u>110,799,685</u>	<u>114,987,036</u>
Long-term liabilities	36,065,516	38,778,909
Other liabilities	<u>3,551,598</u>	<u>2,293,386</u>
Total liabilities	39,617,114	41,072,295
Net assets:		
Invested in capital assets, net of related debt	49,585,234	54,943,282
Restricted	10,343,339	8,425,819
Unrestricted	<u>11,253,998</u>	<u>10,545,640</u>
Total net assets	<u>\$ 71,182,571</u>	<u>\$ 73,914,741</u>

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 \$2,732,170 during the current fiscal year. The total cost of all governmental activities this year was \$52,002,947. The amount that our taxpayers paid for these activities through property taxes was \$30,772,752 or 59% of total governmental expenses.

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

Changes in Net Assets

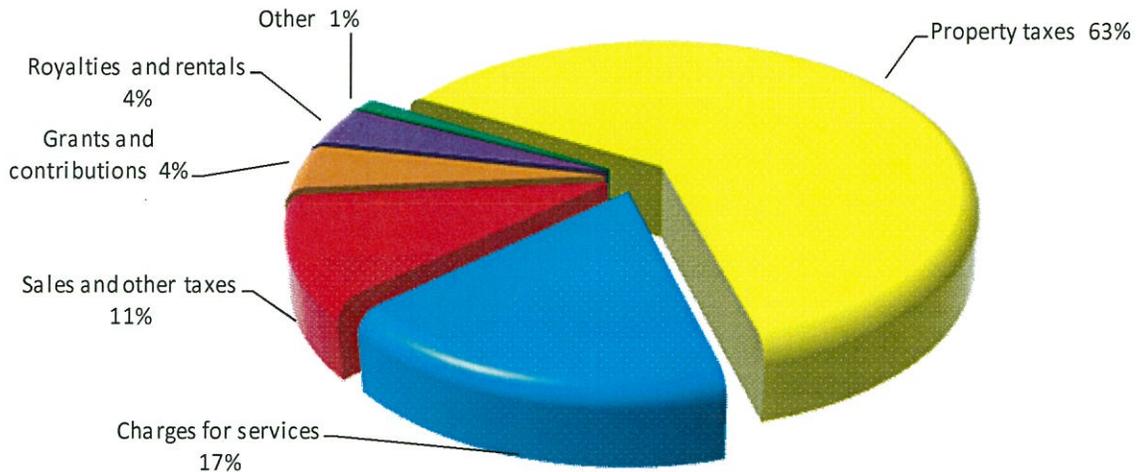
	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 8,606,132	\$ 8,235,615
Operating grants and contributions	2,133,602	1,015,310
Capital grants and contributions	73,690	75,194
General revenues:		
Property taxes	30,772,752	31,341,876
Sales and other taxes	5,145,621	4,709,596
Investment earnings	56,180	201,185
Royalties and rentals	1,980,358	1,542,103
Other	502,442	369,430
Total revenues	49,270,777	47,490,309
Expenses:		
General government	6,928,833	6,794,137
Judicial	3,128,973	2,834,810
Legal	1,882,668	1,861,591
Elections	390,214	313,354
Financial administration	1,810,281	1,791,165
Public facilities	3,645,253	3,691,002
Public safety	16,047,679	16,188,301
Public transportation	13,054,028	13,289,427
Health and welfare	1,203,268	1,115,367
Culture and recreation	425,475	480,008
Conservation	316,207	267,010
Interest and other costs	3,170,068	958,444
Total expenses	52,002,947	49,584,616
Change in net assets	(2,732,170)	(2,094,307)
Net assets-beginning	73,914,741	76,009,048
Net assets-ending	\$ 71,182,571	\$ 73,914,741

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

- Program revenues of \$10,813,424 equaled 21% of government expenses. As expected, general revenues (\$38,457,353) provided the required support and coverage for expenses;
- Public safety expenses decreased \$140,622 from the previous year. 31% of the total expenses are related to public safety. This category provided program revenues of about 8% of total revenues;
- The next largest category of expenses is public transportation at 25% of total expenses while public transportation program revenues provided about 5% of total revenues. Public transportation expenses decreased \$235,399 from the previous year;
- Grant revenues and contributions comprised about 4% of total revenues.

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

Revenues by Source



FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$18,966,201, a decrease of \$19,842,408 in comparison with the prior year. Approximately \$12,468,929 or 66% is restricted by external resources. Approximately \$3,732,362 or 20% 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 (\$675,035), to fund special road projects (\$1,418,299), and to fund other state and local programs (\$671,576).

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 \$3,732,362, which is 78% 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 13%, or slightly more than 46 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, 2012 the unassigned general fund balance represented 13% of general fund budgeted expenditures primarily due to the unusual circumstances related to funding of the 2011 Lease Revenue Bonds, which required that \$2.5 million of the bond proceeds be set aside for 25 years in a separate restricted account to be used for debt service (on the Lease Revenue Bonds) instead of repaying the County for its contribution to the Weatherford College project.

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

The fund balance of the County's general fund increased \$6,670 during the current fiscal year. This increase is primarily due to:

- Increases in sales tax received and fees of office revenues offset by transfers out to other funds and decreases in royalties and rentals revenue; and
- Increases in general government and judicial expenditures.

The debt service fund has a total fund balance of \$2,811,176, all of which is restricted for the payment of debt service and reserve requirements. The net decrease in fund balance during the current year in the debt service fund was \$1,843,255, which is attributable to the addition of debt service payments for the lease revenue bonds. Total debt principal, interest and fiscal charges in the debt service fund totaled \$6,100,029.

The capital projects fund had an ending fund balance of \$2,125,590, 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 \$2,131,829 from the original to the final budget. Most of this difference resulted from a decrease in general government expenditures.

The projected annual revenues and other financing sources decreased by \$1,327,622 from the original to the final budget. This was primarily due to a decrease in property tax revenue collected and netted against an increase in fees of office in the current year. Actual revenues were \$158,975 less than amended budget amounts and actual total expenditures for the year were \$520,202 less 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, 2012, net capital assets of the governmental activities totaled \$82,725,609. Depreciation on capital assets is recognized in the government-wide financial statements. Annual depreciation for buildings, improvements, infrastructure and machinery and equipment totaled \$5,475,817.

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;
- Purchase of heavy equipment and machinery consisting of asphalt distributors, dump trucks, trucks and trailers for the precincts;
- Purchase of 3 Ford Explorers 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	
	2012	2011
Land	\$ 3,831,235	\$ 3,762,914
Construction in progress	24,234,207	6,505,183
Buildings and improvements	15,299,997	15,805,028
Infrastructure	31,255,442	33,395,403
Machinery and equipment	8,104,728	9,288,643
Total	\$ 82,725,609	\$ 68,757,171

Additional information on the County's capital assets can be found in Note E on page 27 of this report.

Long-term debt. As of September 30, 2012, the County had certificates of obligation, tax notes and lease revenue bonds outstanding of \$35,240,000. Certificates of obligation and tax notes retired in the current fiscal year totaled \$1,100,000 and \$1,670,000, respectively. Also included in the County's long-term debt are unamortized bond premium of \$25,965 and compensated absences payable of \$799,551.

