

**NEWTON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2010**

**NEWTON COUNTY, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

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**INTRODUCTORY  
SECTION**

**NEWTON COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2010  
DIRECTORY OF OFFICIALS**

**COMMISSIONERS' COURT:**

Truman Dougharty  
William L. "Bill" Fuller  
Thomas Gill  
Prentiss Hopson  
Leonard Powell

County Judge  
Commissioner, Precinct No. 1  
Commissioner, Precinct No. 2  
Commissioner, Precinct No. 3  
Commissioner, Precinct No. 4

**OTHER COUNTY OFFICIALS:**

Robert Choate  
Bree Allen  
Mary Cobb  
Melissa Burks  
Karen Pousson  
Elizabeth Holloway  
Joe Walker  
Sharon Long  
Gwen Simmons

District Attorney  
District Clerk  
County Clerk  
County Tax Assessor and Collector  
County Treasurer  
County Auditor  
Sheriff  
Librarian  
Indigent Health Care

**JUSTICE OF PEACE:**

A.J. Satterwhite  
Brenda Smith  
Jimmy Mack Hopson  
Dana Bean

Justice of Peace, Precinct No. 1  
Justice of Peace, Precinct No. 2  
Justice of Peace, Precinct No. 3  
Justice of Peace, Precinct No. 4

**CONSTABLES:**

Otis Lane  
Billie Lewis  
Holton "Bubba" Johnson  
David Coffman

Constable, Precinct No. 1  
Constable, Precinct No. 2  
Constable, Precinct No. 3  
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 AUDITORS' REPORT

To the County Judge and  
Members of the County Court  
Newton County, Texas

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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Newton County, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2011, on our consideration of Newton County, Texas' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

### Beaumont

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, and the schedule of funding progress on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newton County, Texas' financial statements as a whole. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state 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 the State of Texas Single Audit Circular issued by the Governor of the State 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 and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Yours very truly,

*Charles E. Reed & Associates, A.C.*

Charles E. Reed & Associates, P.C.  
Certified Public Accountants

July 15, 2011



## 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, 2010. 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 2010 by \$21,384,768. Of this amount, \$6,403,001 is considered unrestricted. The unrestricted net assets of the County's governmental activities are \$3,309,735 and may be used to meet the government's ongoing obligations.
- The County's total net assets increased by \$523,655 in 2010.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$7,073,508. Of this balance, \$7,073,508 is considered unreserved at December 31, 2010.
- The General Fund reported a fund balance of \$3,558,380 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$3,558,380 or 83.25% of total general expenditures (including transfers out).
- The County's total debt decreased by \$120,374 during the current fiscal year. Debt was issued in the current fiscal year in the amount of \$74,380.

#### **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. All of 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 uses 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 \$21,384,768 at the close of the most recent fiscal year.

A portion of the County's net assets, \$10,366,976 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.

	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
<u>Assets</u>				
Current and other assets	\$ 8,511,958	\$ 8,591,346	\$ 6,264,376	\$ 4,172,745
Capital assets	9,795,031	8,992,713	11,140,010	11,499,179
Total assets	<u>18,306,989</u>	<u>17,584,059</u>	<u>17,404,386</u>	<u>15,671,924</u>
<u>Liabilities</u>				
Long-term liabilities	363,253	475,096	9,542,000	10,190,000
Other liabilities	602,244	499,893	3,821,110	1,229,611
Total liabilities	<u>965,497</u>	<u>974,989</u>	<u>13,363,110</u>	<u>11,419,611</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	9,416,966	8,323,161	950,010	659,178
Net assets, Restricted	4,614,791	4,451,544	-	-
Net assets, Unrestricted	3,309,735	3,834,365	3,093,266	3,593,135
	<u>\$ 17,341,492</u>	<u>\$ 16,609,070</u>	<u>\$ 4,043,276</u>	<u>\$ 4,252,313</u>

An additional portion of the County's net assets, \$4,614,791 represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets \$6,403,001, 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.

	2010	2009	2010	2009
	Governmental Activities	Governmental Activities	Proprietary Activities	Proprietary Activities
<b><u>REVENUE</u></b>				
Charges for services	\$ 1,237,899	\$ 1,207,679	\$ 9,201,909	\$ 9,841,852
Operating grants and contributions	-	1,978	-	-
Capital Grants	1,560,851	3,006,276	-	-
General revenues:				
Property taxes	4,318,179	4,059,664	-	-
Miscellaneous	87,850	62,577	-	-
Interest income	27,827	40,348	4,492	37,420
Other	444,420	552,967		
Total Revenue	<u>7,677,026</u>	<u>8,931,489</u>	<u>\$ 9,206,401</u>	<u>\$ 9,879,272</u>
<b><u>EXPENDITURES</u></b>				
General government	2,818,671	2,440,563	-	-
Public safety & health	2,741,667	3,902,981	-	-
Public facilities	1,792,455	1,497,771	8,707,138	9,663,211
Conservation	96,324	49,803	-	-
Culture and Recreation	170,559	151,945	-	-
Interest on long-term debt	32,958	30,313	-	-
Total Expenditures	<u>7,652,634</u>	<u>8,073,376</u>	<u>8,707,138</u>	<u>9,663,211</u>
Excess of Revenue over Expenses	24,392	858,113	499,263	216,061
Transfers	708,300	688,650	(708,300)	(688,650)
Increase (decrease) in net assets	<u>732,692</u>	<u>1,546,763</u>	<u>(209,037)</u>	<u>(472,589)</u>
Net assets at beginning of year	<u>16,609,070</u>	<u>15,062,307</u>	<u>4,252,313</u>	<u>4,724,902</u>
Net assets End of Year	<u>\$ 17,341,762</u>	<u>\$ 16,609,070</u>	<u>4,043,276</u>	<u>4,252,313</u>

The government's total net assets increased by \$523,655 during the current fiscal year. The County's governmental activities increased due primarily to the efficient management of expenses and increased revenue from charges, interest and other.

## 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, 2010, the County's governmental funds reported combined ending fund balances of \$7,073,508 an decrease of \$411,690 in comparison with the prior year. All of this 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, 2010 unreserved and total fund balance of the General Fund was \$3,558,380. 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 83.25% of total General Fund expenditures (including transfers out).

The fund balance of the General Fund decreased by \$406,675 during 2010. It was budgeted at a decrease of \$(990,142) during this year. Therefore, this decrease was a \$583,467 positive variance. Revenue had a negative variance of \$271,042 while expenditures had positive variance of \$780,129.

## Capital Assets and Debt Administration

**Capital assets.** The County's investment in capital assets for governmental and business-type activities as of December 31, 2010, amounts to \$20,935,041 (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	5,587,860	-	5,587,860
Other Capital Assets	3,156,316	10,840,010	13,996,326
	\$ 9,795,031	\$ 11,140,010	\$ 20,935,041

Additional information on the County's capital assets can be found in Note 1 on page 23 and Note 3 (D) on pages 27-28.

**Long-term debt.** At December 31, 2010, the County had \$10,738,757 total long-term debt outstanding of which \$835,504 was due within one year.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Bonds Payable	-	\$10,190,000	\$10,190,000
Notes Payable	\$ 548,757	-	548,757
Total	<u>\$ 548,757</u>	<u>\$10,190,000</u>	<u>\$10,738,757</u>

Total liabilities outstanding at December 31, 2010 increased by \$1,932,007 from December 31, 2009, because some debt was issued, and payables were higher. Additional information on the County's debt can be found in Note 3E, beginning on page 28.

**Economic Factors and Next Year's Budgets and Rates**

Unemployment is at 11.9 %; the tax rate for 2009-2010 year is reduced to \$.649325.

