

NEWTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2009**

**NEWTON COUNTY, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

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**INTRODUCTORY
SECTION**

**NEWTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2009
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:

Misti Spacek
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, the aggregate discretely component units, each major fund, and the aggregate remaining fund information of Newton County, Texas, as of and for the year ended December 31, 2009, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Newton County, Texas as of December 31, 2009, 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 June 30, 2010, 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 important for assessing the results of our audit.

Beaumont

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Beaumont, Texas 77706
(409) 833-8986 • Fax: (409) 833-4486

Port Arthur

3636 Professional Drive
Port Arthur, Texas 77642
(409) 983-3277 • Fax: (409) 983-3270

Silsbee

295 Hwy. 327 East
Silsbee, Texas 77656
(409) 385-2806 • Fax: (409) 385-4338

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newton County, Texas' basic financial statements. 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 basic 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 of Newton County, Texas. The combining and individual non-major fund financial statements and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

Yours very truly,

Charles E. Reed & Associates, A.C.

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

June 30, 2010

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, 2009. 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 2009 by \$20,861,383. Of this amount, \$7,427,500 is considered unrestricted. The unrestricted net assets of the County's governmental activities are \$3,834,385 and may be used to meet the government's ongoing obligations.
- The County's total net assets increased by \$1,074,174 in 2009.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$7,485,198. Of this balance, \$7,485,198 is considered unreserved at December 31, 2009.
- The General Fund reported a fund balance of \$3,965,055 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$3,965,055 or 90.86% of total general expenditures (including transfers out).
- The County's total debt decreased by \$508,788 during the current fiscal year. Debt was issued in the current fiscal year in the amount of \$215,213.

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 11-13 of this report.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 20 of this report.

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The County's assets exceeded liabilities by \$20,861,383 at the close of the most recent fiscal year.

A portion of the County's net assets, \$8,982,339 reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, equipment, and infrastructure), less any related debt used to acquire those assets that remain outstanding. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Net Assets	2009	2008	2009	2008
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
Current and other assets	\$ 8,591,346	\$ 8,047,826	\$ 4,172,745	\$ 6,047,170
Capital assets	8,992,713	7,846,698	11,499,179	11,858,348
Total assets	17,584,059	15,894,524	15,671,924	17,905,518
Long-term liabilities	475,096	454,392	10,190,000	10,885,000
Other liabilities	499,893	377,825	1,229,611	2,295,616
Total liabilities	974,989	832,217	11,419,611	13,180,616
Net assets:				
Invested in capital assets, net of related debt	8,323,161	7,273,358	659,178	1,540,380
Restricted	4,451,544	4,542,763	-	-
Unrestricted	3,834,365	3,246,186	3,593,135	3,184,522
	<u>\$ 16,609,070</u>	<u>\$ 15,062,307</u>	<u>\$ 4,252,313</u>	<u>\$ 4,724,902</u>

An additional portion of the County's net assets, \$4,451,544 represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets \$7,427,500, may be utilized to meet the government's on-going obligations to citizens and creditors.

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

CHANGES IN NET ASSETS

	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>Governmental</u>	<u>Governmental</u>	<u>Proprietary</u>	<u>Proprietary</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
REVENUES				
Charges for services	\$ 1,207,679	\$ 1,202,781	\$ 9,841,852	\$ 13,641,763
Operating grants and contributions	1,978	1,171,334	-	-
Capital Grants	3,006,276	2,228,536	-	-
General revenues:				
Property taxes	4,059,664	4,169,734	-	-
Miscellaneous	62,577	99,245	-	-
Interest income	40,348	178,532	37,420	118,398
Other	552,967	301,269	-	-
Total Revenues	<u>8,931,489</u>	<u>9,351,431</u>	<u>\$ 9,879,272</u>	<u>\$ 13,760,161</u>
EXPENDITURES				
General government	2,440,563	2,363,157	-	-
Public safety & health	3,902,981	3,542,721	-	-
Public facilities	1,497,771	1,798,580	9,663,211	13,719,444
Conservation	49,803	41,498	-	-
Culture and Recreation	151,945	133,523	-	-
Interest on long-term debt	30,313	16,008	-	-
Total Expenditures	<u>8,073,376</u>	<u>7,895,487</u>	<u>9,663,211</u>	<u>13,719,444</u>
Excess of Revenues over Expenses	858,113	1,455,944	216,061	40,717
Transfers	688,650	586,649	(688,650)	(586,649)
Increase (decrease) in net assets	<u>1,546,763</u>	<u>2,042,593</u>	<u>(472,589)</u>	<u>(545,932)</u>
Net assets at beginning of year	<u>15,062,307</u>	<u>13,019,714</u>	<u>4,724,902</u>	<u>5,270,834</u>
Net Assets End of Year	<u>\$ 16,609,070</u>	<u>\$ 15,062,307</u>	<u>4,252,313</u>	<u>4,724,902</u>