Wise County's Outstanding Debt

	Governmental Activities	
	2012	2011
Certificates of obligation	\$ 1,805,000	\$ 2,905,000
Tax notes	4,435,000	6,105,000
Lease revenue bonds	29,000,000	29,000,000
Unamortized premium	25,965	41,942
Compensated absences	799,551	726,967
Total	\$ 36,065,516	\$ 38,778,909

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 G on pages 28 through 29 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 2013, the County Commissioners and management considered the following factors:

- The County, which is located near the Dallas/Fort Worth Metroplex, DFW Airport, Alliance Airport, and the Texas Motor Speedway, expects increases in population and retail sales, therefore increasing the sales tax revenues for the County.
- Industries in the County, which include the oil and gas industry, rock crusher industry, aerospace graphite products, sheet metal products, 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, 2012

	<u>Primary Government</u>
Assets	
Current assets:	
Cash	\$ 895,121
Investments	7,813,777
Receivables, taxes (net of allowance for uncollectible of \$478,232)	975,903
Receivables, accounts (net of allowance of \$217,227)	4,333,538
Due from other governments	624,890
Non-current assets:	
Restricted cash and investments	12,668,060
Deferred debt issuance costs, net of accumulated amortization	762,787
Capital assets	
Land and construction in progress	28,065,442
Other capital assets, net of depreciation	<u>54,660,167</u>
Total capital assets	<u>82,725,609</u>
Total assets	<u>110,799,685</u>
Liabilities	
Current liabilities:	
Accounts payable	500,671
Accrued salaries and benefits	900,600
Due to other governments	130
Deposits held and due to others	1,780,865
Accrued interest payable	309,751
Deferred revenue	59,581
Noncurrent liabilities:	
Due within one year	3,105,000
Due in more than one year	<u>32,960,516</u>
Total liabilities	<u>39,617,114</u>
Net assets	
Invested in capital assets, net of related debt	49,585,234
Restricted for:	
Debt service	2,811,176
Indigent health	1,760,607
State and federal programs	1,920,349
Records management	689,455
General government	35,783
Legal	528,605
Public safety	579,741
Roads and bridges	1,731,650
Teen court	407
Justice courts technology	285,566
Unrestricted	<u>11,253,998</u>
Total net assets	<u>\$ 71,182,571</u>

WISE COUNTY, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2012

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	\$ 6,928,833	\$ 1,278,903	\$ 222,546	\$ -	\$ (5,427,384)
Judicial	3,128,973	779,680	787,914	-	(1,561,379)
Legal	1,882,668	171,761	31,250	-	(1,679,657)
Elections	390,214	15,870	-	-	(374,344)
Financial administration	1,810,281	882,305	-	-	(927,976)
Public facilities	3,645,253	80,970	-	-	(3,564,283)
Public safety	16,047,679	3,115,409	762,801	73,690	(12,095,779)
Public transportation	13,054,028	2,206,303	317,856	-	(10,529,869)
Health and welfare	1,203,268	46,393	-	-	(1,156,875)
Culture and recreation	425,475	28,538	-	-	(396,937)
Conservation	316,207	-	11,235	-	(304,972)
Interest/fees on long-term debt	3,170,068	-	-	-	(3,170,068)
Total primary government	\$ 52,002,947	\$ 8,606,132	\$ 2,133,602	\$ 73,690	(41,189,523)

General revenues:	
Property taxes	30,772,752
Sales and other taxes	5,145,621
Investment earnings	56,180
Royalties and rentals	1,980,358
Gain on disposal of assets	135,218
Other	367,224
Total general revenues	38,457,353
Change in net assets	(2,732,170)
Net assets, October 1, 2011	73,914,741
Net assets, September 30, 2012	\$ 71,182,571

WISE COUNTY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2012

	General	Lateral Road Funds	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ -	\$ 318,299	\$ -	\$ -	\$ 576,822	\$ 895,121
Investments	6,713,777	1,100,000	-	-	-	7,813,777
Receivables:						
Property taxes (net of allowances of \$478,232)	672,199	220,680	-	-	83,024	975,903
Accounts	117,440	88,685	-	-	75	206,200
Due from other funds	-	-	-	-	11,020	11,020
Due from other governments	422,188	65,360	-	-	137,342	624,890
Restricted cash and investments	285,973	1,761,451	2,369,908	2,811,176	5,439,552	12,668,060
Total assets	\$ 8,211,577	\$ 3,554,475	\$ 2,369,908	\$ 2,811,176	\$ 6,247,835	\$ 23,194,971
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 215,498	\$ 30,635	\$ 244,318	\$ -	\$ 10,220	\$ 500,671
Accrued salaries and benefits	708,411	129,880	-	-	62,309	900,600
Due to other funds	11,020	-	-	-	-	11,020
Due to other governments	130	-	-	-	-	130
Deposits held and due to others	1,780,865	-	-	-	-	1,780,865
Deferred revenue:						
Property taxes	672,199	220,680	-	-	83,024	975,903
Other	36,250	23,331	-	-	-	59,581
Total liabilities	3,424,373	404,526	244,318	-	155,553	4,228,770
Fund balances						
Restricted for:						
Debt service	-	-	-	2,811,176	-	2,811,176
Capital projects	-	-	2,125,590	-	-	2,125,590
Indigent health	-	-	-	-	1,760,607	1,760,607
State and federal programs	-	-	-	-	1,920,349	1,920,349
Records management	-	-	-	-	689,455	689,455
General government	-	-	-	-	35,783	35,783
Legal	-	-	-	-	528,605	528,605
Public safety	-	-	-	-	579,741	579,741
Roads and bridges	-	1,731,650	-	-	-	1,731,650
Teen court	407	-	-	-	-	407
Justice courts technology	285,566	-	-	-	-	285,566
Committed to:						
Special road projects	-	1,418,299	-	-	-	1,418,299
General government	-	-	-	-	350,340	350,340
Public safety	675,035	-	-	-	-	675,035
Public transportation	-	-	-	-	141,515	141,515
Judicial	35,215	-	-	-	-	35,215
Elections	-	-	-	-	44,540	44,540
Legal	-	-	-	-	41,347	41,347
Parks and recreation	58,619	-	-	-	-	58,619
Unassigned	3,732,362	-	-	-	-	3,732,362
Total fund balances	4,787,204	3,149,949	2,125,590	2,811,176	6,092,282	18,966,201
Total liabilities and fund balances	\$ 8,211,577	\$ 3,554,475	\$ 2,369,908	\$ 2,811,176	\$ 6,247,835	

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.

82,725,609

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

975,903

Other assets, additional receivables, and issuance costs are not measurable and available in the current period and are not reported in the funds.

4,890,125

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.