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 2011 is similar to 2010.
- 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, 2010

Exhibit A

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 5,300,738	\$ 2,659,098	\$ 7,959,836
Receivables:			
Accounts Receivable	644,655	1,584,107	2,228,762
Property Taxes Receivable	1,517,035	-	1,517,035
Allowance for Uncollectible Taxes	(60,000)	-	(60,000)
Restricted Cash and Investments	1,099,663	1,911,395	3,011,058
Prepaid Expenses	9,867	-	9,867
Original Issue Discount - Net	-	109,776	109,776
Capital Assets	-	-	-
Land	1,050,855	300,000	1,350,855
Construction in Progress	5,587,860	-	5,587,860
Capital Assets - Net	3,156,316	10,840,010	13,996,326
<b>TOTAL ASSETS</b>	<b>\$ 18,306,989</b>	<b>\$ 17,404,386</b>	<b>\$ 35,711,375</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 334,699	\$ 3,171,110	\$ 3,505,809
Accrued Payables	82,041	-	82,041
Notes Payable			
Due Within One Year	185,504	650,000	835,504
Due After One Year	363,253	9,540,000	9,903,253
<b>TOTAL LIABILITIES</b>	<b>\$ 965,497</b>	<b>\$ 13,361,110</b>	<b>\$ 14,326,607</b>
<b>NET ASSETS</b>			
Investment in Capital Assets- Net of Debt	\$ 9,416,966	\$ 950,010	\$ 10,366,976
Restricted	1,099,663	-	1,099,663
Restricted - Special Revenue	3,515,128	-	3,515,128
Unrestricted	3,309,735	3,093,266	6,403,001
<b>TOTAL NET ASSETS</b>	<b>\$ 17,341,492</b>	<b>\$ 4,043,276</b>	<b>\$ 21,384,768</b>



NEWTON COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions-Programs	Expenses	Charges for Services	Program Specific		Activities Total	Business-Type Activities	Total
			Operating Grants	Program Specific Capital Grants			
<b>Governmental Activities:</b>							
General Government	\$ 1,048,868	\$ -	\$ -	\$ -	\$ (1,048,868)	\$ -	\$ (1,048,868)
Judicial	826,373	-	-	302,747	(523,626)	-	(523,626)
Legal	374,120	-	-	-	(374,120)	-	(374,120)
Financial Administration	514,756	-	-	-	(514,756)	-	(514,756)
Public Facilities	1,792,455	-	-	857,574	(934,881)	-	(934,881)
Public Safety	2,221,427	1,229,140	-	400,530	(591,757)	-	(591,757)
Health & Welfare	520,240	8,759	-	-	(511,481)	-	(511,481)
Conservation	96,324	-	-	-	(96,324)	-	(96,324)
Culture & Recreation	170,559	-	-	-	(170,559)	-	(170,559)
Miscellaneous	54,554	-	-	-	(54,554)	-	(54,554)
Interest on Long-term Debt	32,958	-	-	-	(32,958)	-	(32,958)
<b>Total Governmental Activities</b>	<b>\$ 7,652,634</b>	<b>\$ 1,237,899</b>	<b>\$ -</b>	<b>\$ 1,560,851</b>	<b>\$ (4,853,884)</b>	<b>\$ -</b>	<b>\$ (4,853,884)</b>
<b>Business-Type Activities:</b>							
Prison Facilities	\$ 8,707,138	\$ 9,201,909	\$ -	\$ -	\$ -	\$ 494,771	\$ 494,771
<b>General Revenues:</b>							
Property Taxes					\$ 4,318,179	\$ -	\$ 4,318,179
Intergovernmental					211,775	-	211,775
Miscellaneous					87,850	-	87,850
Interest					27,827	4,492	32,319
Other					165,245	-	165,245
Time Warrant Revenue					67,400	-	67,400
Transfers					708,300	(708,300)	-
<b>Total General Revenues</b>					<b>5,586,576</b>	<b>(703,808)</b>	<b>4,882,768</b>
Change in Net Assets					732,692	(209,037)	523,655
Net Assets-Beginning					16,609,070	4,252,313	20,861,383
Net Assets-Ending					\$ 17,341,762	\$ 4,043,276	\$ 21,385,038

NEWTON COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

	20	46	68	70	Total
	Road & Bridge	Newton Co Hartford Ins	Hazard Mitigation Grant	Courthouse Emergency Grant	Non-Major Funds
	General				Governmental Funds
5,10,98,99	20,925	702,051	32,043	-	\$ 1,924,305
<b>\$ 2,621,414</b>	<b>\$ 20,925</b>	<b>\$ 702,051</b>	<b>\$ 32,043</b>	<b>\$ -</b>	<b>\$ 1,924,305</b>
Investments	-	-	-	-	436,653
Prepaid Expenses	9,867	-	-	-	9,867
Property Taxes Receivable	1,512,679	-	-	-	1,512,679
Allowance for Uncollectible Taxes	(60,000)	-	-	-	(60,000)
Accounts Receivable	30,505	-	-	413,231	200,919
<b>TOTAL ASSETS</b>	<b>\$4,777,475</b>	<b>\$702,051</b>	<b>\$32,043</b>	<b>\$ 413,231</b>	<b>\$2,561,877</b>
<b>\$ 5,109,899</b>	<b>\$ 20,925</b>	<b>\$ 702,051</b>	<b>\$ 32,043</b>	<b>\$ -</b>	<b>\$ 1,924,305</b>
LIABILITIES					
Accounts Payable	\$947	\$200	\$0	\$0	\$205,815
Accrued Vacation/Comp Time	69,648	-	-	-	12,393
Deferred Revenue	1,021,710	-	-	-	1,021,710
<b>TOTAL LIABILITIES</b>	<b>1,219,095</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>218,208</b>
<b>FUND BALANCE</b>					
Unreserved	3,558,380	701,851	32,043	413,231	2,343,669
Reserved	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>3,558,380</b>	<b>701,851</b>	<b>32,043</b>	<b>413,231</b>	<b>2,343,669</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 4,777,475</b>	<b>\$ 702,051</b>	<b>\$ 32,043</b>	<b>\$ 413,231</b>	<b>\$ 2,561,877</b>
					<b>\$ 8,511,958</b>

NEWTON COUNTY, TEXAS  
RECONCILIATION OF THE STATEMENT OF NET ASSETS,  
TO THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

Exhibit C-1

Net Fund Balances of Governmental Funds		\$ 7,073,509
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	9,795,031	
Long Term Liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(548,758)	
Other long term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds	<u>1,021,710</u>	<u>10,267,983</u>
Net Assets of Governmental Activities- Exhibit A		<u><u>\$ 17,341,492</u></u>

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



NEWTON COUNTY, TEXAS  
 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, 2010

Exhibit D-1

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

Net change in fund balances - total governmental funds (Exhibit D) \$ (411,692)

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	1,288,832	
Depreciation	(477,375)	
Deletions	<u>(8,717)</u>	802,740

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	(74,380)	
Payment of Principal	<u>194,754</u>	120,374

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in Deferred Tax Revenue		
Other	<u>221,000</u>	<u>221,000</u>

Change in Net Assets of Governmental Activities (Exhibit B) \$ 732,422

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

NEWTON COUNTY, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET TO ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010

