

NEWTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended

December 31, 2012



Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

NEWTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2012

NEWTON COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended December 31, 2012

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INTRODUCTORY
SECTION

**NEWTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2012
DIRECTORY OF OFFICIALS**

COMMISSIONERS' COURT:

Truman Dougharty	County Judge
William L. "Bill" Fuller	Commissioner, Precinct No. 1
Thomas Gill	Commissioner, Precinct No. 2
Prentiss Hopson	Commissioner, Precinct No. 3
Leonard Powell	Commissioner, Precinct No. 4

OTHER COUNTY OFFICIALS:

Robert Choate	District Attorney
Bree Allen	District Clerk
Sandra K. Duckworth	County Clerk
Melissa Burks	County Tax Assessor and Collector
Ginger Arnold	County Treasurer
Elizabeth Holloway	County Auditor
Eddie Shannon	Sheriff
Sharon Long	Librarian
Gwen Simmons	Indigent Health Care

JUSTICE OF PEACE:

A.J. Satterwhite	Justice of Peace, Precinct No. 1
Brenda Smith	Justice of Peace, Precinct No. 2
Jimmy Mack Hopson	Justice of Peace, Precinct No. 3
Dana Ashmore	Justice of Peace, Precinct No. 4

CONSTABLES:

Otis Lane	Constable, Precinct No. 1
Billie Lewis	Constable, Precinct No. 2
Holton "Bubba" Johnson	Constable, Precinct No. 3
David Coffman	Constable, Precinct No. 4

FINANCIAL
SECTION



Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

Member

American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

AICPA Private
Companies Practice Section

INDEPENDENT AUDITOR'S REPORT

To the County Judge and
County Commissioner's
Newton County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Newton County, Texas as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Newton County, Texas, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in March of 2012, the Newton County Public Facilities Corporation was depopulated and discontinued operations. As a result of discontinuing operations, the Newton County Public Facilities Corporation defaulted on its principal payments to Bond Holders and is currently servicing the interest due to Bond Holders from the money that remains in the reserve account. It is expected that the Newton County Public Facilities Corporation will not be able to pay the principal payments to the Bondholders and will not have the funds to continue to pay the interest past the early part of 2014. Our opinion is not modified with respect to this matter.

Beaumont

6850 Phelan Boulevard
Beaumont, Texas 77706

(409) 833-8986 • Fax: (409) 833-4486

Port Arthur

3636 Professional Drive
Port Arthur, Texas 77642

(409) 983-3277 • Fax: (409) 983-3270

Silsbee

295 Hwy. 327 East
Silsbee, Texas 77656

(409) 385-2806 • Fax: (409) 385-4338

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013, on our consideration of Newton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newton County, Texas's internal control over financial reporting and compliance.

Charles E. Reed & Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
June 28, 2013

NEWTON COUNTY, TEXAS

Management's Discussion and Analysis

As management of Newton County (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which follow this section.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of 2012 by \$21,013,924. Of this amount, \$5,343,387 is considered unrestricted. The unrestricted net assets of the County's governmental activities are \$3,211,204 and may be used to meet the government's ongoing obligations.
- The County's total net assets decreased by \$1,071,704 in 2012.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$6,660,752. Of this balance, \$6,660,752 is considered unreserved at December 31, 2012.
- The General Fund reported a fund balance of \$2,843,672 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$2,843,673 or 58.23% of total general expenditures (including transfers out).
- The County's total debt decreased by \$46,556 during the current fiscal year. Debt was issued in the current fiscal year in the amount of \$116,413.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic 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 themselves.

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.

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 the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses reported in this statement for some items will only result

in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the County include general government, streets, public safety, and culture and recreation. The government-wide financial statements can be found on pages 9 and 10 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. The funds of the County are governmental funds, fiduciary funds and proprietary funds:

- Governmental funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *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 a government'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 this comparison between *governmental funds* and *governmental activities*.

The County maintains individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, and all major funds; non-major funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 11-14 of this report.

- Fiduciary funds - The fiduciary funds are used to account for assets held by the governmental unit in a trustee capacity.

- Proprietary funds - The County has two proprietary funds. Both are enterprise funds which are used to report business-type activities for which a fee is charged to external users for goods and services.

Notes to the 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 beginning on page 20 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 33 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Notes to the Financial Statements. Combining statements can be found beginning on page 34 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The County's assets exceeded liabilities by \$21,013,924 at the close of the most recent fiscal year.

A portion of the County's net assets, \$11,161,425 reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, equipment, and infrastructure), less any related debt used to acquire those assets that remain outstanding. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

	2012	2011	2012	2011
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
Current and other assets	\$ 8,062,389	\$ 8,239,501	\$ 2,907,845	\$ 3,843,471
Capital assets	10,402,862	10,043,189	10,693,989	11,059,184
Total assets	18,465,251	18,282,690	13,601,834	14,902,655
Long-term liabilities	125,088	506,338	9,490,000	9,490,000
Other liabilities	662,411	331,113	775,662	772,266
Total liabilities	787,499	837,451	10,265,662	10,262,266
Net assets:				
Invested in capital assets, net of related debt	9,957,336	9,536,851	1,203,989	1,569,184
Restricted	4,509,212	3,869,525	-	-
Unrestricted	3,211,204	4,038,811	2,132,183	3,071,205
	\$ 17,677,752	\$ 17,445,187	\$ 3,336,172	\$ 4,640,389

An additional portion of the County's net assets, \$4,509,212 represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets \$5,343,387, may be utilized to meet the government's on-going obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate government activities. The same situation held true for the prior fiscal year.

CHANGES IN NET ASSETS

	2012	2011	2012	2011
	Governmental Activities	Governmental Activities	Proprietary Activities	Proprietary Activities
REVENUES				
Charges for services	\$ 1,091,970	\$ 1,147,791	\$ 460,236	\$ 9,692,409
Operating grants and contributions	207,333	225,643	-	-
Capital Grants	2,817,494	2,268,716	-	-
General revenues:				
Property taxes	5,127,683	4,703,907	-	-
Miscellaneous	111,651	71,658	-	-
Interest income	25,752	26,501	1,752	1,948
Other	619,225	650,193	-	-
Total Revenues	10,001,108	9,094,409	\$ 461,988	\$ 9,694,357
EXPENDITURES				
General government	2,676,509	2,721,482	-	-
Public safety & health	4,218,311	4,695,918	-	-
Public facilities	2,716,262	1,742,955	1,700,560	8,738,944
Conservation	39,002	21,808	-	-
Culture and Recreation	162,873	140,585	-	-
Interest on long-term debt	21,283	26,214	-	-
Total Expenditures	9,834,240	9,348,962	1,700,560	8,738,944
Excess of Revenues over Expenses	166,868	(254,553)	(1,238,572)	955,413
Transfers	65,645	358,300	(65,645)	(358,300)
Increase (decrease) in net assets	232,513	103,747	(1,304,217)	597,113
Net assets at beginning of year	17,445,239	17,341,492	4,640,389	4,043,276
Net Assets End of Year	\$ 17,677,752	\$ 17,445,239	3,336,172	4,640,389

The government's total net assets decreased by \$1,071,704 during the current fiscal year. The County's governmental activities decreased due primarily to the depopulation of the Component Units operations.

Financial Analysis of the Government's Funds

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

Governmental 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 financing requirements. In particular,

unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2012, the County's governmental funds reported combined ending fund balances of \$6,660,752 a decrease of \$188,075 in comparison with the prior year. This entire amount constitutes unreserved fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the County. At December 31, 2012 unreserved and total fund balance of the General Fund was \$2,843,673. As a measure of liquidity of the General Fund, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures (including transfers out). Fund balance represents 58.23% of total General Fund expenditures (including transfers out).

The fund balance of the General Fund decreased by \$351,019 during 2012. It was budgeted at a decrease of (\$1,549,402) during this year. Therefore, this decrease was a \$1,198,683 positive variance. Revenue had a positive variance of \$167,228 while expenditures had positive variance of \$1,269,048.

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2012, amounts to \$21,096,851 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements, and equipment.

	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,050,855	\$ 300,000	\$ 1,350,855
Construction in Progress	-		-
Other capital assets	9,352,007	10,393,989	19,745,996
	<u>\$ 10,402,862</u>	<u>\$ 10,693,989</u>	<u>\$ 21,096,851</u>

Additional information on the County's capital assets can be found in Note 1 on page 23 and Note 3 (D) on pages 26-27.

Long-term debt - At December 31, 2012, the County had \$9,935,426 total long-term debt outstanding of which \$1,895,338 was due within one year.

<u>Long-term debt</u>	Governmental Activities	Business-Type Activities	Total
Bonds Payable	-	\$ 9,490,000	\$ 9,490,000
Notes Payable	\$ 445,426	-	445,426
Total	<u>\$ 445,426</u>	<u>\$ 9,490,000</u>	<u>\$ 9,935,426</u>

The County's total liabilities outstanding at December 31, 2012 decreased by \$46,556 from December 31, 2011 because new debt of \$116,413 was issued and outstanding debt was paid. Additional information on the County's debt can be found in Note 3E, beginning on page 30.

Economic Factors and Next Year's Budgets and Rates

Unemployment is at 11.9 %; the tax rate for 2012-2013 year is reduced to \$0.576837. As always in times of limited resources and consideration of the burden to rate and tax payers, the following items may be considered in balancing future budgets.