(36,375,267)

Net assets of governmental activities - statement of net assets

\$ 71,182,571

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
September 30, 2012

	General	Lateral Road Funds	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 20,993,312	\$ 6,501,445	\$ -	\$ -	\$ 3,360,919	\$ 30,855,676
Sales tax	5,113,676	-	-	-	-	5,113,676
Licenses and permits	-	1,369,904	-	-	-	1,369,904
Intergovernmental	706,952	314,856	-	-	1,141,117	2,162,925
Fees of office	4,368,729	-	-	-	411,005	4,779,734
Fines and forfeitures	580,290	807,796	-	-	-	1,388,086
Interest	22,380	8,469	12,469	10,122	2,740	56,180
Royalties and rentals	866,811	-	-	1,113,547	-	1,980,358
Solid waste fees	482,216	-	-	-	-	482,216
Miscellaneous revenues and donations	379,582	44,687	-	-	238,113	662,382
Total revenues	33,513,948	9,047,157	12,469	1,123,669	5,153,894	48,851,137
Expenditures						
Current:						
General government	3,315,894	-	-	-	3,539,792	6,855,686
Judicial	2,985,034	-	-	-	101,821	3,086,855
Legal	1,817,015	-	-	-	49,907	1,866,922
Elections	297,289	-	-	-	76,452	373,741
Financial administration	1,808,081	-	-	-	-	1,808,081
Public facilities	2,955,195	-	-	-	-	2,955,195
Public safety	14,116,553	-	-	-	833,043	14,949,596
Public transportation	-	9,561,507	-	-	42,018	9,603,525
Health and welfare	871,359	-	-	-	331,644	1,203,003
Culture and recreation	274,898	-	-	-	-	274,898
Conservation	306,977	-	-	-	-	306,977
Capital outlay	370,778	1,099,011	17,824,932	-	226,219	19,520,940
Debt service	-	-	-	-	-	-
Principal retirement	-	-	-	2,770,000	-	2,770,000
Interest, issuance costs, and fiscal charges	-	-	-	3,330,029	-	3,330,029
Total expenditures	29,119,073	10,660,518	17,824,932	6,100,029	5,200,896	68,905,448
Excess (deficiency) of revenues over (under) expenditures	4,394,875	(1,613,361)	(17,812,463)	(4,976,360)	(47,002)	(20,054,311)
Other financing sources (uses)						
Operating transfers in	290,363	356,025	-	3,133,105	1,206,538	4,986,031
Operating transfers out	(4,695,668)	-	-	-	(290,363)	(4,986,031)
Sales of assets	17,100	194,803	-	-	-	211,903
Total other financing sources (uses)	(4,388,205)	550,828	-	3,133,105	916,175	211,903
Net change in fund balances	6,670	(1,062,533)	(17,812,463)	(1,843,255)	869,173	(19,842,408)
Fund balances, October 1, 2011	4,780,534	4,212,482	19,938,053	4,654,431	5,223,109	38,808,609
Fund balances, September 30, 2012	<u>\$ 4,787,204</u>	<u>\$ 3,149,949</u>	<u>\$ 2,125,590</u>	<u>\$ 2,811,176</u>	<u>\$ 6,092,282</u>	<u>\$ 18,966,201</u>

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, 2012

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

Net change in fund balances - total governmental funds \$ (19,842,408)

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.

Capital outlay	\$ 19,520,940	
Depreciation	<u>(5,475,817)</u>	
Net capital outlay		14,045,123

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals, donations) decreases net assets. (76,685)

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. 284,424

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. 2,770,000

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	\$ 15,977	
Amortization of deferred bond issuance costs	(55,445)	
Decrease in accrued interest payable	199,428	
Increase in compensated absences payable	<u>(72,584)</u>	
Net increase in expenditures		<u>87,376</u>

Change in net assets of governmental activities - statement of activities \$ (2,732,170)

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
General Fund
For the Fiscal Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 24,113,700	\$ 20,993,315	\$ 20,993,312	\$ (3)
Sales tax	4,100,000	5,113,676	5,113,676	-
Intergovernmental	411,750	887,904	706,952	(180,952)
Fees of office	3,967,450	4,368,743	4,368,729	(14)
Fines and forfeitures	555,000	580,290	580,290	-
Interest	23,100	22,380	22,380	-
Royalties and rentals	1,101,000	866,811	866,811	-
Solid waste fees	440,000	482,216	482,216	-
Miscellaneous revenues and donations	292,508	357,588	379,582	21,994
Total revenues	<u>35,004,508</u>	<u>33,672,923</u>	<u>33,513,948</u>	<u>(158,975)</u>
Expenditures				
Current:				
General government	6,421,081	3,516,207	3,315,894	200,313
Judicial	3,097,160	2,999,603	2,985,034	14,569
Legal	1,914,424	1,817,048	1,817,015	33
Elections	272,431	297,296	297,289	7
Financial administration	1,862,907	1,808,107	1,808,081	26
Public facilities	3,078,260	3,013,598	2,955,195	58,403
Public safety	14,269,953	14,415,424	14,116,553	298,871
Health and welfare	954,360	871,370	871,359	11
Culture and recreation	268,074	274,905	274,898	7
Conservation	269,449	306,988	306,977	11
Capital outlay	11,000	318,729	370,778	(52,049)
Total expenditures	<u>32,419,099</u>	<u>29,639,275</u>	<u>29,119,073</u>	<u>520,202</u>
Excess of revenues over expenditures	<u>2,585,409</u>	<u>4,033,648</u>	<u>4,394,875</u>	<u>361,227</u>
Other financing sources (uses)				
Operating transfers in	283,500	290,363	290,363	-
Operating transfers out	(4,105,647)	(4,753,642)	(4,695,668)	57,974
Sales of assets	20,000	17,100	17,100	-
Total other financing sources (uses)	<u>(3,802,147)</u>	<u>(4,446,179)</u>	<u>(4,388,205)</u>	<u>57,974</u>
Net change in fund balances	<u>(1,216,738)</u>	<u>(412,531)</u>	<u>6,670</u>	<u>419,201</u>
Fund balances, October 1, 2011	<u>4,780,534</u>	<u>4,780,534</u>	<u>4,780,534</u>	<u>-</u>
Fund balances, September 30, 2012	<u>\$ 3,563,796</u>	<u>\$ 4,368,003</u>	<u>\$ 4,787,204</u>	<u>\$ 419,201</u>

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 6,478,800	\$ 6,501,457	\$ 6,501,445	\$ (12)
License and permits	1,440,800	1,369,909	1,369,904	(5)
Intergovernmental	136,000	314,857	314,856	(1)
Fines and forfeitures	802,000	807,802	807,796	(6)
Interest	11,900	8,473	8,469	(4)
Miscellaneous revenues and donations	4,200	44,690	44,687	(3)
Total revenues	8,873,700	9,047,188	9,047,157	(31)
Expenditures				
Current:				
Public transportation	11,770,704	10,415,217	9,561,507	853,710
Capital outlay	540,000	760,606	1,099,011	(338,405)
Total expenditures	12,310,704	11,175,823	10,660,518	515,305
Deficiency of revenues under expenditures	(3,437,004)	(2,128,635)	(1,613,361)	515,274
Other financing sources				
Operating transfers in	345,000	356,026	356,025	(1)
Sales of assets	140,000	145,397	194,803	49,406
Total other financing sources	485,000	501,423	550,828	49,405
Net change in fund balances	(2,952,004)	(1,627,212)	(1,062,533)	564,679
Fund balances, October 1, 2011	4,212,482	4,212,482	4,212,482	-
Fund balances, September 30, 2012	\$ 1,260,478	\$ 2,585,270	\$ 3,149,949	\$ 564,679

WISE COUNTY, TEXAS
Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2012

Assets	
Cash	\$ 2,580,967
Investments	575,302
Receivables:	
Property taxes - for other governments	<u>59,923</u>
Total assets	<u><u>\$ 3,216,192</u></u>
Liabilities	
Deposits held and due to others	\$ 3,156,269
Property taxes to be collected - due to other governments	<u>59,923</u>
Total liabilities	<u><u>\$ 3,216,192</u></u>

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2012

Note A – 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.