Exhibit E

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget - Positive Negative
<b>REVENUE</b>				
Taxes	\$3,165,443	\$3,165,443	\$ 2,803,143	\$ (362,300)
Intergovernmental	15,000	15,000	15,204	204
Fines and Fees	463,794	461,294	482,599	21,305
Licenses and Permits	4,000	4,000	8,759	4,759
Miscellaneous	38,150	38,150	80,477	42,327
Interest	18,500	18,500	16,660	(1,840)
Other Revenue	8,000	77,706	102,209	24,503
Grants			-	-
<b>TOTAL REVENUE</b>	<u>3,712,887</u>	<u>3,780,093</u>	<u>3,509,051</u>	<u>(271,042)</u>
<b>EXPENDITURES</b>				
Current				
General Administration	595,618	595,618	290,057	305,561
Judicial	852,113	852,958	826,372	26,586
Legal	360,118	359,938	265,817	94,121
Financial Administration	540,328	540,328	514,756	25,572
Public Facilities	301,570	301,390	284,930	16,460
Public Safety	1,485,308	1,485,308	1,475,310	9,998
Health and Welfare	610,908	610,908	411,766	199,142
Conservation	460	460	180	280
Miscellaneous	100,000	100,000	54,554	45,446
Debt Service				
Principal Payment	29,130	29,130	28,705	425
Interest Expense	2,467	2,467	2,525	(58)
Capital Outlay	145,950	176,190	119,594	56,596
<b>TOTAL EXPENDITURES</b>	<u>5,023,970</u>	<u>5,054,695</u>	<u>4,274,566</u>	<u>780,129</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,311,083)</u>	<u>(1,274,602)</u>	<u>(765,515)</u>	<u>509,087</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	350,000	520,431	520,431	-
Transfers (Out)	(13,985)	(235,971)	(235,971)	-
Issuance of Debt	-	-	74,380	74,380
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>336,015</u>	<u>284,460</u>	<u>358,840</u>	<u>74,380</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(975,068)</u>	<u>(990,142)</u>	<u>(406,675)</u>	<u>583,467</u>
<b>FUND BALANCE AT BEGINNING OF PERIOD</b>	<u>3,965,055</u>	<u>3,965,055</u>	<u>3,965,055</u>	<u>-</u>
Prior Period Adjustment	-	-	-	-
<b>FUND BALANCE AT END OF PERIOD</b>	<u>\$ 2,989,987</u>	<u>\$ 2,974,913</u>	<u>\$ 3,558,380</u>	<u>\$ 583,467</u>

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

NEWTON COUNTY, TEXAS  
 STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
 DECEMBER 31, 2010

Exhibit F

	Business-Type Activities Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 273,265	\$ 2,385,833	\$2,659,098
Investments	1,911,395	-	1,911,395
Accounts Receivables - Net of Allowances for Uncollectibles	1,584,107	-	1,584,107
Total Current Assets	<u>3,768,767</u>	<u>2,385,833</u>	<u>6,154,600</u>
Non-Current Assets			
Restricted Cash and Investments	-	-	-
Original Issue Discount	-	-	-
Less: Accumulated Accretion	-	109,776	109,776
Total Capital Assets, Net of			
Accumulated Depreciation	539,706	10,600,304	11,140,010
Total Non-Current Assets	<u>539,706</u>	<u>10,710,080</u>	<u>11,249,786</u>
Total Assets	<u>4,308,473</u>	<u>13,095,913</u>	<u>17,404,386</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	3,171,110	-	3,171,110
Bonds Payable - Current Portion	-	650,000	650,000
Total Current Liabilities	<u>3,171,110</u>	<u>650,000</u>	<u>3,821,110</u>
Long-Term Liabilities			
Bonds Payable - Noncurrent Portion	-	9,540,000	9,540,000
Total Long-term Liabilities	<u>-</u>	<u>9,540,000</u>	<u>9,540,000</u>
Total Liabilities	<u>3,171,110</u>	<u>10,190,000</u>	<u>13,361,110</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	539,706	410,304	950,010
Restricted	-	-	-
Unrestricted	597,657	2,495,609	3,093,266
Total Net Assets	<u>\$ 1,137,363</u>	<u>\$ 2,905,913</u>	<u>\$4,043,276</u>

NEWTON COUNTY, TEXAS  
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2010

Exhibit G

	Business-Type Activities <u>Enterprise Fund</u> Correctional Facility	<u>Component Unit</u> Public Facility Corporation	<u>Total</u>
<b>OPERATING REVENUES</b>			
Project Revenues	\$ 5,955,242	\$ 3,246,667	\$ 9,201,909
Total Operating Revenues	<u>5,955,242</u>	<u>3,246,667</u>	<u>9,201,909</u>
<b>OPERATING EXPENSES</b>			
Management Fees	6,884,893	-	6,884,893
Newton County Fee	400,000	-	400,000
Depreciation	107,942	251,227	359,169
PFC Lease	-	-	-
Professional Fees	10,300	28,500	38,800
Trust Fees	3,700	-	3,700
Repairs & Maintenance	98,459	68,414	166,873
Accretion Expense-OID	-	13,722	13,722
Bond Interest	-	839,981	839,981
Total Operating Expenses	<u>7,505,294</u>	<u>1,201,844</u>	<u>8,707,138</u>
<b>Operating Income (Loss)</b>	<u>(1,550,052)</u>	<u>2,044,823</u>	<u>494,771</u>
<b>Nonoperating Revenues (Expenditures)</b>			
Interest Income	4,469	23	4,492
Miscellaneous Income (Expenses)	-	-	-
Transfer	927,911	(1,636,211)	(708,300)
Total Nonoperating Revenues (Expenses)	<u>932,380</u>	<u>(1,636,188)</u>	<u>(703,808)</u>
<b>Change in Net Assets</b>	(617,672)	408,635	(209,037)
<b>Total Net Assets at Beginning of Year</b>	<u>1,755,035</u>	<u>2,497,278</u>	<u>4,252,313</u>
<b>Total Net Assets at End of Year</b>	<u>\$ 1,137,363</u>	<u>\$ 2,905,913</u>	<u>\$ 4,043,276</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, 2010

Exhibit H

	Business-Type Activities		
	Enterprise Fund	Component Unit	
	Correctional Facility	Public Facility Corporation	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 5,032,047	\$ 3,246,667	\$ 8,278,714
Payment for interfund services provided	-	-	-
Payment for goods and services	(4,805,853)	(1,733,125)	(6,538,978)
Payment to employees	-	-	-
Net cash provided (used) by operating activities	<u>226,194</u>	<u>1,513,542</u>	<u>1,739,736</u>
<b>Cash Flows from Non-Capital Financing Sources (Uses)</b>			
Miscellaneous	-	-	-
Transfers	927,911	-	927,911
<b>Cash Flows from Capital and Related Financing Activities</b>			
Interest payments	-	(839,981)	(839,981)
Principal payments	-	(650,000)	(650,000)
<b>Cash Flows from Investing Activities</b>			
Interest income	4,469	23	4,492
Purchase of investment	(1,482,356)	-	(1,482,356)
Net Increase(Decrease) in Cash and Cash Equivalents	<u>(323,782)</u>	<u>23,584</u>	<u>539,783</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>			
Unrestricted cash and cash equivalents	597,047	2,362,249	2,959,296
Restricted cash	-	-	-
	<u>597,047</u>	<u>2,362,249</u>	<u>2,959,296</u>
<b>Cash and Cash Equivalents at End of year</b>			
Unrestricted cash and cash equivalents	\$ 273,265	\$ 2,385,833	\$ 2,659,098
Restricted cash	-	-	-
	<u>273,265</u>	<u>2,385,833</u>	<u>2,659,098</u>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided (used) by Operating Activities</b>			
Operating income (loss) adjustments	\$ -	\$ -	\$ -
Depreciation	107,942	251,227	359,169
Bond discount accretion	-	13,722	13,722
(Increase) decrease in receivable	(923,195)	-	(923,195)
Increase (decrease) in payables	2,591,499	-	2,591,499
	<u>\$ 1,776,246</u>	<u>\$ 264,949</u>	<u>\$ 2,041,195</u>
Interest paid	-	839,981	-
Income tax paid	-	-	-

NEWTON COUNTY, TEXAS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2010

Exhibit I

	Agency Funds										Total	
	Criminal		District		County		County		County			
	Sheriff Office	District Attorney	District Clerk Fee Fund	District Clerk Trust Funds	District Fee Fund	District Trust Funds	County Clerk Fee Fund	County Clerk Trust Fund	Tax Assessor Collector			
<b>ASSETS</b>												
Cash	\$ -	\$ 721	\$ 26,364	\$ 94,937	\$ 107,724	\$ -	\$ 13,715	\$ 1,115,161	\$ 1,358,622			
Total Assets	-	721	26,364	94,937	107,724	-	13,715	1,115,161	1,358,622			
<b>LIABILITIES</b>												
Payables to Newton County Beneficiaries	-	721	26,364	94,937	107,724	-	13,715	1,115,161	1,358,622			
Total Liabilities	\$ -	\$ 721	\$ 26,364	\$ 94,937	\$ 107,724	\$ -	\$ 13,715	\$ 1,115,161	\$ 1,358,622			

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

NEWTON COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(A) 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 generally accepted accounting principles ("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. Additionally, the Fillyaw Correctional Facility utilizes local business and workforce for the operation of the facility providing an even greater benefit to the economy of Newton County, Texas.