The government's total net assets increased by \$ 1,074,174 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, 2009, the County's governmental funds reported combined ending fund balances of \$7,485,198 an increase of \$496,959 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, 2009 unreserved and total fund balance of the General Fund was \$3,965,055. 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 90.86% of total General Fund expenditures (including transfers out).

The fund balance of the General Fund increased by \$589,288 during 2009. It was budgeted at a decrease of \$(491,194) during this year. Therefore, this increase was a \$1,080,482 positive variance. Revenue had a positive variance of \$59,624 while expenditures had positive variance of \$1,020,858.

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for governmental and business-type activities as of December 31, 2009, amounts to \$20,491,892 (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	4,649,005	-	4,649,005
Other Capital Assets	3,292,853	11,199,179	14,492,032
	<u>\$ 8,992,713</u>	<u>\$ 11,499,179</u>	<u>\$ 20,491,892</u>

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, 2009, the County had \$11,509,552 of long-term debt.

	DEBT OUTSTANDING	
	Governmental Activities	Business-Type Activities
Bonds Payable	\$ -	\$ 10,840,000
Notes Payable	669,552	-
	<u>\$ 669,552</u>	<u>\$ 10,840,000</u>

Total liabilities outstanding at December 31, 2009 decreased by \$1,694,188 from December 31, 2008, 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 2008-2009 year is reduced to \$.~~0~~49325.

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 2010 is similar to 2009.
- 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, 2009

Exhibit A

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ 5,904,264	\$ 2,959,296	\$ 8,863,560
Investments	-	429,039	429,039
Receivables:			
Accounts Receivable	82,002	660,912	742,914
Property Taxes Receivable	1,733,679	-	1,733,679
Allowance for Uncollectible Taxes	(60,000)	-	(60,000)
Restricted Cash and Investments	931,401	-	931,401
Orginal Issue Discount - Net	-	123,498	123,498
Capital Assets			-
Land	1,050,855	300,000	1,350,855
Construction in Progress	4,649,005	-	4,649,005
Capital Assets - Net	3,292,853	11,199,179	14,492,032
TOTAL ASSETS	\$ 17,584,059	\$ 15,671,924	\$ 33,255,983
LIABILITIES			
Accounts Payable	\$ 229,482	\$ 579,611	\$ 809,093
Accrued Payables	75,955	-	75,955
Notes Payable			
Due Within One Year	194,456	650,000	844,456
Due After One Year	475,096	10,190,000	10,665,096
TOTAL LIABILITIES	\$ 974,989	\$ 11,419,611	\$ 12,394,600
NET ASSETS			
Investment in Capital Assets- Net of Debt	\$ 8,323,161	\$ 659,178	\$ 8,982,339
Restricted	931,401		931,401
Restricted - Special Revenue	3,520,143		3,520,143
Unrestricted	3,834,365	3,593,135	7,427,500
TOTAL NET ASSETS	\$ 16,609,070	\$ 4,252,313	\$ 20,861,383