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, 2012.

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, 2012

Note A - Summary of Significant Accounting Policies (Continued)

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

The County reports the following major governmental funds:

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

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

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

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

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

Budgets and Budgetary Accounting

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

- (A) In the event the Commissioners' Court increases property taxes 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, 2012

Note A - 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, 2012.

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, 2012

Note A - 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.

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

It is the County's goal to achieve and maintain an unassigned General Fund balance equal to 25% of budgeted expenditures. At the end of fiscal year 2012, the unassigned General Fund balance was 13% 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.

The government-wide statement of net assets includes \$2,048,528 of net assets restricted by enabling legislation.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2012

Note B - Deposits, Securities and Investments

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

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, 2012, the County had the following investments:

	Quality Ratings AAAm		Weighted Average Maturities
	<u>Market Value</u>	<u>% of Total</u>	
Certificates of Deposit- Agency Funds	\$ 575,302	4.50%	6 months
TexPool			
Governmental Funds	12,222,750	95.50%	41 days
Agency Funds	<u>342</u>	<u>0.00%</u>	41 days
 Total Investments	 <u>\$ 12,798,394</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, 2012, 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, 2012

Note B - 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, 2012, 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, 2012, 95.50% of the County's investments was included in local government investment pools and 4.50% 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, 2012, the County's cash was insured or collateralized with securities held by the County or by its agent in the County's name.

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

Note C - Property Tax

Taxes are levied on October 1 and are past due on February 1. Property taxes attach as an enforceable lien on property as of January 1. Wise County Appraisal District appraises property values in the County. The Wise County Tax Assessor-Collector assesses and collects the County's property taxes. The County is permitted by the Municipal Finance Law of the State to levy taxes up to \$1.10 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal and interest on long-term debt and unlimited amounts for the payment of principal and interest on long-term debt. There are however stringent restrictions on the issuance of such long-term debt. The tax rate for the year ended September 30, 2012, 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 D - 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:

<u>Fund</u>	<u>Property Taxes Receivable (Net)</u>
General- (M&O)	\$ 672,199
Special Revenue- (WCBCMT)	83,024
Lateral Road	<u>220,680</u>
Total	<u>\$ 975,903</u>

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2012

Note E – Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

	<u>Balance</u> <u>10/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2012</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,762,914	\$ 93,421	\$ 25,100	\$ 3,831,235
Construction in progress	<u>6,505,183</u>	<u>17,729,024</u>	<u>-</u>	<u>24,234,207</u>
Total capital assets not being depreciated	<u>10,268,097</u>	<u>17,822,445</u>	<u>25,100</u>	<u>28,065,442</u>
Other capital assets				
Buildings and improvements	24,966,397	52,324	-	25,018,721
Infrastructure	74,489,707	338,400	-	74,828,107
Machinery and equipment	<u>22,122,186</u>	<u>1,307,771</u>	<u>624,956</u>	<u>22,805,001</u>
Total other capital assets	121,578,290	1,698,495	624,956	122,651,829
Less accumulated depreciation for:				
Building and improvements	9,161,369	557,355	-	9,718,724
Infrastructure	41,094,304	2,478,361	-	43,572,665
Machinery and equipment	<u>12,833,543</u>	<u>2,440,101</u>	<u>573,371</u>	<u>14,700,273</u>
Total accumulated depreciation	<u>63,089,216</u>	<u>5,475,817</u>	<u>573,371</u>	<u>67,991,662</u>
Other capital assets, net	<u>58,489,074</u>	<u>(3,777,322)</u>	<u>51,585</u>	<u>54,660,167</u>
Governmental activities capital assets, net	<u>\$ 68,757,171</u>	<u>\$ 14,045,123</u>	<u>\$ 76,685</u>	<u>\$ 82,725,609</u>

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

Governmental activities:	
General government	\$ 70,778
Judicial	38,803
Legal	12,299
Elections	15,397
Public facilities	684,782
Public safety	1,053,595
Public transportation	3,440,964
Culture and recreation	150,577
Conservation	<u>8,622</u>
Total depreciation for governmental activities	<u>\$ 5,475,817</u>

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2012

Note F - 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 investments are restricted for the following:

Debt service	\$ 2,811,176
Capital projects	2,369,908
Indigent health	1,760,607
State and federal programs	1,846,441
Records management	688,173
General government	35,783
Legal	528,605
Public safety	579,943
Roads and bridges	1,761,451
Teen court	407
Justice courts technology	285,566
Total Restricted Assets	<u><u>\$ 12,668,060</u></u>

Note G - 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 \$1,805,000 at September 30, 2012.

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 \$4,435,000 at September 30, 2012.

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, 2012.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2012

Note G - Long-Term Debt (Continued)

The following are changes by type of debt:

	Balance 10/1/2011	Increase	Decrease	Balance 9/30/2012	Amounts Due Within One Year
Tax notes-series 2008	\$ 6,105,000	\$ -	\$ 1,670,000	\$ 4,435,000	\$ 1,905,000
Certificates of obligation	2,905,000	-	1,100,000	1,805,000	1,155,000
Lease revenue bonds	29,000,000	-	-	29,000,000	45,000
Unamortized bond premium	41,942	-	15,977	25,965	-
Compensated absences	726,967	72,584	-	799,551	-
Totals	<u>\$ 38,778,909</u>	<u>\$ 72,584</u>	<u>\$ 2,785,977</u>	<u>\$ 36,065,516</u>	<u>\$ 3,105,000</u>

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	
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	<u>\$ 4,435,000</u>	<u>\$ 278,600</u>	<u>\$ 1,805,000</u>	<u>\$ 100,945</u>	<u>\$ 6,619,545</u>

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

Year	Principal	Interest	Total
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	385,000	2,191,038	2,576,038
2018-2022	3,485,000	10,450,437	13,935,437
2023-2027	6,785,000	8,722,852	15,507,852
2028-2032	11,410,000	5,410,150	16,820,150
2033-2034	6,255,000	761,600	7,016,600
Totals	<u>\$ 29,000,000</u>	<u>\$ 36,415,651</u>	<u>\$ 65,415,651</u>

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 this reserve requirement.