Newton County, Texas contracted with GEO correctional group for a "per diem" rate (or administrative fee) from the revenues generated and received revenue from the inmate telephone system until GEO terminated the contract by letter dated September 8, 2009, with an effective contract termination date of November 9, 2009. Newton County, Texas contracted with Community Education Centers, Inc. (CEC), on November 9, 2009, for a "per diem" rate (or administrative fee) from the revenues generated and receives revenue from the inmate telephone system. The contract guarantees a minimum fee to Newton County, Texas of \$ 50,000 per month.

**(B) 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.

Component unit financial statement is not published separately.

**(C) 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.

**(D) Assets, Liabilities and Net Assets or Equity**

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.

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.

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, 2010 was minimal.

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.

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

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.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Fund Deficit

As of December 31, 2010 one fund had a deficit fund balance: The VAW Grant Fund, of \$(41).

**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 30<sup>th</sup> 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**

**(A) Deposits**

The carrying amount of the County's deposits as of December 31, 2010 were \$6,933,589, and the bank balances were \$7,431,028. Of the bank balance, \$ 250,000 was covered by FDIC insurance and up to \$8,738,245 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.



**EXHIBIT J**  
**NOTES TO THE FINANCIAL STATEMENTS**

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.

**(B) Receivables**

Receivables and related allowances for uncollectible accounts were as follows as of December 31, 2010 for the governmental funds of the County:

	<u>General</u>	<u>Road &amp; Bridge</u>	<u>Other</u>	<u>Total</u>
Property taxes	\$ 1,733,679	\$ -	\$ -	\$ 1,733,679
Accounts	29,222	5,134	69,102	103,458
	<u>1,762,901</u>	<u>5,134</u>	<u>69,102</u>	<u>1,837,137</u>
Allowance for Uncollectibles	60,000	-	-	60,000
	<u>\$ 1,822,901</u>	<u>\$ 5,134</u>	<u>\$ 69,102</u>	<u>\$ 1,897,137</u>

Receivables for the Business-Type – Enterprise Funds:

	<u>Correctional Facility</u>	<u>Public Facility Corporation</u>	<u>Total</u>
Accounts Receivable	\$ 660,912	\$ -	\$ 660,912

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.

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 \$.80 per \$100.00 valuation. The 2008-2009 tax rate was \$.649325 per \$100.00 valuation assessed at 100% of market value.

**(D) Capital Assets**

Governmental Activities

Capital asset activity for the year ended December 31, 2010 was as follows:

Asset	Balance	Additions	Deletions	Balance	Life
Land	\$ 1,050,855	\$ -	\$ -	\$ 1,050,855	N/A
Buildings	10,452,825	44,200	-	10,497,025	50
Equipment	4,137,012	232,404	85,341	4,284,075	7
CIP	4,649,005	938,855	-	5,587,860	-
Infrastructure	17,392,177	73,373	-	17,465,550	40
	<u>\$ 37,681,874</u>	<u>\$ 1,288,832</u>	<u>\$ 85,341</u>	<u>\$ 38,885,365</u>	
Accumulated Depreciation	Prior	Additions	Deletions	Ending A/D	Book Value
Land	\$ -	\$ -	\$ -	\$ -	\$1,050,855
Buildings	10,279,957	50,602	-	10,330,559	166,466
Equipment	2,144,906	420,320	76,212	2,489,014	1,795,061
CIP	-	-	-	-	5,587,860
Infrastructure	16,264,298	6,453	-	16,270,751	1,194,789
	<u>\$ 28,689,161</u>	<u>\$ 477,375</u>	<u>\$ 76,212</u>	<u>\$ 29,090,324</u>	<u>\$9,795,031</u>

Depreciation Expense was charged to functions/programs as follows:

Government Activities:	
General Government	\$ 229,952
Public Safety	196,821
Public Facilities	50,602
Total Depreciation Expense - Government Activities	<u>\$ 477,375</u>

**EXHIBIT J**  
**NOTES TO THE FINANCIAL STATEMENTS**

<b>Enterprise Fund</b>	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets being depreciated:				
Equipment	\$ 1,079,416	\$ -	\$ -	\$ 1,079,416
Total Capital Assets being depreciated	1,079,416	-	-	1,079,416
Less Accumulated Depreciation for:	431,768	107,942	-	539,710
Total	647,648	(107,942)	-	539,706
<b>Component Unit</b>				
Land	300,000	-	-	300,000
Total Capital Assets being depreciated				
Building	12,561,352	-	-	12,561,352
Accumulated Depreciation	2,009,816	251,227	-	2,261,043
Total Component Units Capital Assets, Net	10,851,536	(251,227)	-	10,600,309

**(E) 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, 2010.

Description	Interest Rate	Beginning Balance 1/1/2010	Debt Issuance	Principal Payments	Interest Payments	Other Adjustments	Ending Balance 12/31/2010
Grader	5.50%	57,139	-	27,534	3,194	-	29,605
Computers	6.10%	2,072	-	2,072	405	-	-
Grader	5.25%	63,834	-	31,722	688	-	32,112
Grader	3.75%	138,718	-	14,677	5,201	-	124,041
Grader	4.50%	150,880	-	13,031	6,790	-	137,849
Software	6.10%	27,936	-	27,936	1,590	-	-
JP Software	6.10%	10,217	-	10,217	608	-	-
Sharp Copier	6.10%	3,633	-	585	727	-	3,048
Roll Off Truck	6.68%	126,270	-	39,400	8,435	-	86,870
Tractor/Mower	4.40%	83,153	-	26,508	3,742	-	56,645
Sharp Copier	6.10%	5,280	-	774	1,225	-	4,506
Sharp Copier	6.10%	-	2,991	166	202	-	2,825
Sharp Copier	6.10%	-	3,989	132	162	-	3,857
Tractor/Mower	4.50%	-	67,400	-	-	-	67,400
		\$ 669,132	\$ 74,380	\$ 194,754	\$ 32,969	\$ -	\$ 548,758

Debt Service Requirements to Maturity are as follows:

Year	Principal	Interest	Total
2011	185,504	26,285	211,789
2012	129,651	17,988	147,639
2013	229,633	10,663	240,296
2014	3,970	423	4,393
	\$ 548,758	\$ 55,359	\$ 604,117

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
2011	700,000	787,200	1,487,200
2012	755,000	729,000	1,484,000
2013	820,000	666,000	1,486,000
2014-2017	3,985,000	1,925,800	5,910,800
2018-2019	3,930,000	375,600	4,305,600
	\$ 10,190,000	\$ 4,483,600	\$ 14,673,600

**(F) Individual Interfund Transactions**

Transfers are as follows:

Fund	Transfers In	Transfers Out
General	\$ 520,431	\$ 235,971
NCCC Accrual Account	-	708,300
District Attorney State Fund	1,735	1,735
Road & Bridge - General	19,578	930,000
Road & Bridge Pct. 1	245,728	-
Road & Bridge Pct. 2	215,000	-
Road & Bridge Pct. 3	215,000	-
Road & Bridge Pct. 4	249,536	-
VAW Grant	14,025	-
Commissioners Special Pct. 1	50,000	-
Commissioners Special Pct. 2	50,000	-
Commissioners Special Pct. 3	82,410	-
Commissioners Special Pct. 4	50,000	-
TCPD Grant	-	-
Courthouse Rest Fund	99,000	-
Newton County Hartford Ins.	-	615,044
Tocker Grant	-	-
Solid Waste Disposal	70,000	-
Voter Registration	40,977	-
Law Library	300	-
Newton County Library	123,103	-
Historical Operating	9,250	-
DA Hot Check Fund	1,735	1,735
DA Contraband	-	2,540
Victims Coord. Grant	-	-
Victims Advocate	-	-

**EXHIBIT J**  
**NOTES TO THE FINANCIAL STATEMENTS**

Hazard Mit Grant	44,731	117,869
EECBG Stimulus Grant	40,800	-
Courthouse Emergency Grant	615,044	-
TDHCA Grant	-	-
FEMA Grant	-	-
HAVA Grant	7,197	19,694
SAVNS/VINE Grant	7,905	3,342
Civic Center	12,000	-
Technology Fund	10,825	-
Federal Forest Fund	-	19,578
Debt Service	-	140,502
	\$ 2,796,310	\$ 2,796,310

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

**NOTE 4 - Other Information**

**(A) 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.

**(B) 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 collectibility 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.