- Budget for 2013 is similar to 2012.
- Use of fund balance to offset inflationary increases in expenses without increasing tax rate.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show accountability for the funding it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor, Newton County, Newton, Texas.

BASIC
FINANCIAL
STATEMENTS

NEWTON COUNTY, TEXAS
 Government-wide Statement of Net Assets
 December 31, 2012

Exhibit A

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 5,047,034	\$ 2,222,149	\$ 7,269,183
Receivables:			
Accounts Receivable	487,670	371,565	859,235
Property Taxes Receivable	1,550,530	-	1,550,530
Allowance for Uncollectible Taxes	(60,000)	-	(60,000)
Restricted Cash and Investments	1,034,464	231,799	1,266,263
Prepaid Expenses	2,691	-	2,691
Original Issue Discount - Net	-	82,332	82,332
Capital Assets	-	-	-
Land	1,050,855	300,000	1,350,855
Construction in Progress	-	-	-
Capital Assets - Net	9,352,007	10,393,989	19,745,996
Total Assets	<u>\$ 18,465,251</u>	<u>\$ 13,601,834</u>	<u>\$ 32,067,085</u>
<u>Liabilities</u>			
Accounts Payable	\$ 271,495	\$ 775,662	\$ 1,047,157
Accrued Payables	70,578	-	70,578
Notes Payable			
Due Within One Year	320,338	1,575,000	1,895,338
Due After One Year	125,088	7,915,000	8,040,088
Total Liabilities	<u>\$ 787,499</u>	<u>\$ 10,265,662</u>	<u>\$ 11,053,161</u>
<u>Net Assets</u>			
Investment in Capital Assets- Net of Debt	\$ 9,957,336	\$ 1,203,989	\$ 11,161,325
Restricted	1,034,464	-	1,034,464
Restricted - Special Revenue	3,474,748	-	3,474,748
Unrestricted	3,211,204	2,132,183	5,343,387
Total Net Assets	<u>\$ 17,677,752</u>	<u>\$ 3,336,172</u>	<u>\$ 21,013,924</u>

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS
Statement of Activities
For the year ended December 31, 2012

Exhibit B

<u>Functions-Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Specific Operating Grants</u>	<u>Program Specific Capital Grants</u>	<u>Governmental Activities Total</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 915,926	\$ -	\$ -	\$ -	\$ (915,926)	\$ -	\$ (915,926)
Judicial	799,709	-	207,333	-	(592,376)	-	(592,376)
Legal	404,422	-	-	-	(404,422)	-	(404,422)
Financial Administration	535,225	-	-	-	(535,225)	-	(535,225)
Public Facilities	2,716,262	-	-	412,000	(2,304,262)	-	(2,304,262)
Public Safety	2,669,583	-	-	2,405,494	(264,089)	-	(264,089)
Health & Welfare	1,548,728	1,086,844	-	-	(461,884)	-	(461,884)
Conservation	39,002	5,126	-	-	(33,876)	-	(33,876)
Culture & Recreation	162,873	-	-	-	(162,873)	-	(162,873)
Miscellaneous	21,227	-	-	-	(21,227)	-	(21,227)
Interest on Long-term Debt	21,283	-	-	-	(21,283)	-	(21,283)
Total Governmental Activities	\$ 9,834,240	\$ 1,091,970	\$ 207,333	\$ 2,817,494	\$ (5,717,443)	\$ -	\$ (5,717,443)
Business-type Activities:							
Prison Facilities	\$ 1,700,560	\$ 460,236	\$ -	\$ -	\$ -	\$ (1,240,324)	\$ (1,240,324)
Total Business-type Activities	\$ 1,700,560	\$ 460,236	\$ -	\$ -	\$ -	\$ (1,240,324)	\$ (1,240,324)
General Revenues:							
Property Taxes					\$ 5,127,683	\$ -	\$ 5,127,683
Intergovernmental					140,658	-	140,658
Miscellaneous					111,651	-	111,651
Interest					25,752	1,752	27,504
Other					285,912	-	285,912
Time Warrant Revenue					192,655	-	192,655
Transfers					65,645	(65,645)	-
Total General Revenues					5,949,956	(63,893)	5,886,063
Change in Net Assets					232,513	(1,304,217)	(1,071,704)
Net Assets at beginning of year					17,445,239	4,640,389	22,085,628
Net Assets at end of year					\$ 17,677,752	\$ 3,336,172	\$ 21,013,924

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS
 Balance Sheet
 Governmental Funds
 December 31, 2012

Exhibit C

	5,10,98,99	20	46	68	70		
	General Fund	Road & Bridge General	Newton Co Hartford Ins	Hazard Mitigation Grant	Courthouse Emergency Grant	Total Non-Major Funds	Total Governmental Funds
<u>Assets</u>							
Cash and Cash Equivalents	\$1,824,776	\$ 26,951	\$ 1,149	\$1,013,077	\$ -	\$2,181,081	\$5,047,034
Investments	692,169	-	-	-	-	342,295	1,034,464
Prepaid Expenses	2,691	-	-	-	-	-	2,691
Property Taxes Receivable	1,550,530	-	-	-	-	-	1,550,530
Allowance for Uncollectible Taxes	(60,000)	-	-	-	-	-	(60,000)
Accounts Receivable	24,017	4,198	-	-	413,231	46,224	487,670
Total Assets	\$4,034,183	\$31,149	\$1,149	\$1,013,077	\$ 413,231	\$2,569,600	\$8,062,389
<u>Liabilities</u>							
Accounts Payable	\$73,661	\$1,038	\$ -	\$ -	\$32,298	\$164,501	\$271,498
Accrued Vacation/Comp Time	57,288	-	-	-	-	13,290	70,578
Deferred Revenue	1,059,561	-	-	-	-	-	1,059,561
Total Liabilities	1,190,510	1,038	-	-	32,298	177,791	1,401,637
<u>Fund Balances</u>							
Unassigned	853,102	30,111	1,149	1,013,077	380,933	2,391,809	4,670,181
Committed	1,990,571	-	-	-	-	-	1,990,571
Total Fund Balance	2,843,673	30,111	1,149	1,013,077	380,933	2,391,809	6,660,752
Total Liabilities and Fund Balance	\$4,034,183	\$ 31,149	\$ 1,149	\$1,013,077	\$ 413,231	\$2,569,600	\$8,062,389

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS

Exhibit C-1

Reconciliation of the Statement of Net Assets to the
Balance Sheet of the Governmental Funds
December 31, 2012

Net Fund Balances of Governmental Funds		\$ 6,660,753
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,402,862	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(445,426)	
Other long term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds - Deferred Tax Revenue	<u>1,059,563</u>	
		<u>11,016,999</u>
Net Assets of Governmental Activities- Exhibit A		<u><u>\$17,677,752</u></u>

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS
Statement of Revenue, Expenditures, and Changes in
Fund Balances of Governmental Funds
For the year ended December 31, 2012

Exhibit D

	5,10,98,99	20	46	68	70	Total	Total
	General Fund	Road & Bridge General	Newton Co Hartford Ins	Hazard Mitigation Grant	Courthouse Emergency Grant	Non-Major Funds	Governmental Funds
<u>Revenue</u>							
Taxes	\$ 3,617,075	\$ 628,633	\$ -	\$ -	\$ -	\$ 881,975	\$ 5,127,683
Intergovernmental	15,047	-	-	-	-	125,611	140,658
Fines and Fees	425,655	577,947	-	-	-	83,242	1,086,844
Licenses and Permits	5,126	-	-	-	-	-	5,126
Miscellaneous	95,956	275	-	-	-	15,421	111,651
Interest	18,861	1,206	223	-	1	5,462	25,752
Other Revenue	161,914	-	-	-	-	123,998	285,912
Time Warrant Revenue	-	-	-	-	192,655	-	192,655
Grants	-	-	-	1,778,238	-	1,246,589	3,024,827
Total Revenue	4,339,634	1,208,061	223	1,778,238	192,656	2,482,298	10,001,110
<u>Expenditures</u>							
Current							
General Administration	338,980	309,867	-	-	-	61,989	710,836
Judicial	799,709	-	-	-	-	-	799,709
Legal	303,578	-	-	-	-	100,844	404,422
Financial Administration	535,225	-	-	-	-	-	535,225
Public Facilities	388,408	-	44,256	-	135,500	2,084,292	2,652,456
Public Safety	1,461,581	-	-	-	-	1,021,142	2,482,723
Health and Welfare	330,750	-	-	1,118,588	-	99,390	1,548,728
Conservation	426	-	-	-	-	38,576	39,002
Culture and Recreation	-	-	-	-	-	162,873	162,873
Miscellaneous	21,227	-	-	-	-	-	21,227
Debt Service	-	-	-	-	-	-	-
Principal Payment	1,612	-	-	-	-	175,716	177,328
Interest Expense	925	-	-	-	-	20,358	21,283
Capital Outlay	76,784	-	-	-	501,453	237,192	815,429
Total Expenditures	4,259,205	309,867	44,256	1,118,588	636,953	4,002,372	10,371,241
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,429	898,194	(44,033)	659,650	(444,297)	(1,520,074)	(370,131)
<u>Other Financing Sources</u>							
Transfers In	186,322	20,921	-	150,052	412,000	1,689,586	2,458,881
Transfers (Out)	(622,755)	(912,500)	(248,232)	(11,647)	-	(598,100)	(2,393,234)
Issuance of Debt	4,986	-	-	-	-	111,427	116,413
Total Other Financing Sources	(431,447)	(891,579)	(248,232)	138,405	412,000	1,202,913	182,059
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(351,019)	6,615	(292,265)	798,055	(32,297)	(317,160)	(188,071)
Fund Balance - Beginning of Year	3,194,691	23,496	293,414	215,022	413,231	2,708,970	6,848,825
Fund Balance - End of Year	\$ 2,843,673	\$ 30,111	\$ 1,149	\$ 1,013,077	\$ 380,934	\$ 2,391,809	\$ 6,660,753