Note H – Letter of Credit

The County has an irrevocable standby letter of credit with the Federal Home Loan Bank of Dallas to be drawn upon as needed, but not to exceed \$6,000,000. The County did not draw on the letter of credit during the year. As of September 30, 2012 the balance outstanding on this line of credit was zero.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2012

Note I – Compensated Absences

County policy allows the accrual of vacation, overtime compensation, and sick pay benefits for all employees other than elected and appointed officials. Vacation and overtime compensation are paid upon termination if employees give two weeks' notice or are terminated by the County. Sick pay is not paid upon termination for any reason. At September 30, 2012 the value of the liability for compensated absences was \$799,551 and the value of accumulated sick pay benefits was approximately \$482,562.

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 J – Interfund Balances and Transfers

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable From	Payable To	Amount
General fund	Other governmental funds	\$ 11,020

Interfund transfers during the year were as follows:

Fund	Transfer In	Transfer Out
General fund	\$ 290,363	\$ 4,695,668
Lateral road fund	356,025	-
Debt service fund	3,133,105	-
Other governmental funds	1,206,538	290,363
Total transfers	\$ 4,986,031	\$ 4,986,031

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.

Note K - Retirement Pension Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 participating employers. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034. The report is also available at www.tcdrs.org.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2012

Note K - Retirement Pension Plan (Continued)

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 9.66% for the months in the 2011 calendar year, and 9.98% for the months in the 2012 calendar year.

The deposit rate payable by the employee members for calendar year 2012 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, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011 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 payroll on a closed basis. The remaining amortization period at December 31, 2011 was 20 years.

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was 85.20 percent funded. The actuarial accrued liability for benefits was \$40,255,380, and the actuarial value of assets was \$34,298,314, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,957,066. The covered payroll (annual payroll of active employees covered by the plan) was \$16,587,443 and the ratio of the UAAL to the covered payroll was 35.91 percent.

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2012

Note K - Retirement Pension Plan (Continued)

The schedule of funding progress, presented as required supplementary information (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	12/31/2009	12/31/2010	12/31/2011
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			
Subdivision Accumulation Fund	10 year smoothed value	10 year smoothed value	10 year smoothed value
Employees Saving Fund	Fund value	Fund value	Fund value
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.40%	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
Wis County Employee's Retirement Plan

Accounting Year End	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2010	1,526,310	100%	-
9/30/2011	1,578,796	100%	-
9/30/2012	1,658,327	100%	-

Note L - Postemployment Benefits Other Than Pensions

Plan Description:

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

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

WISE COUNTY, TEXAS
Notes to Financial Statements
September 30, 2012

Note L - 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, 2012, 2011, and 2010 were \$44,325, \$44,828, and \$54,189, respectively, which equaled the contractually required contributions each year.

Note M - Risk Management

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

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

Note N –Contingencies

Litigation

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

Grants

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

REQUIRED SUPPLEMENTARY
INFORMATION

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage Covered of Payroll ((b-a)/c)
12/31/2009	\$ 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%
12/31/2011	34,298,314	40,255,380	5,957,066	85.20%	16,587,443	35.91%

COMBINING AND BUDGET STATEMENTS

MAJOR GOVERNMENTAL FUNDS COMBINING AND
BUDGETARY COMPARISON STATEMENTS

WISE COUNTY, TEXAS
Combining Balance Sheet
Lateral Road Fund
September 30, 2012

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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 318,299	\$ 318,299
Investments	-	-	-	-	-	1,100,000	1,100,000
Receivables:							
Property taxes (net of allowance of \$96,939)	12,269	50,692	72,944	38,354	46,421	-	220,680
Accounts	23,331	3,987	53,393	3,987	3,987	-	88,685
Due from other governments	-	16,340	16,340	16,340	16,340	-	65,360
Restricted cash and investments	376,317	408,197	337,529	96,437	542,971	-	1,761,451
Total assets	\$ 411,917	\$ 479,216	\$ 480,206	\$ 155,118	\$ 609,719	\$ 1,418,299	\$ 3,554,475
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 4,961	\$ 194	\$ 20,330	\$ 4,033	\$ 1,117	\$ -	\$ 30,635
Accrued salaries and benefits	-	32,565	35,142	34,328	27,845	-	129,880
Deferred revenue:							
Property taxes	12,269	50,692	72,944	38,354	46,421	-	220,680
Other	23,331	-	-	-	-	-	23,331
Total liabilities	40,561	83,451	128,416	76,715	75,383	-	404,526
Fund balances							
Restricted for:							
Roads and bridges	371,356	395,765	351,790	78,403	534,336	-	1,731,650
Committed to:							
Special road projects	-	-	-	-	-	1,418,299	1,418,299
Total fund balances	371,356	395,765	351,790	78,403	534,336	1,418,299	3,149,949
Total liabilities and fund balances	\$ 411,917	\$ 479,216	\$ 480,206	\$ 155,118	\$ 609,719	\$ 1,418,299	\$ 3,554,475

WISE COUNTY, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Lateral Road Fund
For the Fiscal Year Ended September 30, 2012

	Right of Way and Fencing	Precinct No. 1	Precinct No. 2	Precinct No. 3	Precinct No. 4	County Thoroughfare	Inter-Fund Eliminations	Total Lateral Road Fund
Revenues								
Property taxes	\$ 361,155	\$ 1,493,512	\$ 2,149,118	\$ 1,130,016	\$ 1,367,644	\$ -	\$ -	\$6,501,445
Licenses and permits	-	342,476	342,476	342,476	342,476	-	-	1,369,904
Intergovernmental	-	78,714	78,714	78,714	78,714	-	-	314,856
Fines and forfeitures	-	201,946	201,970	201,941	201,939	-	-	807,796
Interest	880	1,473	1,755	1,089	1,441	1,831	-	8,469
Miscellaneous revenues and donations	3,598	1,639	29,971	5,779	3,700	-	-	44,687
Total revenues	365,633	2,119,760	2,804,004	1,760,015	1,995,914	1,831	-	9,047,157
Expenditures								
Current:								
Public transportation	78,089	2,268,281	3,107,460	2,296,451	1,794,483	16,743	-	9,561,507
Capital outlay	338,400	95,500	-	309,808	355,303	-	-	1,099,011
Total expenditures	416,489	2,363,781	3,107,460	2,606,259	2,149,786	16,743	-	10,660,518
Deficiency of revenues under expenditures	(50,856)	(244,021)	(303,456)	(846,244)	(153,872)	(14,912)	-	(1,613,361)
Other financing sources								
Operating transfers in	56,025	150,000	-	525,000	-	1,200,000	(1,575,000)	356,025
Operating transfers out	-	-	(500,000)	-	(400,000)	(675,000)	1,575,000	-
Sale of assets	-	5,000	65,406	10,500	113,897	-	-	194,803
Total financing sources	56,025	155,000	(434,594)	535,500	(286,103)	525,000	-	550,828
Net change in fund balances	5,169	(89,021)	(738,050)	(310,744)	(439,975)	510,088	-	(1,062,533)
Fund balances, October 1, 2011	366,187	484,786	1,089,840	389,147	974,311	908,211	-	4,212,482
Fund balances, September 30, 2012	<u>\$ 371,356</u>	<u>\$ 395,765</u>	<u>\$ 351,790</u>	<u>\$ 78,403</u>	<u>\$ 534,336</u>	<u>\$ 1,418,299</u>	<u>\$ -</u>	<u>\$3,149,949</u>