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

The plan provisions are adopted by the 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, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 8.0% investment rate of return (net of administrative expense), and (b) projected salary increased of 5.3%. 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, 2010 was 20 years.

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial date, the plan was 91.76% funded. The actuarial accrued liability for benefits was \$5,171,413, and the actuarial value of assets was \$4,785,761, resulting in an unfunded actuarial liability (UAAL) of \$385,652. The covered payroll (annual payroll of active employees covered by the plan) was \$2,461,383, and the ratios of the UAAL to the covered payroll was 15.73%.

**City of Newton**  
**Schedule of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date			12/31/2010
Actuarial Value of Assets (A)	\$ 5,262,536		
Actuarial Accrued Liability (B)	\$ 5,695,451		
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL) (D) = (B)-(A)	\$ 432,915		
Percentage Funded (C) = (A)/(B)			92.40%
Annual Covered Payroll (E)	\$ 2,641		
UAAL as a Percentage of Covered Payroll (D)/(E)			16.39%
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, 2010 were evaluated by management and reviewed through July 15, 2011, the date of report issuance, with no significant items reported.

NEWTON COUNTY, TEXAS  
 REQUIRED SUPPLEMENTAL INFORMATION  
 FOR THE YEAR ENDED DECEMBER 31, 2010

EXHIBIT K

(Unaudited)

Schedule of Funding Progress of the Retirement Plan  
 For the Employees of Newton County

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ration (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%

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



**NON-MAJOR GOVERNMENTAL  
FUND**

NEWTON COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2010

Exhibit L

	14	15	19	21	22	23	24	25	29	30	31
	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
<b>ASSETS</b>											
Cash and Cash Equivalents	\$ 7,990	\$ 107	\$ 6,392	\$ 146,362	\$ 95,271	\$ 169,176	\$ 118,932	\$ 54,829	\$ -	\$ 54,571	\$ 153,585
Investments	15,069	-	-	32,193	-	-	-	50,945	-	165,857	-
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	439
<b>TOTAL ASSETS</b>	<b>\$ 23,059</b>	<b>\$ 107</b>	<b>\$ 6,392</b>	<b>\$ 178,555</b>	<b>\$ 95,271</b>	<b>\$ 169,176</b>	<b>\$ 118,932</b>	<b>\$ 105,774</b>	<b>\$ -</b>	<b>\$ 220,428</b>	<b>\$ 154,024</b>
<b>LIABILITIES</b>											
Accounts Payable	\$ -	\$ -	\$ 272	\$ 692	\$ 2,276	\$ 908	\$ 977	\$ 51	\$ 41	\$ -	\$ 8,917
Accrued Vacation/Comp Time	-	-	-	1,569	6,610	2,028	2,026	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 272</b>	<b>\$ 2,261</b>	<b>\$ 8,886</b>	<b>\$ 2,936</b>	<b>\$ 3,003</b>	<b>\$ 51</b>	<b>\$ 41</b>	<b>\$ -</b>	<b>\$ 8,917</b>
<b>FUND BALANCE</b>											
Unreserved	\$ 23,059	\$ 107	\$ 6,120	\$ 176,294	\$ 86,385	\$ 166,240	\$ 115,929	\$ 105,723	\$ (41)	\$ 220,428	\$ 145,107
<b>TOTAL FUND BALANCE</b>	<b>23,059</b>	<b>107</b>	<b>6,120</b>	<b>176,294</b>	<b>86,385</b>	<b>166,240</b>	<b>115,929</b>	<b>105,723</b>	<b>(41)</b>	<b>220,428</b>	<b>145,107</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 23,059</b>	<b>\$ 107</b>	<b>\$ 6,392</b>	<b>\$ 178,555</b>	<b>\$ 95,271</b>	<b>\$ 169,176</b>	<b>\$ 118,932</b>	<b>\$ 105,774</b>	<b>\$ -</b>	<b>\$ 220,428</b>	<b>\$ 154,024</b>

NEWTON COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2010

Exhibit L

	32	33	34	36	37	38	39	40	41	42
Commissioner Spec Pct 2	Commissioner Spec Pct 3	Commissioner Spec Pct 4	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	
Cash and Cash Equivalents	\$ 85,678	\$ 57,535	\$ 129,097	\$ 26,483	\$ 62,528	\$ 50,728	\$ 62,462	\$ 66,593	\$ 21,125	\$ 28,365
Investments	-	-	-	-	-	-	-	50,945	-	-
Accounts Receivable	439	439	439	63	63	63	63	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 86,117</b>	<b>\$ 57,974</b>	<b>\$ 129,536</b>	<b>\$ 26,546</b>	<b>\$ 62,591</b>	<b>\$ 50,791</b>	<b>\$ 62,525</b>	<b>\$ 117,538</b>	<b>\$ 21,125</b>	<b>\$ 28,365</b>
<b>LIABILITIES</b>										
Accounts Payable	\$ 37,235	\$ 13,723	\$ 9,944	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ 37,235</b>	<b>\$ 13,723</b>	<b>\$ 9,944</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FUND BALANCE</b>										
Unreserved	\$ 48,882	\$ 44,251	\$ 119,592	\$ 26,546	\$ 62,591	\$ 50,791	\$ 62,525	\$ 117,538	\$ 21,125	\$ 28,365
<b>TOTAL FUND BALANCE</b>	<b>\$ 48,882</b>	<b>\$ 44,251</b>	<b>\$ 119,592</b>	<b>\$ 26,546</b>	<b>\$ 62,591</b>	<b>\$ 50,791</b>	<b>\$ 62,525</b>	<b>\$ 117,538</b>	<b>\$ 21,125</b>	<b>\$ 28,365</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 86,117</b>	<b>\$ 57,974</b>	<b>\$ 129,536</b>	<b>\$ 26,546</b>	<b>\$ 62,591</b>	<b>\$ 50,791</b>	<b>\$ 62,525</b>	<b>\$ 117,538</b>	<b>\$ 21,125</b>	<b>\$ 28,365</b>

NEWTON COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2010

	43	44	45	47	48	49	50	51	52	53
	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
<b>ASSETS</b>										
Cash and Cash Equivalents	\$ 28,839	\$ 26,599	\$ 171,120	\$ 1,116	\$ 39,179	\$ 226	\$ 34,913	\$ 7,417	\$ 665	\$ 5,122
Investments	-	-	100,409	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	3,039	-	-	25,856
<b>TOTAL ASSETS</b>	<b>\$ 28,839</b>	<b>\$ 26,599</b>	<b>\$ 271,529</b>	<b>\$ 1,116</b>	<b>\$ 39,179</b>	<b>\$ 226</b>	<b>\$ 37,952</b>	<b>\$ 7,417</b>	<b>\$ 665</b>	<b>\$ 30,978</b>
<b>LIABILITIES</b>										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,786	\$ 54	\$ -	\$ 581
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	159	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,786</b>	<b>\$ 213</b>	<b>\$ -</b>	<b>\$ 581</b>
<b>FUND BALANCE</b>										
Unreserved	\$ 28,839	\$ 26,599	\$ 271,529	\$ 1,116	\$ 39,179	\$ 226	\$ 29,166	\$ 7,204	\$ 665	\$ 30,397
<b>TOTAL FUND BALANCE</b>	<b>28,839</b>	<b>26,599</b>	<b>271,529</b>	<b>1,116</b>	<b>39,179</b>	<b>226</b>	<b>29,166</b>	<b>7,204</b>	<b>665</b>	<b>30,397</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 28,839</b>	<b>\$ 26,599</b>	<b>\$ 271,529</b>	<b>\$ 1,116</b>	<b>\$ 39,179</b>	<b>\$ 226</b>	<b>\$ 37,952</b>	<b>\$ 7,417</b>	<b>\$ 665</b>	<b>\$ 30,978</b>