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS

Exhibit D-1

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended December 31, 2012

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

Net change in fund balances - total governmental funds (Exhibit D) \$ (188,072)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	815,426	
Depreciation	<u>(455,756)</u>	
		359,670

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Issuance of Debt	(116,413)	
Payment of Principal	<u>177,328</u>	
		<u>60,915</u>

Change in Net Assets of Governmental Activities (Exhibit B) \$ 232,513

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS
Statement of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2012

Exhibit E

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUE				
Taxes	\$ 3,443,776	\$ 3,443,776	\$ 3,617,075	\$ 173,299
Intergovernmental	15,000	15,000	15,047	47
Fines and Fees	475,400	475,400	425,655	(49,745)
Licenses & Permits	5,000	5,000	5,126	126
Miscellaneous	45,200	83,225	95,956	12,731
Interest	15,600	15,600	18,861	3,261
Other Revenue	<u>8,000</u>	<u>134,406</u>	<u>161,914</u>	<u>27,508</u>
Total Revenue	4,007,976	4,172,407	4,339,634	167,228
EXPENDITURES				
Current				
General Administration	887,888	887,888	338,980	548,908
Judicial	897,386	897,486	799,709	97,777
Legal	375,577	375,577	303,578	72,000
Financial Administration	556,956	556,956	535,225	21,730
Public Facilities	354,115	354,115	388,408	(34,293)
Public Safety	1,528,535	1,553,160	1,461,581	91,579
Health and Welfare	624,125	625,025	330,750	294,274
Conservation	460	460	426	34
Miscellaneous	100,000	100,000	21,227	78,773
Principal Payment	2,826	2,826	1,612	1,214
Interest Expense	1,990	1,990	925	1,065
Capital Outlay	<u>172,770</u>	<u>172,770</u>	<u>76,784</u>	<u>95,986</u>
TOTAL EXPENDITURES	5,502,628	5,528,253	4,259,205	1,269,048
Excess(Deficiency) of Revenue Over(Under) Expenditures	<u>\$ (1,494,652)</u>	<u>\$ (1,355,846)</u>	<u>\$ 80,429</u>	<u>\$ 1,436,275</u>
Other Financial Sources(Uses):				
Transfers In	254,486	440,807	186,322	(254,486)
Transfers Out	(11,485)	(634,364)	(622,755)	11,609
Issuance of Debt	<u>-</u>	<u>-</u>	<u>4,986</u>	<u>4,986</u>
Total Other Fin Sources(Uses)	243,001	(193,556)	(431,447)	(237,891)
Excess(Deficiency) of Revenue Over(Under) Exp & Other Financial Sources(Uses)	<u>\$ (1,251,652)</u>	<u>\$ (1,549,402)</u>	<u>\$ (351,018)</u>	<u>\$ 1,198,384</u>
Fund Balance - Beg of Period	3,194,692	3,194,692	3,194,692	-
Fund Balance - End of Period	<u>\$ 1,943,040</u>	<u>\$ 1,645,290</u>	<u>\$ 2,843,674</u>	<u>\$ 1,198,384</u>

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS
Statement of Net Assets - Proprietary Funds
December 31, 2012

Exhibit F

	Business-Type Activities		Total
	Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	
<u>Assets</u>			
Current Assets			
Cash and Cash Equivalents	\$ 465,773	\$ 1,756,376	\$2,222,149
Investments	231,799	-	231,799
Accounts Receivables - Net of Allowances for Uncollectibles	371,565	-	371,565
Total Current Assets	<u>1,069,137</u>	<u>1,756,376</u>	<u>2,825,513</u>
Non-Current Assets			
Restricted Cash and Investments	-	-	-
Original Issue Discount	-	-	-
Less: Accumulated Accretion	-	82,332	82,332
Total Capital Assets, Net of			
Accumulated Depreciation	<u>323,822</u>	<u>10,370,167</u>	<u>10,693,989</u>
Total Non-Current Assets	<u>323,822</u>	<u>10,452,499</u>	<u>10,776,321</u>
Total Assets	<u>1,392,959</u>	<u>12,208,875</u>	<u>13,601,834</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts Payable	775,662		775,662
Bonds Payable - Current Portion	-	1,575,000	1,575,000
Total Current Liabilities	<u>775,662</u>	<u>1,575,000</u>	<u>2,350,662</u>
Long-Term Liabilities			
Bonds Payable - Noncurrent Portion	-	7,915,000	7,915,000
Total Long-term Liabilities	<u>-</u>	<u>7,915,000</u>	<u>7,915,000</u>
Total Liabilities	<u>775,662</u>	<u>9,490,000</u>	<u>10,265,662</u>
<u>Net Assets</u>			
Invested in Capital Assets	323,822	880,167	1,203,989
Restricted	-	-	-
Unrestricted	<u>293,475</u>	<u>1,838,708</u>	<u>2,132,183</u>
Total Net Assets	<u>\$ 617,297</u>	<u>\$ 2,718,875</u>	<u>\$3,336,172</u>

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS
Statement of Revenue, Expenses, and Changes in Net Assets
Proprietary Funds
December 31, 2012

Exhibit G

	Business-Type Activities <u>Enterprise Fund</u>	<u>Component Unit</u>	
	Correctional Facility	Public Facility Corporation	<u>Total</u>
<u>Operating Revenue</u>			
Project Revenues	\$ 457,116	\$ 3,120	\$ 460,236
Total Operating Revenues	<u>457,116</u>	<u>3,120</u>	<u>460,236</u>
<u>Operating Expenses</u>			
Management Fees	192,655	212,555	405,210
Newton County Fee	50,000	-	50,000
Operating Expenses	55,759	144,840	
Depreciation	107,942	257,253	365,195
PFC Lease	-	-	-
Professional Fees	-	10,300	10,300
Trust Fees	-	19,300	19,300
Repairs & Maintenance	30,118	36,716	66,834
Accretion Expense-OID	-	13,722	13,722
Bond Interest	-	569,400	569,400
Total Operating Expenses	<u>436,474</u>	<u>1,264,086</u>	<u>1,700,560</u>
Operating Income (Loss)	<u>20,642</u>	<u>(1,260,966)</u>	<u>(1,240,324)</u>
<u>Nonoperating Revenues (Expenditures)</u>			
Interest Income	1,593	159	1,752
Miscellaneous Income (Expenses)	-	-	-
Transfer	(390,333)	324,688	(65,645)
Total Nonoperating Revenues (Expenses)	<u>(388,740)</u>	<u>324,847</u>	<u>(63,893)</u>
Change in Net Assets	(368,098)	(936,119)	(1,304,217)
Total Net Assets at Beginning of Year	<u>985,395</u>	<u>3,654,994</u>	<u>4,640,389</u>
Total Net Assets at End of Year	<u>\$ 617,297</u>	<u>\$ 2,718,875</u>	<u>\$ 3,336,172</u>

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2012

Exhibit H

	Business-Type Activities		Total
	Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	
Cash Flows From Operating Activities			
Receipts from customers	\$ 507,185	\$ 3,120	\$ 510,305
Payment for interfund services provided	-	-	-
Payment for goods and services	(325,136)	(423,711)	(748,847)
Payment to employees	-	-	-
Net cash provided (used) by operating activities	<u>182,049</u>	<u>(420,591)</u>	<u>(238,542)</u>
Cash Flows from Non-Capital Financing Sources (Uses)			
Miscellaneous	-	-	-
Transfers	(390,333)	324,688	(65,645)
Cash Flows from Capital and Related Financing Activities			
Interest payments	-	(569,400)	(569,400)
Principal payments	-	-	-
Cash Flows from Investing Activities			
Interest income	1,593	159	1,752
(Purchase)/Sale of capital assets	-	-	-
(Purchase)/Sale of investments	(1,054)	-	(1,054)
Net Increase(Decrease) in Cash and Cash Equivalents	<u>(207,745)</u>	<u>(665,144)</u>	<u>(303,489)</u>
Cash and Cash Equivalents at Beginning of Year			
Unrestricted cash and cash equivalents	673,518	2,421,520	3,095,038
Restricted cash	-	-	-
	<u>673,518</u>	<u>2,421,520</u>	<u>3,095,038</u>
Cash and Cash Equivalents at End of year			
Unrestricted cash and cash equivalents	\$ 465,773	\$ 1,756,376	\$ 2,222,149
Restricted cash	-	-	-
	<u>\$ 465,773</u>	<u>\$ 1,756,376</u>	<u>\$ 2,222,149</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss) adjustments	\$ 20,642	\$ (1,260,966)	\$ (1,240,324)
Depreciation	107,942	257,253	365,195
Bond interest	-	569,400	569,400
Bond discount accretion	-	13,722	13,722
(Increase) decrease in receivable	50,069	-	50,069
Increase (decrease) in payables	3,396	-	3,396
	<u>\$ 182,049</u>	<u>\$ (420,591)</u>	<u>\$ (238,542)</u>
Interest paid	-	569,400	
Income tax paid	-	-	

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2012

Exhibit I

	Sheriff Office	Criminal District Attorney	District Clerk Fee Fund	District Clerk Trust Funds	County Clerk Fee Fund	County Clerk Trust Fund	Tax Assessor Collector	Total
<u>Assets</u>								
Cash	\$ 733	\$32,825	\$249,779	\$ 65,746	\$ 8,452	\$192,803	\$ 741,956	\$1,292,294
Total Assets	<u>733</u>	<u>32,825</u>	<u>249,779</u>	<u>65,746</u>	<u>8,452</u>	<u>192,803</u>	<u>741,956</u>	<u>1,292,294</u>
<u>Liabilities</u>								
Liabilities								
Payable to Newton County Beneficiaries	733	32,825	249,779	65,746	8,452	192,803	741,956	1,292,294
Total Liabilities	<u>733</u>	<u>32,825</u>	<u>249,779</u>	<u>65,746</u>	<u>8,452</u>	<u>192,803</u>	<u>741,956</u>	<u>1,292,294</u>
Fiduciary Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Newton County, Texas (the County) was formed by state law. The County is governed by the County Judge and Commissioners, all of which are elected officials, and provides the following services for the County: public safety (sheriff and constables), public transportation (roads and bridges), health and welfare, conservation, public improvements, environmental protection, and administrative services.