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 8,000	\$ 12,469	\$ 12,469	\$ -
Total revenues	<u>8,000</u>	<u>12,469</u>	<u>12,469</u>	<u>-</u>
Expenditures				
General government	530,000	21,688	-	21,688
Capital outlay	<u>20,982,200</u>	<u>17,703,800</u>	<u>17,824,932</u>	<u>(121,132)</u>
Total expenditures	<u>21,512,200</u>	<u>17,725,488</u>	<u>17,824,932</u>	<u>(99,444)</u>
Deficiency of revenues under expenditures	(21,504,200)	(17,713,019)	(17,812,463)	(99,444)
Other financing sources (uses)				
Bond proceeds	<u>20,892,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	20,892,000	-	-	-
Net change in fund balances	(612,200)	(17,713,019)	(17,812,463)	(99,444)
Fund balances, October 1, 2011	<u>19,938,053</u>	<u>19,938,053</u>	<u>19,938,053</u>	<u>-</u>
Fund balances, September 30, 2012	<u>\$ 19,325,853</u>	<u>\$ 2,225,034</u>	<u>\$ 2,125,590</u>	<u>\$ (99,444)</u>

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Debt Service Funds
September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 1,000	\$ 10,122	\$ 10,122	\$ -
Rentals	1,019,459	1,113,547	1,113,547	-
Total revenues	<u>1,020,459</u>	<u>1,123,669</u>	<u>1,123,669</u>	<u>-</u>
Expenditures				
Debt and capital lease debt service:				
Principal retirement	2,770,000	2,770,000	2,770,000	-
Interest and fiscal charges	<u>3,333,564</u>	<u>3,335,003</u>	<u>3,330,029</u>	<u>4,974</u>
Total expenditures	<u>6,103,564</u>	<u>6,105,003</u>	<u>6,100,029</u>	<u>4,974</u>
Deficiency of revenues under expenditures	(5,083,105)	(4,981,334)	(4,976,360)	4,974
Other financing sources				
Operating transfers in	<u>3,133,105</u>	<u>3,133,105</u>	<u>3,133,105</u>	<u>-</u>
Total other financing sources	<u>3,133,105</u>	<u>3,133,105</u>	<u>3,133,105</u>	<u>-</u>
Net change in fund balances	(1,950,000)	(1,848,229)	(1,843,255)	4,974
Fund balances, October 1, 2011	<u>4,654,431</u>	<u>4,654,431</u>	<u>4,654,431</u>	<u>-</u>
Fund balances, September 30, 2012	<u>\$ 2,704,431</u>	<u>\$ 2,806,202</u>	<u>\$ 2,811,176</u>	<u>\$ 4,974</u>

NONMAJOR GOVERNMENTAL FUNDS COMBINING AND
BUDGETARY COMPARISON STATEMENTS

WISE COUNTY, TEXAS
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2012

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Indigent Health Care	County Grants	County Clerk Record Management	Juvenile Probation TJPC 10-249	WCWC Branch Maintenance, Tax	Other Special Revenue	
Assets							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 576,822	\$ 576,822
Receivables:							
Property tax	-	-	-	-	83,024	-	83,024
Accounts	-	-	-	-	-	75	75
Due from other funds	-	-	11,020	-	-	-	11,020
Due from other governments	-	76,649	-	-	-	60,693	137,342
Restricted cash and investments	1,760,607	1,004,232	590,924	441,722	-	1,642,067	5,439,552
Total assets	<u>\$1,760,607</u>	<u>\$1,080,881</u>	<u>\$ 601,944</u>	<u>\$441,722</u>	<u>\$ 83,024</u>	<u>\$2,279,657</u>	<u>\$ 6,247,835</u>
Liabilities and fund balances							
Liabilities							
Accounts payable	\$ -	\$ -	\$ 9,738	\$ 150	\$ -	\$ 332	\$ 10,220
Accrued salaries and benefits	-	-	-	17,316	-	44,993	62,309
Deferred property tax revenue	-	-	-	-	83,024	-	83,024
Total liabilities	-	-	9,738	17,466	83,024	45,325	155,553
Fund balances							
Restricted for:							
Indigent health	1,760,607	-	-	-	-	-	1,760,607
State and federal programs	-	1,080,881	-	424,256	-	415,212	1,920,349
Records management	-	-	592,206	-	-	97,249	689,455
General government	-	-	-	-	-	35,783	35,783
Legal	-	-	-	-	-	528,605	528,605
Public safety	-	-	-	-	-	579,741	579,741
Committed to:							
General government	-	-	-	-	-	350,340	350,340
Public transportation	-	-	-	-	-	141,515	141,515
Elections	-	-	-	-	-	44,540	44,540
Legal	-	-	-	-	-	41,347	41,347
Total fund balances	<u>1,760,607</u>	<u>1,080,881</u>	<u>592,206</u>	<u>424,256</u>	<u>-</u>	<u>2,234,332</u>	<u>6,092,282</u>
Total liabilities and fund balances	<u>\$1,760,607</u>	<u>\$1,080,881</u>	<u>\$ 601,944</u>	<u>\$441,722</u>	<u>\$ 83,024</u>	<u>\$2,279,657</u>	<u>\$ 6,247,835</u>

WISE COUNTY, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2012

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Indigent Health Care	County Grants	County Clerk Record Management	Juvenile Probation TJPC 11-249	WCWC Branch Maintenance, Tax	Other Special Revenue	
Revenues							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,360,919	\$ -	\$ 3,360,919
Intergovernmental	-	134,530	-	459,468	-	547,119	1,141,117
Fees of office	-	-	171,761	-	-	239,244	411,005
Interest	1,857	-	-	726	-	157	2,740
Miscellaneous revenues and donations	14,723	-	-	-	-	223,390	238,113
Total revenues	16,580	134,530	171,761	460,194	3,360,919	1,009,910	5,153,894
Expenditures							
Current:							
General government	-	-	129,395	-	3,360,919	49,478	3,539,792
Judicial	-	-	-	-	-	101,821	101,821
Legal	-	-	-	-	-	49,907	49,907
Elections	-	-	-	-	-	76,452	76,452
Public safety	-	48,252	-	727,689	-	57,102	833,043
Public transportation	-	-	-	-	-	42,018	42,018
Health and welfare	331,644	-	-	-	-	-	331,644
Capital outlay	-	73,689	-	-	-	152,530	226,219
Total expenditures	331,644	121,941	129,395	727,689	3,360,919	529,308	5,200,896
Excess (deficiency) of revenues over (under) expenditures	(315,064)	12,589	42,366	(267,495)	-	480,602	(47,002)
Other financing sources (uses)							
Operating transfers in	450,000	280,396	-	377,542	-	98,600	1,206,538
Operating transfers out	-	(15,363)	(102,500)	-	-	(172,500)	(290,363)
Total other financing sources (uses)	450,000	265,033	(102,500)	377,542	-	(73,900)	916,175
Net change in fund balances	134,936	277,622	(60,134)	110,047	-	406,702	869,173
Fund balances, October 1, 2011	1,625,671	803,259	652,340	314,209	-	1,827,630	5,223,109
Fund balances, September 30, 2012	\$ 1,760,607	\$ 1,080,881	\$ 592,206	\$ 424,256	\$ -	\$ 2,234,332	\$ 6,092,282