NEWTON COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2010

Exhibit L

	55	56	58	59	60	63	65	66	80	88
	Historical Operating	Historical Book Fund	Dist Attny Hot Check	Dist Attny Contraband	Powell Hotel Fund	Victims Coord. Grant	Victims Advocate Grant	Records Management	Civic Center Operations	State Fee Account
<b>ASSETS</b>										
Cash and Cash Equivalents	\$ 10,051	\$ 8,372	\$ 1,079	\$ 18,153	\$ 17,857	\$ 1,650	\$ -	\$ 30,652	\$ 1,138	\$ 57,201
Investments	-	21,234	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	22	-	-	-	-	-	124	-
<b>TOTAL ASSETS</b>	<b>\$ 10,051</b>	<b>\$ 29,606</b>	<b>\$ 1,101</b>	<b>\$ 18,153</b>	<b>\$ 17,857</b>	<b>\$ 1,650</b>	<b>\$ -</b>	<b>\$ 30,652</b>	<b>\$ 1,262</b>	<b>\$ 57,201</b>
<b>LIABILITIES</b>										
Accounts Payable	\$ 146	\$ -	\$ -	\$ -	\$ -	\$ 40	\$ -	\$ 883	\$ 628	\$ 57,201
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ 146</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40</b>	<b>\$ -</b>	<b>\$ 883</b>	<b>\$ 628</b>	<b>\$ 57,201</b>
<b>FUND BALANCE</b>										
Unreserved	\$ 9,905	\$ 29,606	\$ 1,101	\$ 18,153	\$ 17,857	\$ 1,610	\$ -	\$ 29,769	\$ 634	\$ -
<b>TOTAL FUND BALANCE</b>	<b>9,905</b>	<b>29,606</b>	<b>1,101</b>	<b>18,153</b>	<b>17,857</b>	<b>1,610</b>	<b>-</b>	<b>29,769</b>	<b>634</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 10,051</b>	<b>\$ 29,606</b>	<b>\$ 1,101</b>	<b>\$ 18,153</b>	<b>\$ 17,857</b>	<b>\$ 1,650</b>	<b>\$ -</b>	<b>\$ 30,652</b>	<b>\$ 1,262</b>	<b>\$ 57,201</b>

NEWTON COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2010

Exhibit L

	92	93	97	Total
	Justice Court Technology	Federal Forest Fund	Debt Service	Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 16,768	\$ -	\$ 48,376	\$ 1,924,302
Investments	-	-	-	436,652
Accounts Receivable	-	137,475	32,397	200,921
<b>TOTAL ASSETS</b>	<b>\$ 16,768</b>	<b>\$ 137,475</b>	<b>\$ 80,773</b>	<b>\$ 2,561,875</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 62,461	\$ -	\$ 205,816
Accrued Vacation/Comp Time	-	-	-	12,392
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 62,461</b>	<b>\$ -</b>	<b>\$ 218,208</b>
<b>FUND BALANCE</b>				
Unreserved	\$ 16,768	\$ 75,014	\$ 80,773	\$ 2,343,667
<b>TOTAL FUND BALANCE</b>	<b>16,768</b>	<b>75,014</b>	<b>80,773</b>	<b>2,343,667</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 16,768</b>	<b>\$ 137,475</b>	<b>\$ 80,773</b>	<b>\$ 2,561,875</b>

NEWTON COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	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	
\$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	34,450	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	13,071	-	-	-
Miscellaneous	-	-	1,255	-	-	-	-	-	-	-
Interest	43	13	640	178	206	165	537	1	1,561	-
Other Revenue	-	-	-	-	-	5,164	-	-	-	-
Grants	-	11,323	-	-	-	-	-	21,667	-	-
<b>TOTAL REVENUE</b>	<b>43</b>	<b>11,323</b>	<b>34,463</b>	<b>1,895</b>	<b>178</b>	<b>5,329</b>	<b>13,608</b>	<b>21,668</b>	<b>1,561</b>	<b>-</b>

**EXPENDITURES**

Current	883	-	-	-	-	-	-	-	-	-
General Administration	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-
Legal	-	11,620	45,310	-	-	-	-	35,717	-	-
Public Facilities	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	131,220	212,924	103,546	178,439	4,277	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	27,534	26,508	-	27,709	-	-	-	-
Interest Expense	-	-	3,194	3,742	-	11,991	-	-	-	-
Capital Outlay	-	-	33,583	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>883</b>	<b>11,620</b>	<b>45,310</b>	<b>195,531</b>	<b>103,546</b>	<b>218,139</b>	<b>4,277</b>	<b>35,717</b>	<b>-</b>	<b>-</b>

Excess (Deficiency) of Revenues Over (Under) Expenditures

(840)	(297)	(10,847)	(193,636)	(242,996)	(103,340)	(212,810)	9,331	(14,049)	1,561
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**OTHER FINANCING SOURCES**

-	-	1,735	245,728	215,000	215,000	249,536	-	14,025	-
-	-	(1,735)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>245,728</b>	<b>215,000</b>	<b>215,000</b>	<b>249,536</b>	<b>-</b>	<b>14,025</b>	<b>-</b>

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses

(840)	(297)	(10,847)	52,092	(27,996)	111,660	36,726	9,331	(24)	1,561
23,899	404	16,967	124,202	114,381	54,580	79,203	96,393	(17)	218,867
<b>\$ 23,059</b>	<b>\$ 107</b>	<b>\$ 6,120</b>	<b>\$ 176,294</b>	<b>\$ 86,385</b>	<b>\$ 166,240</b>	<b>\$ 115,929</b>	<b>\$ 105,724</b>	<b>\$ (41)</b>	<b>\$ 220,428</b>

**FUND BALANCE AT BEGINNING OF PERIOD**

**FUND BALANCE AT END OF PERIOD**

NEWTON COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	31	32	33	34	36	37	38	39	40	41
	Commissioner Spec Pct 1	Commissioner Spec Pct 2	Commissioner Spec Pct 3	Commissioner Spec Pct 4	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1
<b>REVENUE</b>										
Taxes	\$ 119,882	\$ 119,882	\$ 119,882	\$ 119,882	\$ 17,664	\$ 17,664	\$ 17,664	\$ 17,664	\$ -	\$ 7,075
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	-	32,710	-
Miscellaneous	-	-	-	5,500	-	-	-	-	-	-
Interest	264	183	156	243	38	88	67	95	540	26
Other Revenue	1,419	-	-	67,440	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-
<b>TOTAL REVENUE</b>	<b>121,565</b>	<b>120,065</b>	<b>120,038</b>	<b>193,065</b>	<b>17,702</b>	<b>17,752</b>	<b>17,731</b>	<b>17,759</b>	<b>33,250</b>	<b>7,101</b>
<b>EXPENDITURES</b>										
Current										
General Administration	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-
Public Facilities	133,898	178,750	134,035	137,796	18,702	15,824	-	35,000	-	9,041
Public Safety	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	11,649	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	31,722	-	-	-	-	-	-	-
Interest Expense	-	-	688	-	-	-	-	-	-	-
Capital Outlay	3,468	-	22,761	67,508	-	-	-	-	-	2,457
<b>TOTAL EXPENDITURES</b>	<b>137,366</b>	<b>178,750</b>	<b>189,206</b>	<b>205,304</b>	<b>18,702</b>	<b>15,824</b>	<b>-</b>	<b>35,000</b>	<b>14,106</b>	<b>9,041</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,801)	(58,685)	(69,168)	(12,239)	(1,000)	1,928	17,731	(17,241)	19,144	(1,940)
<b>OTHER FINANCING SOURCES</b>										
Transfers In (Out)	50,000	50,000	82,410	50,000	-	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>50,000</b>	<b>50,000</b>	<b>82,410</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	34,199	(8,685)	13,242	37,761	(1,000)	1,928	17,731	(17,241)	19,144	(1,940)
<b>FUND BALANCE AT BEGINNING OF PERIOD</b>	<b>110,908</b>	<b>57,567</b>	<b>31,009</b>	<b>81,831</b>	<b>27,546</b>	<b>60,663</b>	<b>33,060</b>	<b>79,766</b>	<b>98,394</b>	<b>23,065</b>
<b>FUND BALANCE AT END OF PERIOD</b>	<b>\$ 145,107</b>	<b>\$ 48,882</b>	<b>\$ 44,251</b>	<b>\$ 119,592</b>	<b>\$ 26,546</b>	<b>\$ 62,591</b>	<b>\$ 50,791</b>	<b>\$ 62,525</b>	<b>\$ 117,538</b>	<b>\$ 21,125</b>