The accompanying financial statements of Newton County (the County) have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The County's financial statements include the accounts of all County operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

1. The legal status of the potential component unit includes the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. The County's governing authority appoints a majority of the board members of the potential component units.
3. There is fiscal interdependency between the County and the potential component unit.
4. There is imposition of will by the County on the potential component unit.
5. There is a financial benefit/burden relationship between the County and the potential component unit.

Based upon these criteria, the County has one component unit – The Public Facility Corporation.

On December 12, 2001, the County of Newton, Texas formed the Newton County Public Facility Corporation, pursuant to the Public Facilities Act Chapter 303 of the Texas Local Government Code, for the purpose of financing eligible jail and criminal detention projects and other public facilities on behalf of Newton County, Texas. Specifically, the Newton County Public Facility Corporation was formed to refinance the debt of approximately \$ 14,300,000 of revenue bonds issued by Newton County, Texas. The bonds were initially issued by Newton County, Texas to acquire real property, construct, furnish and equip a multi-classification secure detention center known as the Fillyaw Correctional Facility located in Newton County, Texas.

This type of alternative revenue source and financing lessens the local tax burden. The Project Revenue Bonds are repaid solely from the revenues generated by the facility, using no County tax dollars and presenting no liability to either the County or the Newton County Public Facility Corporation. Newton County contracted with the GEO correctional group to manage the facility until the termination of the contract on November 9, 2009.

The County negotiated a contract with Community Education Centers, Inc. (CEC) on November 9, 2009 to assume the operations and management of the facility. The facility continued to house inmates until November, 2011 and CEC continued to manage the facility until March, 2012 at which time the facility was depopulated. The County is currently seeking other management services specializing in prison management. The Newton County Public Facilities Corporation defaulted on its principal payments to Bond Holders and is currently servicing the interest due to the Bondholders from money that remains in the reserve fund. It is expected that the Newton County Facilities Corporation will not be able to service the principal payments to the Bondholders and will not have the funds to continue to service the interest past the early part of 2014.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-like activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The fiduciary fund types are used to account for assets held by a government unit in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The component unit financial statement is not published separately.

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*. Revenue is recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenue to be available if it is collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County has the following major governmental funds:

- General Fund - The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.
- Road and Bridge Fund - The Road & Bridge Fund is used to maintain county roads, bridges, ditches, etc. through the out County.
- Newton County Hartford Insurance Fund - This fund accounts for amount used to improve and restore county facilities.
- FEMA Grant Fund - This fund accounts for disaster grants from FEMA.
- Hazard Mitigation Grant Fund - This fund accounts for grants for mitigation of hazards.
- Courthouse Emergency Grant Fund - This fund accounts for grants to restore and rebuild the Newton County Courthouse.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of the following subsequent private-sector guidance for their business-like activities and Enterprise Funds, subject to this same limitation. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation of governmental funds.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments are stated at fair value.

Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased. The cost of inventory on hand at December 31, 2012 was minimal.

Receivables and Payables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to /from other funds."

Property taxes are levied as of October 1 on property values assessed on January 1. On February 1 billings are considered past due and property taxes begin to accrue interest. On July 1 of the following year liens, penalties and interest are assessed.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks and similar items) are recorded in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more and a useful life of two or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. Interest incurred during construction is not capitalized on capital assets.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Property, plant and equipment are depreciated in the governmental funds of the government using the straight-line method over the following estimated useful lives:

Assets	Years
Building	40
Building Improvements	15-40
Roads and Bridges	15-40
Vehicles	5-10
Office Equipment	5-10
Computer Equipment	3-5

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the County. Sick leave accrues to full-time, permanent employees to specified maximums. Although employees are encouraged to take vacations in the year earned, payment of accrued vacation time is eligible to employees who separated from the County in good standing up to one week. Accumulated sick leave is not compensated upon resignation, retirement, or dismissal.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Debt is primarily paid by the general fund and road and budget funds. The County first applies restricted funds then unrestricted to expenditures.

Government-Wide Net Assets / Fund Balances – Governmental Funds

As of these financial statements, the County has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

- Non-spendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

- *Committed* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- *Assigned* – The portion of fund balance that the County intends to use for specific purposes.
- *Unassigned* – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

When the government incurs expenditures for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Fund Deficit

As of December 31, 2012 no funds had deficit fund balances.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the following governmental funds: the General Fund, and the Road & Bridge Funds. All other governmental funds are unbudgeted. All annual appropriations lapse at fiscal year end.

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

1. On or before September 30th of each year, the County Budget Officer must submit to the County Court a budget estimate of the revenues of the County and the expenditures or expenses of conducting the affairs thereof for the ensuing year.
2. On receipt of the estimate the County Court must at once prepare an appropriation ordinance, using the estimate as a basis. Provisions are made for public hearings upon the appropriation ordinance before a committee of the County Court, or before the entire County Court.
3. Following the public hearing, and before the second reading and final passage, the appropriation ordinance must be published in the official newspaper of the County.
4. The County Court must not pass the appropriation ordinance until at least ten days after its publication, but must pass the appropriation ordinance no later than December 31 of each year.
5. The legal level of control is by fund level where the County Court's approval is required. The County Court may transfer unencumbered appropriations for the use of a department, division or purpose or any other department, division or purpose without public notice and public hearing except when such transfer shall be made of revenue or earnings of any non-tax supported public utility to any other purpose. No amendment is necessary if department expenditures exceed budget, as long as fund expenditures do not exceed the fund budget.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits

The carrying amount of the County's deposits as of December 31, 2012 were \$7,269,183, and the bank balances were \$7,288,937. Of the bank balance, \$ 250,000 was covered by FDIC insurance and up to \$8,002,033 was covered by collateral held in the County's name by the agent bank which is the County's depository bank.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. It is both policy and legally required that the County's deposits be collateralized. The amount exposed to custodial risk is \$ 0.

Cash deposits and temporary investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1: Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Deposits which are collateralized with the securities held by financial institutions, trust departments, or agents in the entity's name.

Category 3: Deposits that are not collateralized.

Based on these three levels of risk, the County's deposits are classified as Category 1.

A portion of the County's investments, \$1,130,535 are in certificates of deposits and money market accounts with Investment Center of America and Orange Savings Bank and \$161,321 is invested in Government Bonds with Investment Center of America. Investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1: Investments that are insured, registered, or held by the entity or by its agent in the entity's name.

Category 2: Investments that are uninsured and unregistered held by the counter party's trust department or agent in the entity's name.

Category 3: Uninsured and unregistered investments held by the counter party, its trust department, or its agent, but not in the entity's name.

Based on these three levels of risk, the County's investments are classified as Category 1 and Category 2.

In accordance with GASB Statement No. 31, the County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the cost-basis of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at cost unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of less than one year or less at time of purchase. The term "non-participating" means that the investment's value does not vary with market interest rate changes.

Receivables

Receivables and related allowances for uncollectible accounts were as follows as of December 31, 2012 for the governmental funds of the County:

	<u>General</u>	<u>Road & Bridge</u>	<u>Other</u>	<u>Total</u>
Property taxes	\$ 1,550,530	\$ -	\$ -	\$ 1,550,530
Accounts	24,017	4,198	459,455	487,670
	<u>1,574,547</u>	<u>4,198</u>	<u>459,455</u>	<u>2,038,200</u>
Allowance for Uncollectibles	(60,000)	-	-	(60,000)
	<u>\$ 1,514,547</u>	<u>\$ 4,198</u>	<u>\$ 459,455</u>	<u>\$ 1,978,200</u>

Receivables for the Business-Type Enterprise Funds:

	<u>Correctional Facility</u>	<u>Public Facility Corporation</u>	<u>Total</u>
Accounts Receivable	\$ 371,565	\$ -	\$ 371,565

Property appraisal within the County is the responsibility of the Newton County Appraisal District (Appraisal District). The Appraisal District is required under the Property Tax Code to appraise all property within the county on the basis of 100% of market value. The value of real property within the Appraisal District must be reviewed every five years; however, the County may, at its own expense, require annual reviews of appraised values. The County may challenge appraised value established by the Appraisal District through various appeals and legal action. Under the Property Tax Code legislation, the County establishes the tax rates for property within the County's corporate limits. However, if the new tax rate exceeds the effective rate after certain adjustments for the previous year by more than eight percent (8%), qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than eight percent (8%) above the effective tax rate.