WISE COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Non Major - Special Revenue Funds
September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ -	\$ 3,360,919	\$ 3,360,919	\$ -
Intergovernmental	1,463,447	786,688	1,141,117	354,429
Fees of office	419,430	411,294	411,005	(289)
Interest	3,000	2,716	2,740	24
Miscellaneous revenues and donations	140,115	179,658	238,113	58,455
Total revenues	<u>2,025,992</u>	<u>4,741,275</u>	<u>5,153,894</u>	<u>412,619</u>
Expenditures				
Current:				
General government	935,865	3,620,149	3,539,792	80,357
Judicial	169,551	172,302	101,821	70,481
Legal	99,324	79,296	49,907	29,389
Elections	26,000	76,451	76,452	(1)
Public safety	2,045,319	1,297,570	833,043	464,527
Public transportation	60,000	42,020	42,018	2
Health and welfare	1,621,814	466,581	331,644	134,937
Capital outlay	100,100	141,842	226,219	(84,377)
Total expenditures	<u>5,057,973</u>	<u>5,896,211</u>	<u>5,200,896</u>	<u>695,315</u>
Deficiency of revenues under expenditures	<u>(3,031,981)</u>	<u>(1,154,936)</u>	<u>(47,002)</u>	<u>1,107,934</u>
Other financing sources (uses)				
Operating transfers in	396,498	1,225,494	1,206,538	(18,956)
Operating transfers out	(275,000)	(275,000)	(290,363)	(15,363)
Total other financing sources (uses)	<u>121,498</u>	<u>950,494</u>	<u>916,175</u>	<u>(34,319)</u>
Net change in fund balances	<u>(2,910,483)</u>	<u>(204,442)</u>	<u>869,173</u>	<u>1,073,615</u>
Fund balances, October 1, 2011	<u>5,223,109</u>	<u>5,223,109</u>	<u>5,223,109</u>	<u>-</u>
Fund balances, September 30, 2012	<u><u>\$ 2,312,626</u></u>	<u><u>\$ 5,018,667</u></u>	<u><u>\$ 6,092,282</u></u>	<u><u>\$ 1,073,615</u></u>

AGENCY FUNDS

WISE COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities -
All Agency Funds
September 30, 2012

	Inmate Work Release	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	\$71,967	\$48,368	\$ 303	\$10,790	\$ 8,831	\$149,883	\$ 26,567	\$ 10,342	\$ 1,069	\$ -
Investments	-	-	-	-	-	-	-	-	-	342
Receivables:										
Property Taxes - for other governments	-	-	-	-	-	-	-	-	-	-
Total assets	\$71,967	\$48,368	\$ 303	\$10,790	\$ 8,831	\$149,883	\$ 26,567	\$ 10,342	\$ 1,069	\$ 342
Liabilities										
Deposits held and due to others	\$71,967	\$48,368	\$ 303	\$10,790	\$ 8,831	\$149,883	\$ 26,567	\$ 10,342	\$ 1,069	\$ 342
Property taxes to be collected - due to other governments	-	-	-	-	-	-	-	-	-	-
Total liabilities	\$71,967	\$48,368	\$ 303	\$10,790	\$ 8,831	\$149,883	\$ 26,567	\$ 10,342	\$ 1,069	\$ 342

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, 2012

	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	County Clerk Trust	Water Project
Assets											
Cash	\$ 685	\$ 5,588	\$308,879	\$ 2,287	\$ 19,357	\$ 2	\$ 981,432	\$ 1,719	\$289,509	\$ 37,230	\$ 12
Investments	-	-	-	-	-	-	-	-	259,451	299,822	-
Receivables:											
Property Taxes - for other governments	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 685	\$ 5,588	\$308,879	\$ 2,287	\$ 19,357	\$ 2	\$ 981,432	\$ 1,719	\$548,960	\$337,052	\$ 12
Liabilities											
Deposits held and due to others	\$ 685	\$ 5,588	\$308,879	\$ 2,287	\$ 19,357	\$ 2	\$ 981,432	\$ 1,719	\$548,960	\$337,052	\$ 12
Property taxes to be collected - due to other governments	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	\$ 685	\$ 5,588	\$308,879	\$ 2,287	\$ 19,357	\$ 2	\$ 981,432	\$ 1,719	\$548,960	\$337,052	\$ 12

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, 2012

	County Credit Card	Tax Office	Sheriff's Department Commissary	Register Fund Excess Tax Fund	EFTPS	Bail Bond	County Attorney Restitution	Mobile Home Escrow	Property Taxes - Other Governments	Total Agency Funds
Assets										
Cash	\$ 520	\$ 30,877	\$ 150,677	\$ 186,170	\$ 223,030	\$ 6,009	\$ 4,951	\$ 3,913	\$ -	\$ 2,580,967
Investments	-	15,687	-	-	-	-	-	-	-	575,302
Receivables:										
Property Taxes - for other governments	-	-	-	-	-	-	-	\$ -	59,923	59,923
Total assets	\$ 520	\$ 46,564	\$ 150,677	\$ 186,170	\$ 223,030	\$ 6,009	\$ 4,951	\$ 3,913	\$ 59,923	\$ 3,216,192
Liabilities										
Deposits held and due to others	\$ 520	\$ 46,564	\$ 150,677	\$ 186,170	\$ 223,030	\$ 6,009	\$ 4,951	\$ 3,913	\$ -	\$ 3,156,269
Property taxes to be collected - due to other governments	-	-	-	-	-	-	-	-	59,923	59,923
Total liabilities	\$ 520	\$ 46,564	\$ 150,677	\$ 186,170	\$ 223,030	\$ 6,009	\$ 4,951	\$ 3,913	\$ 59,923	\$ 3,216,192

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	Intergovernmental		Licenses and Permits	Fees of Office	Fines and Forfeitures	Interest	Royalties and Rentals	Solid Waste Fees	Miscellaneous	
	Non-Federal Funds	Federal Funds								Total
2003	\$ 16,461,867	\$ 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	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	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	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	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	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	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	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	1,269,878	4,512,768	1,452,419	201,185	1,542,103	504,703	630,464	47,240,417
2012	35,969,352	1,531,973	1,369,904	4,779,734	1,388,086	56,180	1,980,358	482,216	662,382	48,851,137