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2009

Exhibit B

Functions-Programs	Expenses	Charges for Services	Program Specific Operating Grants	Program Specific Capital Grants	Activities Total	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 860,537	\$ -		\$ -	\$ (860,537)	\$ -	\$ (860,537)
Judicial	723,944	-		813,104	89,160	-	89,160
Legal	340,358	-		-	(340,358)	-	(340,358)
Financial Administration	484,303	-		-	(484,303)	-	(484,303)
Public Facilities	1,497,771	-		1,058,020	(439,751)	-	(439,751)
Public Safety	3,404,191	1,202,654	1,978	1,135,152	(1,064,407)	-	(1,064,407)
Health & Welfare	498,790	5,025		-	(493,765)	-	(493,765)
Conservation	49,803	-		-	(49,803)	-	(49,803)
Culture & Recreation	151,945	-		-	(151,945)	-	(151,945)
Miscellaneous	31,421	-	-	-	(31,421)	-	(31,421)
Interest on long-term debt	30,313	-	-	-	(30,313)	-	(30,313)
Total Governmental Activities	\$ 8,073,376	\$ 1,207,679	\$ 1,978	\$ 3,006,276	\$ (3,857,443)	\$ -	\$ (3,857,443)
Business-Type Activities:							
Prison Facilities	\$ 9,663,211	\$ 9,841,852	\$ -	\$ -	\$ -	\$ 178,641	\$ 178,641

General Revenues			
Property Taxes	\$ 4,059,664	\$ -	\$ 4,059,664
Intergovernmental	59,004	-	59,004
Miscellaneous	3,573	-	3,573
Interest	40,348	37,420	77,768
Other	554,999	-	554,999
Loss on Disposal of Capital Asset	(2,032)	-	(2,032)
Transfers	688,650	(688,650)	-
Total General Revenues	5,404,206	(651,230)	4,752,976
Change in Net Assets	1,546,763	(472,589)	1,074,174
Net Assets-Beginning	15,062,307	4,724,902	19,787,209
Net Assets-End	\$ 16,609,070	\$ 4,252,313	\$ 20,861,383

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY, TEXAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 DECEMBER 31, 2009

Exhibit C

	5,10,98,99	20	46	68	70	Total	Total
	General Fund	Road & Bridge General	Newton Co Hartford Ins	Hazard Mitigation Grant	Courthouse Emergency Gr	Non-Major Funds	Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 2,530,333	\$ 154,296	\$ 1,344,090	\$ 168,491	\$ 21,019	\$ 1,686,035	\$ 5,904,264
Investments	714,435	-	-	-	-	216,966	931,401
Property Taxes Receivable	1,733,679	-	-	-	-	-	1,733,679
Allowance for Uncollectible Taxes	(60,000)	-	-	-	-	-	(60,000)
Accounts Receivable	18,032	4,835	-	-	-	59,135	82,002
TOTAL ASSETS	\$ 4,936,479	\$ 159,131	\$ 1,344,090	\$ 168,491	\$ 21,019	\$ 1,962,136	\$ 8,591,346
LIABILITIES							
Accounts Payable	\$ 105,295	\$ 22,806	\$ -	\$ -	\$ -	\$ 101,382	\$ 229,483
Accrued Vacation/Comp Time	65,419	-	-	-	-	10,536	75,955
Deferred Revenue	800,710	-	-	-	-	-	800,710
TOTAL LIABILITIES	\$ 971,424	\$ 22,806	\$ -	\$ -	\$ -	\$ 111,918	\$ 1,106,148
FUND BALANCE							
Unreserved	3,965,055	136,325	1,344,090	168,491	21,019	1,850,218	7,485,198
Reserved	-	-	-	-	-	-	-
TOTAL FUND BALANCE	\$ 3,965,055	\$ 136,325	\$ 1,344,090	\$ 168,491	\$ 21,019	\$ 1,850,218	\$ 7,485,198
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,936,479	\$ 159,131	\$ 1,344,090	\$ 168,491	\$ 21,019	\$ 1,962,136	\$ 8,591,346

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS,
TO THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
DECEMBER 31, 2009

Exhibit C-1

Net Fund Balances of Governmental Funds	\$ 7,485,199
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	8,992,713
Long Term Liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(669,552)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	<u>800,710</u>
Net Assets of Governmental Activities- Exhibit A	<u><u>\$ 16,609,070</u></u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Exhibit D