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

Property Tax Calendar - Below is an analysis of dates and their relationship to the property tax revenues:

County Calendar	December 31
Tax Calendar	As of January 1
Levy Date	October 1
Due Date	On or before January 31
Delinquent Date	February 1
Lien Date	July 1 of each year

Valuation of Delinquent Property Taxes Receivables - The State of Texas prohibits the County from forgiving an Ad Valorem property tax debt. Adjustments to delinquent taxes receivable are made only on discovery of errors or omissions, judgment orders of a court of law, or upon specific acts of the State Legislature.

The accompanying financial statements include the County's estimate of delinquent taxes that may have doubtful collectibility. This estimate is included in this report for "best knowledge" valuation purposes only and does not in any way indicate a write-off of delinquent taxes.

In the fund financial statements, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

Property Tax Levy - the County's maximum legal rate is \$.699220 per \$100.00 valuation. The 2011-2012 tax rate was \$.576837 per \$100.00 valuation assessed at 100% of market value.

Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

Governmental Activities:

Asset	Balance	Additions	Deletions	Balance	Life
Land	\$ 1,050,855	\$ -	\$ -	\$ 1,050,855	N/A
Buildings	10,514,329	6,382,504	-	16,896,833	50
Equipment	4,608,100	313,976	140,000	4,782,076	7
CIP	5,881,051	501,453	6,382,504	-	N/A
Infrastructure	17,562,021	-	-	17,562,021	40
	<u>\$ 39,616,356</u>	<u>\$ 7,197,933</u>	<u>\$ 6,522,504</u>	<u>\$ 40,291,785</u>	
Accumulated Depreciation	Prior	Additions	Deletions	Ending A/D	Book Value
Land	\$ -	\$ -	\$ -	\$ -	\$ 1,050,855
Buildings	10,330,559	41,914	-	10,372,473	6,524,360
Equipment	2,939,575	382,367	140,000	3,181,942	1,600,134
CIP	-	-	-	-	-
Infrastructure	16,303,033	31,475	-	16,334,508	1,227,513
	<u>\$ 29,573,167</u>	<u>\$ 455,756</u>	<u>\$ 140,000</u>	<u>\$ 29,888,923</u>	<u>\$10,402,862</u>

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

Depreciation expense was charged to the Governmental Activities functions and/or programs as follows:

General Government	\$ 205,090
Public Safety	186,860
Public Facilities	<u>63,866</u>
Total Depreciation Expense	\$ 455,816

Enterprise Fund:

Capital assets being depreciated for the Enterprise Fund and related accumulated depreciation for the year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets being depreciated:				
Equipment	\$ 1,079,416	\$ -	\$ -	\$ 1,079,416
Less Accumulated depreciation	647,652	107,942	-	755,594
Total	<u>431,764</u>	<u>107,942</u>	-	<u>323,822</u>

Component Unit:

Capital assets for the Component Unit and related accumulated depreciation for the year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Component Unit				
Land	300,000	-	-	300,000
Building	12,591,481		-	12,591,481
Total Assets	<u>12,891,481</u>	-	-	<u>12,891,481</u>
Less: Accumulated Depreciation	2,264,061	257,253	-	2,521,314
Total	<u>10,627,420</u>	<u>(257,253)</u>	-	<u>10,370,167</u>

Long-term Debt

The County is obligated for notes payable to provide funds for the acquisition and construction of major capital facilities. No bonds are outstanding at December 31, 2012.

Description	Interest Rate	Beginning Balance 1/1/2012	Debt Issuance	Principal Payments	Interest Payments	Other Adjustments	Ending Balance 12/31/2012
Grader	3.75%	108,813	-	15,799	4,080	-	93,014
Grader	4.50%	124,231	-	14,231	5,590	-	110,000
Sharp Copier	6.10%	2,323	-	822	381	-	1,501
Roll Off Truck	6.68%	44,839	-	44,839	2,995	-	-
Tractor/Mower	4.40%	28,944	-	28,944	1,297	-	-
Sharp Copier	6.10%	3,601	-	1,265	734	-	2,336
Sharp Copier	6.10%	2,381	-	522	358	-	1,859
Sharp Copier	6.10%	3,273	-	669	504	-	2,604
Tractor/Mower	4.50%	44,933	-	22,466	2,052	-	22,467
Tractor/Mower	4.24%	71,500	-	23,824	1,627	-	47,676
Tractor/Mower	4.24%	71,500	-	23,824	1,627	-	47,676
Sharp Copier	6.10%	-	4,986	120	40	-	4,866
John Deere Tractor	2.50%	-	37,227	-	-	-	37,227
Volvo Grader	2.61%	-	74,200	-	-	-	74,200
		<u>\$ 506,338</u>	<u>\$ 116,413</u>	<u>\$ 177,325</u>	<u>\$ 21,285</u>	<u>\$ -</u>	<u>\$ 445,426</u>

Debt services requirements to maturity are as follows:

Year	Principal	Interest	Total
2013	320,338	18,271	338,609
2014	96,601	4,652	101,253
2015	28,487	842	29,329
	\$ 445,426	\$ 23,765	\$ 469,191

The Public Facilities Corporation has bonds outstanding. The bonds were issued in 2002 at a range of 7% to 8% interest rate payable over 17 years. The bonds are callable after 2019.

Debt Service Requirements on the Series 2002 Bond:

Year	Principal	Interest	Total
2013	1,575,000	1,395,000	2,970,000
2014	885,000	597,800	1,482,800
2015	955,000	524,200	1,479,200
2016	1,030,000	444,800	1,474,800
2017	1,115,000	359,000	1,474,000
2018	1,200,000	266,400	1,466,400
2019	2,730,000	109,200	2,839,200
	\$ 9,490,000	\$ 3,696,400	\$ 13,186,400

Individual Interfund Transactions

Transfers are as follows:

Fund	Transfers In	Transfers Out
General	186,322	622,755
Road & Bridge - General	20,921	912,500
Road & Bridge Pct. 1	240,450	-
Road & Bridge Pct. 2	245,241	-
Road & Bridge Pct. 3	240,450	-
Road & Bridge Pct. 4	254,700	-
VAW Grant	8,850	-
Commissioners Special Pct. 1	25,000	-
Commissioners Special Pct. 2	25,000	-
Commissioners Special Pct. 3	25,000	-
Commissioners Special Pct. 4	49,518	-
TCPD Grant	120,602	805
Courthouse Rest Fund	-	204,794
Newton County Hartford Ins.	-	248,232
Solid Waste Disposal	100,334	-
Voter Registration	41,186	-
Library	98,550	-
Historical Operating	11,083	-
Victims Coord. Grant	-	0
Homeland Security Grant	188,664	162,424
Hazard Mit Grant	150,051	11,647
Courthouse Emergency Grant	412,000	0
FEMA Grant	-	521
HAVA Grant	-	2,686
TDRA Grant	2,959	3,019
SAVNS/VINE Grant	-	7,905
Civic Center	12,000	-
Federal Forest Fund	-	20,921
Enterprise Fund	1,650	391,983
Newton County Public Facility Corp	324,688	-
Debt Service	-	195,026
	\$ 2,785,218	\$ 2,785,218

Interfund transfers are generally utilized to accomplish budgetary goals for various services and functions of the County including debt service.

NOTE 4 - Other Information

Risk Management and Litigation

The County is exposed to various risks of losses related to torts, theft of, damage to and destruction of fixed assets; errors and omissions; injuries to employees; and natural disasters.

The County has obtained commercial insurance coverage for these risks and provided various employee education and prevention programs.

There have been no significant reductions in insurance from the prior year. The liabilities for claims have not changed since last year. There have been no settlements in excess of coverage in the past three years. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. Claims liabilities include specific, incremental claim adjustment expenses, allocated loss adjustment expenses, and are reduced for estimated recoveries on unsettled claims such as salvage or subrogation.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material effect on the financial condition of the government.

Commitments and Contingencies

The County participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Pension Plans

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 TCERS is responsible for the administration of statewide agent multiple-employer public employee retirement system consisting of 574 nontraditional defined benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCERS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, 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 30 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 deposits 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 governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer'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 required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 8.0% investment rate of return (net of administrative expense), and (b) projected salary increased of 5.4%. Both (a) and (b) include an inflation rate of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over ten year period. The intended actuarial accrued liability is being amortized as a level percentage of projected 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 date, the plan was 90.53% funded. The actuarial accrued liability for benefits was \$5,986,216, and the actuarial value of assets was \$5,419,527 resulting in an unfunded actuarial liability (UAAL) of \$566,689. The covered payroll (annual payroll of active employees covered by the plan) was \$2,684,362, and the ratios of the UAAL to the covered payroll was 21.11%.