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



NEWTON COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	42	43	44	45	47	48	49	50	51	52
	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
<b>REVENUE</b>										
Taxes	\$ 7,075	\$ 7,075	\$ 7,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	28,738	-	38,325	215	5,160
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Interest	37	32	37	1,647	2	23	1	68	32	1
Other Revenue	-	-	-	275	-	-	-	3,346	-	-
Grants	-	-	-	-	-	-	-	10,000	-	-
<b>TOTAL REVENUE</b>	<b>7,112</b>	<b>7,107</b>	<b>7,112</b>	<b>1,922</b>	<b>2</b>	<b>28,761</b>	<b>1</b>	<b>51,739</b>	<b>247</b>	<b>5,161</b>
<b>EXPENDITURES</b>										
Current										
General Administration	-	-	-	-	-	-	-	-	38,417	-
Judicial	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	4,983
Public Facilities	6,457	-	22,001	2,694	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	101,110	-	-
Conservation	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	80	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	39,399	2,072	-
Interest Expense	-	-	-	-	-	-	-	8,435	405	-
Capital Outlay	-	-	-	-	-	-	-	7,364	-	-
<b>TOTAL EXPENDITURES</b>	<b>6,457</b>	<b>-</b>	<b>22,001</b>	<b>2,694</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>156,308</b>	<b>40,894</b>	<b>4,983</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	655	7,107	(14,889)	(772)	2	28,761	(79)	(104,569)	(40,647)	178
<b>OTHER FINANCING SOURCES</b>										
Transfers In (Out)	-	-	-	99,000	-	-	-	70,000	40,977	300
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,000</b>	<b>40,977</b>	<b>300</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	655	7,107	(14,889)	98,228	2	28,761	(79)	(34,569)	330	478
<b>FUND BALANCE AT BEGINNING OF PERIOD</b>	<b>27,710</b>	<b>21,731</b>	<b>41,488</b>	<b>173,301</b>	<b>1,114</b>	<b>10,418</b>	<b>305</b>	<b>63,735</b>	<b>6,874</b>	<b>187</b>
<b>FUND BALANCE AT END OF PERIOD</b>	<b>\$ 28,365</b>	<b>\$ 28,838</b>	<b>\$ 26,599</b>	<b>\$ 271,529</b>	<b>\$ 1,116</b>	<b>\$ 39,179</b>	<b>\$ 226</b>	<b>\$ 29,166</b>	<b>\$ 7,204</b>	<b>\$ 665</b>

NEWTON COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	53	55	56	58	59	60	63	65	66	69
Newton Co Library	Historical Operating	Historical Book Fund	Historical Book Fund	Dist Attny Hot Ck Fund	Dist Attny Contraband	Powell Hotel Fund	Victims Coord. Grant	Victims Advocate Gr	Records Management	EECBG Stim Grant
<b>REVENUE</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	2,719	18,144	-	-	-	4,084	-
Miscellaneous	-	348	-	-	-	-	-	-	-	-
Interest	57	54	376	2	11	-	6	-	43	-
Other Revenue	41,855	1,058	669	-	217	5,243	-	-	-	-
Grants	4,559	-	-	-	-	-	27,875	-	-	-
<b>TOTAL REVENUE</b>	<b>46,471</b>	<b>1,460</b>	<b>1,045</b>	<b>2,721</b>	<b>18,372</b>	<b>5,243</b>	<b>27,881</b>	<b>-</b>	<b>4,127</b>	<b>-</b>
<b>EXPENDITURES</b>										
Current										
General Administration	-	-	-	-	-	-	-	-	6,608	-
Judicial	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	4,355	4,034	-	-	-	-	-
Public Facilities	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	30,743	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	141,553	7,795	-	-	-	7,160	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	830	-	-	-	-	-	-	-	-
Interest Expense	-	1,169	-	-	-	-	-	-	-	-
Capital Outlay	-	1,299	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>141,553</b>	<b>11,093</b>	<b>-</b>	<b>4,355</b>	<b>4,034</b>	<b>7,160</b>	<b>30,743</b>	<b>-</b>	<b>6,608</b>	<b>40,800</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(95,082)	(9,633)	1,045	(1,634)	14,338	(1,917)	(2,862)	-	(2,481)	(40,800)
<b>OTHER FINANCING SOURCES</b>										
Transfers In (Out)	123,103	9,250	-	1,735	-	-	-	-	-	40,800
Transfers In (Out)	-	-	-	(1,735)	(2,540)	-	-	(8)	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>123,103</b>	<b>9,250</b>	<b>-</b>	<b>-</b>	<b>(2,540)</b>	<b>-</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>40,800</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	28,021	(383)	1,045	(1,634)	11,798	(1,917)	(2,862)	(8)	(2,481)	-
<b>FUND BALANCE AT BEGINNING OF PERIOD</b>	<b>2,376</b>	<b>10,288</b>	<b>28,561</b>	<b>2,735</b>	<b>6,355</b>	<b>19,774</b>	<b>4,472</b>	<b>8</b>	<b>32,250</b>	<b>-</b>
<b>FUND BALANCE AT END OF PERIOD</b>	<b>\$ 30,397</b>	<b>\$ 9,905</b>	<b>\$ 29,606</b>	<b>\$ 1,101</b>	<b>\$ 18,153</b>	<b>\$ 17,857</b>	<b>\$ 1,610</b>	<b>\$ -</b>	<b>\$ 29,769</b>	<b>\$ -</b>