	5,10,98,99	20	46	72	68	70	Total	Total
	General Fund	Road & Bridge General	Newton Co Hartford Ins	FEMA Grant	Hazard Mitigation Grant	Courthouse Emergency Gr	Non-Major Funds	Governmental Funds
REVENUE								
Taxes	\$ 2,944,035	\$ 530,706	\$ -	\$ -	\$ -	\$ -	\$ 584,923	\$ 4,059,664
Intergovernmental	-	-	-	-	-	-	59,004	59,004
Fines and Fees	497,113	602,353	-	-	-	-	103,188	1,202,654
Licenses and Permits	5,025	-	-	-	-	-	-	5,025
Miscellaneous	-	-	-	-	-	-	3,573	3,573
Interest	21,696	653	8,830	-	-	126	9,043	40,348
Other Revenue	194,410	7,500	-	270,556	-	-	82,533	554,999
Grants	1,978	-	-	-	1,135,152	813,104	1,058,020	3,008,254
TOTAL REVENUE	3,664,257	1,141,212	8,830	270,556	1,135,152	813,230	1,900,284	8,933,521
EXPENDITURES								
Current								
General Administration	260,927	280,330	-	-	-	-	39,427	580,684
Judicial	723,944	-	-	-	-	-	-	723,944
Legal	243,555	-	-	-	-	-	96,803	340,358
Financial Administration	484,303	-	-	-	-	-	484,303	484,303
Public Facilities	313,051	-	-	-	-	-	1,182,106	1,495,157
Public Safety	1,239,635	-	-	37,601	1,064,788	-	763,665	3,105,689
Health and Welfare	397,166	-	-	-	-	-	101,624	498,790
Conservation	450	-	-	-	-	-	49,353	49,803
Culture and Recreation	-	-	-	-	-	-	151,945	151,945
Miscellaneous	31,421	-	-	-	-	-	-	31,421
Debt Service	-	-	-	-	-	-	-	-
Principle Payment	27,085	-	-	-	-	-	91,862	118,947
Interest Expense	3,959	-	-	-	-	-	26,354	30,313
Capital Outlay	61,384	21,719	-	-	-	1,159,681	486,199	1,728,983
TOTAL EXPENDITURES	3,786,880	302,049	-	37,601	1,064,788	1,159,681	2,989,338	9,340,337
Excess (Deficiency) of Revenues Over (Under) Expenditures	(122,623)	839,163	8,830	232,955	70,364	(346,451)	(1,089,054)	(406,816)
OTHER FINANCING SOURCES								
Transfers In	1,288,764	22,470	-	14,011	167,318	257,100	1,808,456	3,558,119
Transfers (Out)	(576,853)	(930,000)	(257,100)	(264,336)	(207,241)	-	(633,939)	(2,869,469)
Issuance of Debt	-	-	-	-	-	-	215,123	215,123
TOTAL OTHER FINANCING SOURCES (USES)	711,911	(907,530)	(257,100)	(250,325)	(39,923)	257,100	1,389,640	903,773
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	589,288	(68,367)	(248,270)	(17,370)	30,441	(89,351)	300,586	496,957
FUND BALANCE - BEGINNING OF PERIOD	3,375,767	204,692	1,592,360	17,370	138,050	110,370	1,549,632	6,988,241
FUND BALANCE - END OF PERIOD	\$ 3,965,055	\$ 136,325	\$ 1,344,090	\$ -	\$ 168,491	\$ 21,019	\$ 1,850,218	\$ 7,485,198

The notes to the financial statements are an integral part of this 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, 2009

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) \$ 496,957

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	\$	1,728,984	
Depreciation		(580,969)	
Deletions		<u>(2,000)</u>	<u>1,146,015</u>

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	\$	(215,123)	
Payment of Principal		118,947	
Reduction of Principal on disposal of Capital Asset		<u>(33)</u>	<u>(96,209)</u>

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		-	

Change in Net Assets of Governmental Activities (Exhibit B) \$1,546,763

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET TO ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