County of Newton
Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date		12/31/2011
Actuarial Value of Assets (A)	\$ 5,419,527	
Actuarial Accrued Liability (B)	\$ 5,986,216	
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL) (D) = (B)-(A)	\$ 566,689	
Percentage Funded (C) = (A)/(B)		90.53%
Annual Covered Payroll (E)	\$ 2,684,362	
UAAL as a Percentage of Covered Payroll (D)/(E)		21.11%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	
Annual Pension Cost:		
Annual Required Contribution (ARC) (F)	\$ 184,896	
Contributions Made (F)	\$ 184,896	
NPO at the end of the period	\$ -	

Actuarial Assumptions

Actuarial Cost Method	Entry Age Actuarial Cost Method	
Amortization Method	Level Percent of Payroll	
Remaining Amortization Period	20 Years	
Asset Valuation Method	10-year Smoothed Value	
(to accurately reflect the requirements of GASB statement, No. 25, paragraphs 36e and 138)		
Investment Rate of Return		8%
Projected Salary Increases		5.40%
Includes Inflation At		3.50%
Cost-of-Living Adjustments	None	

NOTE 5 – Subsequent Events

Events occurring subsequent to December 31, 2012 were evaluated by management and reviewed through June 28, 2013, the date of report issuance, with no significant items reported.

REQUIRED
SUPPLEMENTAL
INFORMATION

NEWTON COUNTY, TEXAS
 Required Supplemental Information
 Schedule of Funding Progress of the Retirement Plan for Employees
 For the year ended December 31, 2012

Exhibit K

(Unaudited)

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 of Covered Payroll ((b-a)/c)
12/31/2003	\$ 3,123,173	\$ 3,115,879	\$ (7,294)	100.23%	\$ 1,578,843	-0.46%
12/31/2004	2,977,949	3,031,834	\$ 53,885	98.22%	1,851,964	2.91%
12/31/2005	3,358,385	3,385,421	\$ 27,036	99.20%	1,914,684	1.41%
12/31/2006	\$ 3,869,824	\$ 3,850,415	\$ (19,409)	100.50%	\$ 2,046,300	-0.95%
12/31/2007	\$ 4,341,919	\$ 4,317,249	\$ (24,670)	100.57%	\$ 2,091,900	-1.18%
12/31/2008	\$ 4,136,726	\$ 4,508,268	\$ 371,542	91.76%	\$ 2,312,322	16.07%
12/31/2009	\$ 4,785,761	\$ 5,171,412	\$ 385,651	92.54%	\$ 2,451,383	15.73%
12/31/2010	\$ 5,262,536	\$ 5,695,451	\$ 432,915	92.40%	\$ 2,641,403	16.39%
12/31/2011	\$ 5,419,527	\$ 5,986,216	\$ 566,689	90.53%	\$ 2,684,362	21.11%

The annual covered payroll is based on the employee contribution received by TCDRS for the year ending with the valuation date.

NON-MAJOR GOVERNMENTAL
FUNDS

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2012

Exhibit L

	14	15	19	21	22	23	24	25	29	30	31	32
	Prison Guard Detail	Indigent Defense Grant	District Attorney State Fund	Road & Bridge Pct 1	Road & Bridge Pct 2	Road & Bridge Pct 3	Road & Bridge Pct 4	Courthouse Security	VAW Grant	Right Of Way	Commissioner Spec Pct 1	Commissioner Spec Pct 2
<u>Assets</u>												
Cash and Cash Equivalents	\$ 4,657	\$ 993	\$ 8,324	\$ 250,017	\$ 76,958	\$ 153,151	\$ 192,196	\$ 48,044	\$ 128	\$ 39,109	\$ 199,191	\$ 45,425
Investments	15,106	-	-	32,878	-	-	-	51,563	-	169,537	-	-
Accounts Receivable	-	2,824	-	-	-	-	-	-	-	-	645	645
Total Assets	\$ 19,763	\$ 3,817	\$ 8,324	\$ 282,895	\$ 76,958	\$ 153,151	\$ 192,196	\$ 99,607	\$ 128	\$ 208,646	\$ 199,836	\$ 46,070
<u>Liabilities</u>												
Accounts Payable	\$ -	\$ -	\$ 11	\$ 477	\$ 1,048	\$ 58,052	\$ 877	\$ -	\$ 17	\$ -	\$ 10,867	\$ 6,497
Accrued Vacation/Comp Time	-	-	-	2,032	4,001	1,176	5,174	-	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ 11	\$ 2,509	\$ 5,049	\$ 59,228	\$ 6,051	\$ -	\$ 17	\$ -	\$ 10,867	\$ 6,497
<u>Fund Balance</u>												
Unassigned	\$ 19,763	\$ 3,817	\$ 8,313	\$ 280,386	\$ 71,909	\$ 93,923	\$ 186,145	\$ 99,607	\$ 111	\$ 208,646	\$ 188,969	\$ 39,573
Total Fund Balance	19,763	3,817	8,313	280,386	71,909	93,923	186,145	99,607	111	208,646	188,969	39,573
Total Liabilities and Fund Balance	\$ 19,763	\$ 3,817	\$ 8,324	\$ 282,895	\$ 76,958	\$ 153,151	\$ 192,196	\$ 99,607	\$ 128	\$ 208,646	\$ 199,836	\$ 46,070

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2012

Exhibit L

	33	34	35	36	37	38	39	40	41	42	43	44
	Commissioner Spec Pct 3	Commissioner Spec Pct 4	TCDP Grant	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4
<u>Assets</u>												
Cash and Cash Equivalents	\$ 123,654	\$ 213,151	\$ -	\$ 32,035	\$ 43,578	\$ 28,043	\$ 100,299	\$ 77,022	\$ 14,048	\$ 14,186	\$ 8,547	\$ 39,135
Investments	-	-	-	-	-	-	-	51,563	-	-	-	-
Accounts Receivable	645	645	-	92	92	92	92	-	-	-	-	-
Total Assets	\$ 124,299	\$ 213,796	\$ -	\$ 32,127	\$ 43,670	\$ 28,135	\$ 100,391	\$ 128,585	\$ 14,048	\$ 14,186	\$ 8,547	\$ 39,135
<u>Liabilities</u>												
Accounts Payable	\$ 16,576	\$ 18,729	\$ -	\$ 1,475	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	\$ 16,576	\$ 18,729	\$ -	\$ 1,475	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Fund Balance</u>												
Unassigned	\$ 107,723	\$ 195,067	\$ -	\$ 30,652	\$ 43,670	\$ 28,135	\$ 100,391	\$ 128,585	\$ 14,048	\$ 14,186	\$ 8,547	\$ 39,135
Total Fund Balance	107,723	195,067	-	30,652	43,670	28,135	100,391	128,585	14,048	14,186	8,547	39,135
Total Liabilities and Fund Balance	\$ 124,299	\$ 213,796	\$ -	\$ 32,127	\$ 43,670	\$ 28,135	\$ 100,391	\$ 128,585	\$ 14,048	\$ 14,186	\$ 8,547	\$ 39,135

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2012

Exhibit L

	45	47	48	49	50	51	52	53	55	56	58	59
	Courthouse Restoration	Victims Impact Panel	Sheriff Contraband	Library Tocker Grant	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library	Historical Operating	Historical Book Fund	Dist Attny Hot Check	Dist Attny Contraband
<u>Assets</u>												
Cash and Cash Equivalents	\$ 64,791	\$ 1,118	\$ 48,589	\$ 2,706	\$ 128,787	\$ 854	\$ 1,667	\$ 18,432	\$ 4,980	\$ 1,655	\$ 1,269	\$ 40,666
Investments	-	-	-	-	-	-	-	-	-	21,648	-	-
Accounts Receivable	-	-	-	-	13,010	50	-	49	-	-	-	-
Total Assets	\$ 64,791	\$ 1,118	\$ 48,589	\$ 2,706	\$ 141,797	\$ 904	\$ 1,667	\$ 18,481	\$ 4,980	\$ 23,303	\$ 1,269	\$ 40,666
<u>Liabilities</u>												
Accounts Payable	\$ -	\$ -	\$ -	\$ 428	\$ 887	\$ 13	\$ -	\$ 217	\$ 168	\$ 67	\$ -	\$ -
Accrued Vacation/Comp Time	-	-	-	-	-	907	-	-	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ -	\$ 428	\$ 887	\$ 920	\$ -	\$ 217	\$ 168	\$ 67	\$ -	\$ -
<u>Fund Balance</u>												
Unassigned	\$ 64,791	\$ 1,118	\$ 48,589	\$ 2,278	\$ 140,910	\$ (16)	\$ 1,667	\$ 18,264	\$ 4,812	\$ 23,236	\$ 1,269	\$ 40,666
Total Fund Balance	64,791	1,118	48,589	2,278	140,910	(16)	1,667	18,264	4,812	23,236	1,269	40,666
Total Liabilities and Fund Balance	\$ 64,791	\$ 1,118	\$ 48,589	\$ 2,706	\$ 141,797	\$ 904	\$ 1,667	\$ 18,481	\$ 4,980	\$ 23,303	\$ 1,269	\$ 40,666

The accompanying notes are an integral part of this financial statement.