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
2003	\$1,933,418	\$1,514,705	\$ 801,068	\$ 29,902	\$1,243,991	\$1,660,634	\$ 7,540,538	\$ 4,351,023	\$ 971,770	\$191,067	\$ 167,822	\$ 2,040,405	\$ 22,446,343
2004	2,059,896	1,585,515	875,941	7,964	1,330,963	1,611,969	7,846,942	4,830,894	830,378	162,079	157,644	1,944,158	23,244,343
2005	2,031,057	1,697,946	832,044	55,129	1,294,443	1,705,558	8,530,776	5,474,645	1,123,382	158,564	173,525	2,102,986	25,180,055
2006	2,136,829	1,980,199	1,002,456	37,901	1,498,048	2,247,724	9,803,387	7,654,339	1,075,537	184,896	183,376	1,883,473	29,688,165
2007	2,406,843	2,096,133	1,162,857	43,519	1,654,423	2,406,614	10,862,739	7,074,598	1,893,450	213,857	197,250	1,762,389	31,774,672
2008	2,571,222	2,248,356	1,252,861	218,701	1,440,154	2,832,750	12,883,805	7,404,404	1,725,757	234,027	211,024	1,754,381	34,777,442
2009	3,011,867	2,503,556	1,486,646	248,492	1,665,163	2,844,331	13,956,642	5,968,841	1,394,676	284,021	249,570	2,950,453	36,564,258
2010	7,052,060	2,581,025	1,680,625	282,124	1,731,874	2,787,673	14,563,483	6,133,246	1,132,768	279,076	244,480	2,966,762	41,435,196
2011	6,592,666	2,789,808	1,845,103	296,174	1,786,841	3,009,134	15,190,749	9,756,738	1,115,367	302,629	254,054	3,921,362	46,860,625
2012	6,855,686	3,086,855	1,866,922	373,741	1,808,081	2,955,195	14,949,596	9,603,525	1,203,003	274,898	306,977	6,100,029	49,384,508

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

Fiscal Year	Total Tax Levy (Including Supplements)	Current Tax Collections	Percent of		Delinquent Tax Collections	Total Tax Collections	Ratio of		Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
			Current Taxes Collected	Delinquent Tax Collections			Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes		
2003	\$ 14,287,474	\$13,470,335	94.28%	\$ 502,464	\$13,972,799	97.80%	\$ 1,561,971	10.93%		
2004	15,233,019	14,665,061	96.27%	476,971	15,142,032	99.40%	1,692,179	11.11%		
2005	17,337,660	16,110,326	92.92%	560,059	16,670,385	96.15%	1,625,449	9.38%		
2006	19,261,710	18,739,469	97.29%	509,337	19,248,806	99.93%	1,677,164	8.71%		
2007	21,649,530	21,317,917	98.47%	618,934	21,936,851	101.33%	1,379,477	6.37%		
2008	23,579,843	23,386,381	99.18%	436,392	23,822,773	101.03%	1,324,336	5.62%		
2009	26,817,785	26,168,136	97.58%	430,189	26,598,325	99.18%	1,358,915	5.07%		
2010	31,631,104	30,901,649	97.69%	384,090	31,285,739	98.91%	1,474,240	4.66%		
2011	32,528,854	30,523,119	93.83%	503,928	31,027,047	95.38%	1,510,093	4.64%		
2012	32,002,034	30,305,093	94.70%	541,322	30,846,415	96.39%	1,454,133	4.54%		

WISE COUNTY, TEXAS
Computation of Legal Debt Margin
September 30, 2012

Assessed valuation:		
Assessed valuation of property		\$ 9,375,491,981
Less: Exemptions		<u>(2,241,645,270)</u>
Taxable assessed value		<u>\$ 7,133,846,711</u>
Legal debt margin:		
Debt limit (25% of taxable assessed value)		\$ 1,783,461,678
Debt applicable to limitation:		
Total bonded debt		
Add: Tax notes	\$ 4,435,000	
Certificates of obligation	1,805,000	
Less: Amount available for repayment of bonded debt	<u>208,420</u>	
Total debt applicable to limitation		<u>6,031,580</u>
Legal debt margin		<u>\$ 1,777,430,098</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>
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
2012	59,833	7,133,846,711	6,240,000	208,420	6,031,580	0.085%	100.81

**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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 9, 2013. 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 April 9, 2013.

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
April 9, 2013

WISE COUNTY, TEXAS
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended September 30, 2012

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

WISE COUNTY, TEXAS
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

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

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

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

Identification of Major Programs:

10.666 Schools and Roads-Grants to Counties

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

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

Section II – Financial Statement Findings

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

None Reported.

Section III – Federal Award Findings and Questioned Costs

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

**WISE COUNTY, TEXAS
Corrective Action Plan
For the Fiscal Year Ended September 30, 2012**

Financial Statement Audit Findings:

There are no current year financial statement audit findings.

Federal Award Findings:

There are no current year federal award findings.

FEDERAL AWARDS SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

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

Compliance

We have audited Wise County, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended September 30, 2012. Wise County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Wise County's management. Our responsibility is to express an opinion on Wise County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wise County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Wise County's compliance with those requirements.

In our opinion, Wise County, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

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

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

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

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

Snow Garrett Williams

Snow Garrett Williams
April 9, 2013

WISE COUNTY, TEXAS
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Programs			
Schools and Roads - Grants to Counties (Note 3)	10.666		\$ 403,496
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Texas Department of Agriculture			
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	729859	18,409
<u>U.S. Department of Justice</u>			
Direct Programs			
State Criminal Alien Assistance Program	16.606		24,211
Bullet Proof Vest Partnership Program	16.607		2,600
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1473	15,353
Passed Through Office of Attorney General			
Statewide Automated Victim Information Notification Program	16.740	12-25408	15,564
Total U.S. Department of Justice			57,728
<u>General Services Administration</u>			
Passed through Texas Facilities Commission Surplus Property Program			
Donation of Federal Surplus Personal Property (Note 4)	39.003	25880	2,389
<u>U.S. Department of Health and Human Services</u>			
Passed Through Office of Attorney General			
Child Support Enforcement	93.563		928
Passed Through Texas Juvenile Justice Department			
Title IV-E Foster Care	93.658	E-2012-249	6,946
Total U.S. Department of Health and Human Services			7,874
<u>U.S. Department of Homeland Security</u>			
Passed Through Texas Department of Public Safety			
2009 Urban Areas Security Initiative Grant	97.008	2009-SS-T9-0064	73,690
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4029-TX	67,366
Total U.S. Department of Homeland Security			141,056
Total Expenditures of Federal Awards			\$ 630,952

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Wise County, Texas under programs of the federal government for the fiscal year ended September 30, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Wise County, it is not intended to and does not present the financial position or changes in net assets of Wise County, Texas.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Subrecipients

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

CFDA No. 10.666, Schools and Roads - Grants to Counties grant expenditures includes \$201,749 passed through to:

Alvord Independent School District	\$ 134,768
Chico Independent School District	5,447
Decatur Independent School District	44,385
Slidell Independent School District	17,149
Total passed through by Wise County	\$ 201,749

Note 4: Reconciliation of Federal Surplus Property

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

Property (Non-cash)	\$ 1,579
Handling Fees Paid	810
Total for SFDS# 39.003	\$ 2,389