NEWTON COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	75	76	77	78	80	92	93	97	Total
	HAVA Grant	TDR Grant	TxSAVNS/Vine Grant	Rec Acct JAG Program	Civic Center Operations	Justice Court Technology	Federal Forest Fund	Debt Service	Nonmajor Governmental Fund
<b>REVENUE</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,894	\$ 757,378
Intergovernmental	-	-	-	-	-	-	162,121	-	196,571
Fines and Fees	-	-	-	-	800	12,124	-	-	156,090
Miscellaneous	-	-	-	-	-	-	-	-	7,103
Interest	-	-	-	-	8	17	-	66	7,564
Other Revenue	-	-	-	-	-	750	-	-	127,436
Grants	19,694	333,521	3,342	12,363	-	-	-	-	444,344
<b>TOTAL REVENUE</b>	<b>19,694</b>	<b>333,521</b>	<b>3,342</b>	<b>12,363</b>	<b>808</b>	<b>12,891</b>	<b>162,121</b>	<b>178,960</b>	<b>1,696,486</b>
<b>EXPENDITURES</b>									
Current									
General Administration	-	-	-	-	-	-	-	-	45,908
Judicial	-	-	-	-	-	-	-	-	-
Legal	-	-	-	12,363	-	2,287	-	-	120,669
Public Facilities	-	-	-	-	-	-	-	-	1,324,604
Public Safety	7,197	333,521	7,905	-	-	-	-	-	379,366
Health and Welfare	-	-	-	-	-	-	-	-	101,110
Conservation	-	-	-	-	-	-	82,040	-	93,689
Culture and Recreation	-	-	-	-	12,672	-	-	-	169,260
Debt Service	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	10,383	-	-	166,157
Interest Expense	-	-	-	-	-	809	-	-	30,433
Capital Outlay	-	-	-	-	-	-	-	-	179,240
<b>TOTAL EXPENDITURES</b>	<b>7,197</b>	<b>333,521</b>	<b>7,905</b>	<b>12,363</b>	<b>12,672</b>	<b>13,479</b>	<b>82,040</b>	<b>-</b>	<b>2,610,436</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,497	-	(4,563)	-	(11,864)	(588)	80,081	178,960	(913,950)
<b>OTHER FINANCING SOURCES</b>									
Transfers In (Out)	7,197	-	7,905	-	12,000	10,825	-	-	1,596,526
Transfers In (Out)	(19,694)	-	(3,342)	-	-	-	(19,578)	(140,502)	(189,134)
Issuance of Debt	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(12,497)</b>	<b>-</b>	<b>4,563</b>	<b>-</b>	<b>12,000</b>	<b>10,825</b>	<b>(19,578)</b>	<b>(140,502)</b>	<b>1,407,392</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	-	-	136	10,237	60,503	38,458	493,442
<b>FUND BALANCE AT BEGINNING OF PERIOD</b>									
<b>FUND BALANCE AT END OF PERIOD</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 634</b>	<b>\$ 16,768</b>	<b>\$ 75,014</b>	<b>\$ 80,774</b>	<b>\$ 2,343,668</b>

**SINGLE AUDIT SECTION**



# Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

Member

American Institute of  
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Texas Society of  
Certified Public Accountants

AICPA Private  
Companies Practice Section

## INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the County Judge and  
Members of the County Court  
Newton County, Texas

### Compliance

We have audited the County of Newton, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the County of Newton, Texas' major federal programs for the year ended December 31, 2010. County of Newton, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Newton, Texas' management. Our responsibility is to express an opinion on the County of Newton, Texas compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 and state program occurred. An audit includes examining, on a test basis, evidence about the County of Newton, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Newton, Texas' compliance with those requirements.

In our opinion, the County of Newton, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

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## Internal Control Over Compliance

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

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

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

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

Yours very truly,

*Charles E. Reed & Associates, P.C.*

**Charles E. Reed & Associates, P.C.**  
Certified Public Accountants  
Port Arthur, Texas, U.S.A.

July 15, 2011



# Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

## 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

Member

American Institute of Certified Public Accountants

Texas Society of Certified Public Accountants

AICPA Private Companies Practice Section

To the County Judge and  
Members of the County Court  
Newton County, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Newton, Texas as of and for the year ended December 31, 2010, which collectively comprise the County of Newton, Texas', basic financial statements and have issued our report thereon dated July 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider those items as indicated in the accompanying schedule of findings and questioned costs to be material weaknesses.

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Compliance and other matters

As part of obtaining reasonable assurance about whether the County of Newton, Texas' financial statements are free of material misstatements, 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Yours very truly,

*Charles E. Reed & Associates, P.C.*

**Charles E. Reed & Associates, P.C.**  
Certified Public Accountants  
Port Arthur, Texas, U.S.A.

July 15, 2011



NEWTON COUNTY, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

Schedule I

	Federal CFDA Number	Amount of Award	Amount Expended
<b><u>Department of Homeland Security</u></b>			
Governors Department of Emergency Management	97.039	\$ 50,000	\$ 50,000
Governors Department of Emergency Management	97.039	2,763,662	466,596
Texas Dept. of Public Safety - DETCOG - SHSP	97.073	13,528	-
Texas Dept. of Public Safety - DETCOG - SHSP	97.073	135,967	-
Texas Dept. of Public Safety - DETCOG - LETPA	97.073	40,937	-
			<u>516,596</u>
<b><u>Department of Housing and Urban Development</u></b>			
Texas Department of Rural Affairs	14.228	250,000	-
Texas Department of Rural Affairs	14.228	2,043,005	333,521
			<u>333,521</u>
<b><u>Department of Criminal Justice</u></b>			
<i>Pass through from the Office of the Governor Criminal Justice</i>			
Victim Coordinator Liaison			
Pass through number 1014430	16.575	67,662	30,742
Violence Against Women			
Pass through number WF-09-V03-19193-03	16.588	26,000	26,823
Violence Against Women			
Pass through number WF-09-V03-19191-04	16.588	26,000	8,961
			<u>66,526</u>
<b><u>U.S. Elections Assistance Commission</u></b>			
HAVA- General Compliance 78651	90.401	12,652	-
HAVA - Polling Place Accessibility 78021	90.401	5,012	5,012
HAVA - Opportunity for Accessibility 78280	90.401	2,185	2,185
			<u>7,197</u>
<b><u>U.S. Department of Agriculture</u></b>			
Texas Forest Service	10.661	10,000	5,000
<b><u>Health and Human Services Commission</u></b>			
Deep East Texas Council of Governments	93.667	36,823	36,823
<b><u>American Recovery and Reinvestment Act</u></b>			
<b><u>U.S. Department of Energy</u></b>			
Comptroller of Public Accounts	81.128	57,576	40,800
<b><u>Office of Inspector General</u></b>			
Department of Justice	16.804	12,364	12,363
			<u>1,018,826</u>
		Total Federal Money Expended	\$ <u>1,018,826</u>

NEWTON COUNTY, TEXAS  
 SCHEDULE OF STATE OF TEXAS EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2010

Schedule II

		Grant I.D.	Amount of Award	Amount Expended
Texas Comptroller	Texas Task Force on Indigent Defense	212-11-176	\$ 11,294	\$ -
Texas Comptroller	Texas Task Force on Indigent Defense	212-09-176	11,399	3,253
Texas Comptroller	Texas Task Force on Indigent Defense	212-10-176	11,297	8,366
Texas Historical Commission	Newton County Court House Restoration	3-2002	4,038,848	938,856
Texas Department of Agriculture	East Texas Support Services		15,000	15,000
Office of Attorney General	Texas SAVNS/VINE Program	0810028-04	7,905	7,905
Office of Attorney General	Texas SAVNS/VINE Program	1121417.000	7,905	-
Deep East Texas Council of Gov.	LETPP		32,370	32,370
Total State Money Expended			\$	<u>1,005,750</u>

NEWTON COUNTY, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**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 the 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 activity 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, or used in the preparation of, the basic financial statements.

NEWTON COUNTY, TEXAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 DECEMBER 31, 2010

Section I-Summary of Auditor's Results

Financial Statements

Type if 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
14.228	Housing and Urban Development

American Recovery and Reinvestment Act

16.804	Department of Justice
81.128	Comptroller of Public Accounts - SECO

<u>Grant ID#</u>	<u>Name of State Program</u>
3-2002	Texas Historical Commission

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

Auditee qualified as low-risk auditee?  Yes  No

Section II-Financial Statements Findings

Criteria: In accordance with OMB A-133, the organization should have procedures in place to prevent control deficiencies over financial reporting.

*A control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

*A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a material misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

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

**MATERIAL WEAKNESSES**

NONE

**SIGNIFICANT DEFICENCIES**

NONE

Section III - Federal Award Findings and Questioned Costs

None

Section IV-Status of Prior Year Findings

**Material Weaknesses:**

**Finding #2009-01**

**PHYSICAL INVENTORY COUNT AT YEAR-END**

**Issue:** A physical inventory count was not taken at year-end. We applied alternative procedures to satisfy ourselves as to the value of the inventory, if any. Prior to year-end, the County had not conducted a physical inventory count and no inventory was reflected in the County's books. By not recording inventory on hand at year-end, expenditures were overstated by the actual cost of any inventory on hand.

**Status of Finding:** The County Auditor performs a quarterly monitoring and count of inventory.