24	25	29	30
& Bridge Pct 4	Courthouse Security	VAW Grant	Right of Way
- \$	- \$	- \$	-
-	11,031	-	-
149	286	2	1,720
6,944	-	-	-
-	-	27,517	-
7,092	11,317	27,519	1,720
-	-	-	-
-	-	-	-
-	-	38,502	-
176,767	18,252	-	8,540
-	-	-	-
-	-	-	-
-	-	-	-
30,029	-	-	-
9,670	-	-	-
-	-	-	-
216,466	18,252	38,502	8,540
(209,374)	(6,935)	(10,983)	(6,820)
254,700	-	8,850	-
-	-	-	-
254,700	-	8,850	-
45,327	(6,935)	(2,133)	(6,820)
140,819	106,542	2,244	215,467
186,146	\$ 99,607	\$ 112	\$ 208,647

NEWTON COUNTY, TEXAS
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2012

	60	64	66	67	77	80	88	92	93	97	Total Nonmajor Governmental Funds
	Powell Hotel Fund	Homeland Security	Records Management	Pretrial Diversion	Tx/SAVNS/ Vine Grant	Civic Center Operations	State Fee Account	Justice Court Technology	Federal Forest Fund	Debt Service	
<u>Assets</u>											
Cash and Cash Equivalents	\$ 16,230	\$ 4	\$ 15,141	\$ 1,000	\$ -	\$ 5,393	\$ 47,173	\$ 22,025	\$ -	\$ 46,710	\$ 2,181,081
Investments	-	-	-	-	-	-	-	-	-	-	342,295
Accounts Receivable	-	-	-	-	-	-	115	-	10,133	17,095	46,224
<u>Total Assets</u>	<u>\$ 16,230</u>	<u>\$ 4</u>	<u>\$ 15,141</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 5,393</u>	<u>\$ 47,288</u>	<u>\$ 22,025</u>	<u>\$ 10,133</u>	<u>\$ 63,805</u>	<u>\$ 2,569,600</u>
<u>Liabilities</u>											
Accounts Payable	\$ 227	\$ -	\$ 6	\$ -	\$ -	\$ 574	\$ 47,288	\$ -	\$ -	\$ -	\$ 164,501
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-	13,290
<u>Total Liabilities</u>	<u>\$ 227</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 574</u>	<u>\$ 47,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,791</u>
<u>Fund Balance</u>											
Unassigned	\$ 16,003	\$ 4	\$ 15,135	\$ 1,000	\$ -	\$ 4,819	\$ -	\$ 22,025	\$ 10,133	\$ 63,805	\$ 2,391,809
<u>Total Fund Balance</u>	<u>16,003</u>	<u>4</u>	<u>15,135</u>	<u>1,000</u>	<u>-</u>	<u>4,819</u>	<u>-</u>	<u>22,025</u>	<u>10,133</u>	<u>63,805</u>	<u>2,391,809</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ 16,230</u>	<u>\$ 4</u>	<u>\$ 15,141</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 5,393</u>	<u>\$ 47,288</u>	<u>\$ 22,025</u>	<u>\$ 10,133</u>	<u>\$ 63,805</u>	<u>\$ 2,569,600</u>

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2012

Exhibit M

	14	15	19	21	22	23	24	25	29	30
	Prison Guard 'Detail	Indigent Defense Grant	Dist. Attny State Fund	Road & Bridge Pct 1	Road & Bridge Pct 2	Road & Bridge Pct 3	Road & Bridge Pct 4	Courthouse Security	VAW Grant	Right of Way
<u>Revenue</u>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	27,500	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	11,031	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Interest	22	-	10	393	79	113	149	286	2	1,720
Other Revenue	-	-	-	-	51,662	-	6,944	-	-	-
Grants	-	17,397	-	-	-	-	-	-	27,517	-
Total Revenue	22	17,397	27,510	393	51,741	113	7,092	11,317	27,519	1,720
<u>Expenditures</u>										
Current										
General Administration	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-
Legal	-	23,269	27,458	-	-	-	-	-	38,502	-
Public Facilities	-	-	-	145,084	171,540	400,724	176,767	18,252	-	8,540
Public Safety	2,321	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	23,824	28,944	23,824	30,029	-	-	-
Interest Expense	-	-	-	1,627	1,297	1,627	9,670	-	-	-
Capital Outlay	-	-	-	62,027	175,161	-	-	-	-	-
Total Expenditures	2,321	23,269	27,458	232,562	376,942	426,175	216,466	18,252	38,502	8,540
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,299)	(5,872)	52	(232,169)	(325,201)	(426,062)	(209,374)	(6,935)	(10,983)	(6,820)
<u>Other Financing Sources (Uses)</u>										
Transfers In (Out)	-	-	-	240,450	245,241	240,450	254,700	-	8,850	-
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	37,227	74,200	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	277,677	319,441	240,450	254,700	-	8,850	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,299)	(5,872)	52	45,508	(5,760)	(185,612)	45,327	(6,935)	(2,133)	(6,820)
Fund Balance beginning of year	22,062	9,689	8,261	234,878	77,669	279,535	140,819	106,542	2,244	215,467
Fund Balance end of year	\$ 19,763	\$ 3,817	\$ 8,313	\$ 280,386	\$ 71,909	\$ 93,923	\$ 186,146	\$ 99,607	\$ 112	\$ 208,647

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Non-Major Governmental Funds

for the year ended December 31, 2012

Exhibit M

	31	32	33	34	35	36	37	38	39	40	41
	Commissioner Spec Pct 1	Commissioner Spec Pct 2	Commissioner Spec Pct 3	Commissioner Spec Pct 4	TCDP Grants	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1
<u>Revenue</u>											
Taxes	\$ 142,827	\$ 142,827	\$ 142,827	\$ 142,827	\$ -	\$ 20,404	\$ 20,404	\$ 20,404	\$ 20,404	\$ -	\$ 6,761
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	6,768	-	-	-	-	-	-	-	-	26,070	-
Interest	202	90	144	236	-	32	46	44	93	300	10
Other Revenue	1,207	51,070	-	500	(20,000)	-	-	-	-	-	-
Grants	-	-	-	-	209,643	-	-	-	-	-	-
Total Revenue	151,004	193,987	142,971	143,563	189,643	20,436	20,449	20,448	20,497	26,369	6,771
<u>Expenditures</u>											
Current											
General Administration	-	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	147,935	233,988	156,798	149,743	329,440	21,440	28,479	61,764	1,299	-	12,231
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	17,655	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	22,467	-	-	-	-	-	-	-
Interest Expense	-	-	-	2,051	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	147,935	233,988	156,798	174,261	329,440	21,440	28,479	61,764	1,299	17,655	12,231
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,069	(40,001)	(13,827)	(30,698)	(139,797)	(1,004)	(8,030)	(41,316)	19,198	8,714	(5,460)
<u>Other Financing Sources (Uses)</u>											
Transfers In (Out)	25,000	25,000	25,000	49,518	120,602	-	-	-	-	-	-
Transfers In (Out)	-	-	-	-	(805)	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	25,000	25,000	25,000	49,518	119,797	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financir Sources Over (Under) Expenditures and Other Financing Uses	28,069	(15,001)	11,173	18,820	(20,000)	(1,004)	(8,030)	(41,316)	19,198	8,714	(5,460)
Fund Balance beginning of year	160,900	54,574	96,550	176,246	20,000	31,656	51,700	69,452	81,193	119,870	19,509
Fund Balance end of year	\$ 188,969	\$ 39,573	\$ 107,723	\$ 195,066	\$ 0	\$ 30,652	\$ 43,670	\$ 28,136	\$ 100,391	\$ 128,584	\$ 14,049

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS

Exhibit M

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Non-Major Governmental Funds

for the year ended December 31, 2012

	42	43	44	45	47	48	49	50	51	52	53
	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4	Courthouse Restoration	Victims Impact Panel	Sheriff Contraband	Library Tocker Grant	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library
<u>Revenue</u>											
Taxes	\$ 6,761	\$ 6,761	\$ 6,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	57,413	-	-	-
Fines and Fees	-	-	-	-	-	16,033	-	-	-	4,660	-
Miscellaneous	-	-	-	-	-	-	-	-	328	-	7,846
Interest	15	3	32	882	1	46	-	101	16	1	47
Other Revenue	-	-	-	50	-	2,594	-	885	6,812	-	12,530
Grants	-	-	-	-	-	-	5,000	-	-	-	10,100
Total Revenue	6,776	6,764	6,792	932	1	18,673	5,000	58,399	7,156	4,661	30,523
<u>Expenditures</u>											
Current											
General Administration	-	-	-	-	-	-	-	-	50,025	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	3,039	-
Public Facilities	18,726	-	-	1,542	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	18,912	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	99,390	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	2,722	-	-	-	112,896
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	44,839	-	-	-
Interest Expense	-	-	-	-	-	-	-	2,995	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	18,726	-	-	1,542	-	18,912	2,722	147,224	50,025	3,039	112,896
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,950)	6,764	6,792	(610)	1	(239)	2,278	(88,825)	(42,869)	1,622	(82,373)
<u>Other Financing Sources (Uses)</u>											
Transfers In (Out)	-	-	-	-	-	-	-	100,334	41,186	-	98,550
Transfers In (Out)	-	-	-	(204,794)	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	(204,794)	-	-	-	100,334	41,186	-	98,550
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11,950)	6,764	6,792	(205,404)	1	(239)	2,278	11,509	(1,683)	1,622	16,177
Fund Balance beginning of year	26,136	1,783	32,342	270,196	1,117	48,829	-	129,401	1,667	46	2,087
Fund Balance end of year	\$ 14,186	\$ 8,547	\$ 39,134	\$ 64,792	\$ 1,118	\$ 48,590	\$ 2,278	\$ 140,910	\$ (16)	\$ 1,668	\$ 18,264