Exhibit E

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUE				
Taxes	\$ 3,081,509	\$ 3,081,509	\$ 2,944,035	\$ (137,474)
Fines and Fees	450,044	450,044	497,113	47,069
Licenses and Permits	4,300	4,300	5,025	725
Interest	75,000	75,000	21,696	(53,304)
Other Revenue	68,162	81,802	194,410	112,608
Grants	-	1,978	1,978	-
TOTAL REVENUE	<u>3,679,015</u>	<u>3,694,633</u>	<u>3,664,257</u>	<u>(30,376)</u>
EXPENDITURES				
Current				
General Administration	560,700	564,700	260,927	303,773
Judicial	786,729	788,093	723,944	64,149
Legal	314,688	314,688	243,555	71,133
Financial Administration	505,917	506,666	484,303	22,363
Public Facilities	283,471	283,471	313,051	(29,580)
Public Safety	1,383,997	1,481,566	1,239,635	241,931
Health and Welfare	592,066	599,812	397,166	202,646
Conservation	460	460	450	10
Miscellaneous	100,000	90,666	31,421	59,245
Debt Service				
Principle Payment	27,459	27,631	27,085	546
Interest Expense	3,374	3,966	3,959	7
Capital Outlay	146,020	146,020	61,384	84,636
TOTAL EXPENDITURES	<u>4,704,879</u>	<u>4,807,738</u>	<u>3,786,880</u>	<u>1,020,858</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,025,864)</u>	<u>(1,113,105)</u>	<u>(122,623)</u>	<u>990,482</u>
OTHER FINANCING SOURCES				
Transfers In	350,000	1,288,764	1,288,764	-
Transfers (Out)	(9,500)	(576,853)	(576,853)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>340,500</u>	<u>711,911</u>	<u>711,911</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(685,364)</u>	<u>(401,194)</u>	<u>589,288</u>	<u>990,482</u>
FUND BALANCE AT BEGINNING OF PERIOD	<u>-</u>	<u>-</u>	<u>3,375,767</u>	<u>3,375,767</u>
FUND BALANCE AT END OF PERIOD	<u>\$ (685,364)</u>	<u>\$ (401,194)</u>	<u>\$ 3,965,055</u>	<u>\$ 4,366,249</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY, TEXAS
 STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
 DECEMBER 31, 2009

Exhibit F

	Business-Type Activities <u>Enterprise Fund</u> Correctional Facility	<u>Component Unit</u> Public Facility Corporation	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 597,047	\$ 2,362,249	\$2,959,296
Investments	429,039	-	429,039
Accounts Receivables - Net of Allowances for Uncollectibles	660,912	-	660,912
Total Current Assets	<u>1,686,998</u>	<u>2,362,249</u>	<u>4,049,247</u>
Non-Current Assets			
Original Issue Discount Less Accumulated Accretion	-	123,498	123,498
Total Capital Assets, Net of Accumulated Depreciation	<u>647,648</u>	<u>10,851,531</u>	<u>11,499,179</u>
Total Non-Current Assets	<u>647,648</u>	<u>10,975,029</u>	<u>11,622,677</u>
Total Assets	<u>2,334,646</u>	<u>13,337,278</u>	<u>15,671,924</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	579,611	-	579,611
Bonds Payable - Current Portion	-	650,000	650,000
Total Current Liabilities	<u>579,611</u>	<u>650,000</u>	<u>1,229,611</u>
Long-Term Liabilities			
Bonds Payable - Noncurrent Portion	-	10,190,000	10,190,000
Total Long-term Liabilities	<u>-</u>	<u>10,190,000</u>	<u>10,190,000</u>
Total Liabilities	<u>579,611</u>	<u>10,840,000</u>	<u>11,419,611</u>
NET ASSETS			
Invested in Capital Assets	647,648	11,530	659,178
Restricted	-	-	-
Unrestricted	<u>1,107,387</u>	<u>2,485,748</u>	<u>3,593,135</u>
Total Net Assets	<u>\$ 1,755,035</u>	<u>\$ 2,497,278</u>	<u>\$4,252,313</u>