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Non-Major Governmental Funds

for the year ended December 31, 2012

Exhibit M

	55	56	58	59	60	63	64	66	67	75	76
	Historical Operating	Historical Book Fund	Dist Attny Hot Ck Fund	Dist Attny Contraband	Powell Hotel Fund	Victims Coord. Grant	Homeland Security Grant	Records Management	Pretrial Diversion	HAVA Grant	TDRA Grant
<u>Revenue</u>											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	1,085	10,890	-	-	-	1,582	1,000	-	-
Miscellaneous	480	-	-	-	-	-	-	-	-	-	-
Interest	36	149	1	36	-	-	8	18	-	-	-
Other Revenue	2,333	308	-	40	3,550	-	-	-	-	-	-
Grants	-	-	-	-	-	-	162,419	-	-	2,686	763,297
Total Revenue	2,848	457	1,086	10,966	3,550	-	162,428	1,600	1,000	2,686	763,297
<u>Expenditures</u>											
Current											
General Administration	-	-	-	-	-	-	-	11,964	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	172	-	-	-	-	-	-	-	-
Public Facilities	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	188,664	-	-	-	763,237
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	18,055	8,222	-	-	7,332	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	1,265	-	-	-	-	-	-	-	-	-	-
Interest Expense	734	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	20,054	8,222	172	-	7,332	-	188,664	11,964	-	-	763,237
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,206)	(7,765)	914	10,966	(3,782)	-	(26,236)	(10,363)	1,000	2,686	60
<u>Other Financing Sources (Uses)</u>											
Transfers In (Out)	11,083	-	-	-	-	-	188,663	-	-	-	2,959
Transfers In (Out)	-	-	-	-	-	-	(162,424)	-	-	(2,686)	(3,019)
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	11,083	-	-	-	-	-	26,239	-	-	(2,686)	(60)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(6,123)	(7,765)	914	10,966	(3,782)	-	3	(10,363)	1,000	(0)	-
Fund Balance beginning of year	10,934	31,001	354	29,701	19,785	-	-	25,499	-	-	-
Fund Balance end of year	\$ 4,811	\$ 23,236	\$ 1,268	\$ 40,667	\$ 16,003	\$ -	\$ 3	\$ 15,136	\$ 1,000	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2012

Exhibit M

	77	72	80	92	93	97	Total Nonmajor Governmental Fund
	TxSAVNS/ Vine Grant	FEMA Grants	Civic Center Operations	Justice Court Technology	Federal Forest Fund	Debt Service	
<u>Revenue</u>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,008	\$ 881,975
Intergovernmental	-	-	-	-	40,698	-	125,611
Fines and Fees	-	-	-	10,891	-	-	83,242
Miscellaneous	-	-	-	-	-	-	15,421
Interest	-	-	8	17	-	73	5,462
Other Revenue	-	-	3,515	-	-	-	123,998
Grants	-	48,529	-	-	-	-	1,246,589
Total Revenue	-	48,529	3,523	10,908	40,698	202,081	2,482,298
<u>Expenditures</u>							
Current							
General Administration	-	-	-	-	-	-	61,989
Judicial	-	-	-	-	-	-	-
Legal	-	-	-	8,409	-	-	100,849
Public Facilities	-	-	-	-	-	-	2,084,292
Public Safety	-	48,008	-	-	-	-	1,021,142
Health and Welfare	-	-	-	-	-	-	99,390
Conservation	-	-	-	-	20,921	-	38,576
Culture and Recreation	-	-	13,645	-	-	-	162,873
Debt Service	-	-	-	-	-	-	-
Principle Payment	-	-	-	524	-	-	175,716
Interest Expense	-	-	-	357	-	-	20,358
Capital Outlay	-	-	-	-	-	-	237,188
Total Expenditures	-	48,008	13,645	9,289	20,921	-	4,002,372
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	521	(10,122)	1,619	19,777	202,081	(1,520,075)
<u>Other Financing Sources (Uses)</u>							
Transfers In (Out)	-	-	12,000	-	-	-	1,689,586
Transfers In (Out)	(7,905)	(521)	-	-	(20,921)	(195,026)	(598,101)
Issuance of Debt	-	-	-	-	-	-	111,427
Total Other Financing Sources (Uses)	(7,905)	(521)	12,000	-	(20,921)	(195,026)	1,202,912
Excess (Deficiency) of Revenues and Other Financir Sources Over (Under) Expenditures and Other Financing Uses	(7,905)	-	1,878	1,619	(1,144)	7,055	(317,163)
Fund Balance beginning of year	7,905	-	2,940	20,407	11,276	56,750	2,708,972
Fund Balance end of year	\$ -	\$ -	\$ 4,818	\$ 22,026	\$ 10,132	\$ 63,805	\$ 2,391,809

SINGLE AUDIT SECTION



Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

Member

American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

AICPA Private
Companies Practice Section

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

To the County Judge and
County Commissioners
Newton County, Texas

Report on Compliance for Each Major Federal Program

We have audited Newton County Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Newton's major federal programs for the year ended December 31, 2012. Newton County, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Newton County, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular issued by the Office of the Governor of the State. 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 Newton County, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Newton County, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012

Other Matter

The results of our auditing procedures disclosed no instances of noncompliance. Our opinion on each major federal program is not modified with respect to these matters.

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Report on Internal Control Over Compliance

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

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

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

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

Charles E. Reed & Associates, A.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas

June 28, 2013



Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

Member

American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

AICPA Private
Companies Practice Section

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

To the County Judge and
County Commissioners
Newton County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Newton County, Texas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Newton County, Texas's basic financial statements, and have issued our report thereon dated June 28, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

Charles E. Reed & Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas

June 28, 2013

NEWTON COUNTY, TEXAS
 Schedule of Expenditures of Federal Awards
 For the year ended December 31, 2012

Schedule I

	Federal CFDA Number	Amount of Award	Amount Expended
<u>Department of Homeland Security</u>			
Governors Department of Emergency Management	97.039	\$ 2,763,662	\$ 332,238
Governors Department of Emergency Management	97.039	883,662	77,100
Governors Department of Emergency Management	97.039	2,064,635	548,425
Governors Department of Emergency Management	97.039	1,347,029	160,075
Texas Dept. of Public Safety - DETCOG - SHSP	97.073	13,528	11,347
Texas Dept. of Public Safety - DETCOG - SHSP	97.073	135,967	136,630
Texas Dept. of Public Safety - DETCOG - LETPA	97.073	40,937	40,687
			<u>1,306,502</u>
<u>Department of Housing and Urban Development</u>			
Texas Department of Rural Affairs	14.228	250,000	213,538
Texas Department of Rural Affairs	14.228	2,043,005	-
			<u>213,538</u>
<u>Department of Criminal Justice</u>			
<i>Pass through from the Office of the Governor Criminal Justice</i>			
Violence Against Women			
Pass through number WF-10-V30-25592-01	16.588	26,000	14,001
Violence Against Women			
Pass through number WF-11-V30-19193-05	16.588	26,000	24,501
			<u>38,502</u>
<u>U.S. Elections Assistance Commission</u>			
HAVA- General Compliance 78651	90.401	12,652	-
HAVA - Polling Place Accessibility 78021	90.401	5,012	-
HAVA - Opportunity for Accessibility 78280	90.401	2,185	-
			<u>-</u>
<u>General Land Office</u>			
CDGB Disaster Recovery	14.218	2,043,005	81,170
CDGB Disaster Recovery	14.218	565,715	5,650
CDGB Disaster Recovery	14.218	3,665,448	676,417
			<u>763,237</u>
		Total Federal Money Expended	<u>\$ 2,321,779</u>

NEWTON COUNTY, TEXAS
 Schedule of Expenditures of State of Texas Awards
 For the year ended December 31, 2012

Schedule II

		Grant I.D.	Amount of Award	Amount Expended
Texas Comptroller	Texas Task Force on Indigent Defense	212-10-176	\$ 12,632	\$ 9,464
Texas Comptroller	Texas Task Force on Indigent Defense	212-11-176	11,163	13,580
Texas Historical Commission	Newton County Court House Restoration	3-2002	4,038,848	-
Texas Department of Agriculture	East Texas Support Services		15,000	15,000
Office of Attorney General	Texas SAVNS/VINE Program	1337328.000	7,905	1,878
Deep East Texas Council of Gov.	Maintenance		2,406	2,406
Texas Commission on Environment	Solid Waste Project	582-12-10149	15,465	-
Sabine River Authority	Floodplain Administration		10,000	-
Tocker Foundation	Library	122232	5,000	2,722
T.L.L. Temple Foundation	Supplement Senior Center Grant		124,000	115,902
Total State Money Expended				<u>\$ 160,952</u>

Notes to the Schedule of Expenditures of Federal and State Awards
For the year ended December 31, 2012

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal and State Financial Awards presents the activity of all Federal and State financial assistance programs of Newton County, Texas. All federal awards received directly from Federal agencies and State and Federal awards passed through State agencies are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Financial Awards is presented using the accrual basis of accounting.

The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

NOTE 3 – BASIS OF PRESENTATION

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

NEWTON COUNTY, TEXAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2012

Schedule IV

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

Material weakness identified? Yes No

Significant deficiency that is not considered
to be a material weakness? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Material weakness identified? Yes No

Significant deficiency identified that is
not considered to be a material weakness? Yes No

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 No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.039	Federal Emergency Management
14.218	Housing and Urban Development

The threshold used to distinguish the type of federal program was \$ 300,000.

Auditee qualified as low-risk auditee? Yes No

NEWTON COUNTY, TEXAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2012

Schedule IV

Section II-Financial Statements Findings

NONE

MATERIAL WEAKNESSESS

NONE

SIGNIFICANT DEFICENCIES

NONE

Section III - Federal Award Findings and Questioned Costs

None

Section IV-Status of Prior Year Findings

No prior year findings