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

NEWTON COUNTY, TEXAS
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2009

Exhibit G

	Business-Type Activities <u>Enterprise Fund</u> Correctional Facility	<u>Component Unit</u> Public Facility Corporation	<u>Total</u>
OPERATING REVENUES			
Project Revenues	\$ 8,536,459	\$ 1,305,393	\$ 9,841,852
Total Operating Revenues	<u>8,536,459</u>	<u>1,305,393</u>	<u>9,841,852</u>
OPERATING EXPENSES			
Management Fees	6,148,950	-	6,148,950
Newton County Fee	700,000	-	700,000
Depreciation	107,942	251,227	359,169
PFC Lease	1,514,941	-	1,514,941
Professional Fees	19,000	9,500	28,500
Trust Fees	3,700	-	3,700
Repairs & Maintenance	1,000	5,401	6,401
Accretion Expense-OID	-	13,722	13,722
Bond Interest	-	887,828	887,828
Total Operating Expenses	<u>8,495,533</u>	<u>1,167,678</u>	<u>9,663,211</u>
Operating Income (Loss)	<u>40,926</u>	<u>137,715</u>	<u>178,641</u>
Nonoperating Revenues (Expenditures)			
Interest Income	5,773	31,647	37,420
Transfers	(688,650)	-	(688,650)
Total Nonoperating Revenues (Expenses)	<u>(682,877)</u>	<u>31,647</u>	<u>(651,230)</u>
Change in Net Assets	(641,951)	169,362	(472,589)
Total Net Assets at Beginning of Year	<u>2,396,986</u>	<u>2,327,916</u>	<u>4,724,902</u>
Total Net Assets at End of Year	<u>\$ 1,755,035</u>	<u>\$ 2,497,278</u>	<u>\$ 4,252,313</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, 2009

Exhibit H

	Business-Type Activities Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 10,082,605	\$ 1,431,687	\$ 11,514,292
Payment for goods and services	(9,543,596)	(902,729)	(10,446,325)
Net cash provided (used) by operating activities	<u>539,009</u>	<u>528,958</u>	<u>1,067,967</u>
Cash Flows from Non-Capital Financing Sources (Uses)			
Miscellaneous	-	-	-
Transfers	(688,650)	-	(688,650)
Cash Flows from Capital and Related Financing Activities			
Principal payments	-	(605,000)	(605,000)
Cash Flows from Investing Activities			
Interest Income	5,773	31,647	37,420
Purchase of Investments	(429,039)	-	(429,039)
Net Increase(Decrease) in Cash and Cash Equivalents	<u>(572,907)</u>	<u>(44,395)</u>	<u>(617,302)</u>
Cash and Cash Equivalents at Beginning of Year			
Unrestricted cash and cash equivalents	1,169,954	2,406,644	3,576,598
Restricted cash	-	-	-
	<u>1,169,954</u>	<u>2,406,644</u>	<u>3,576,598</u>
Cash and Cash Equivalents at End of year			
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>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss) adjustments	\$ 40,926	\$ 137,715	\$ 178,641
Depreciation	107,942	251,227	359,169
Bond Discount Accretion	-	13,722	13,722
(Increase) decrease in receivable	1,546,146	126,294	1,672,440
Increase (decrease) in payables	(1,156,005)	-	(1,156,005)
	<u>\$ 539,009</u>	<u>\$ 528,958</u>	<u>\$ 1,067,967</u>
Supplemental Information:			
Interest Paid	-	887,828	

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

NEWTON COUNTY, TEXAS
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 DECEMBER 31, 2009

Exhibit I

	Agency Funds											Total
	Justice of the Peace	Sheriff Office	Criminal District		District Clerk Fee Fund	District Clerk Funds	County Clerk Fee Fund	County Clerk Trust Fund	County Clerk Trust Fund	Tax Assessor Collector	Tax	
			District Attorney	District Clerk Funds								
ASSETS												
Cash	\$ -	\$ 699	\$ 70,856	\$ 93,066	\$ 50,519	\$ -	\$ 7,237	\$ 1,110,738	\$ 1,333,115			
Total Assets	-	699	70,856	93,066	50,519	-	7,237	1,110,738	1,333,115			
LIABILITIES												
Payables												
To Newton County Beneficiaries	-	699	70,856	93,066	50,519	-	7,237	1,110,738	1,333,115			
Total Liabilities	\$ -	\$ 699	\$ 70,856	\$ 93,066	\$ 50,519	\$ -	\$ 7,237	\$ 1,110,738	\$ 1,333,115			

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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 nonfiduciary 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.

(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, 2009 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.

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, 2009 one fund had a deficit fund balance: The VAW Grant Fund, of \$17.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

(A) Deposits

The carrying amount of the County's deposits as of December 31, 2009 were \$7,837,852, and the bank balances were \$7,983,913. Of the bank balance, \$ 250,000 was covered by FDIC insurance and up to \$9,658,305 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.

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, 2009 for the governmental funds of the County:

	<u>General</u>	<u>Road & Bridge</u>	<u>Other</u>	<u>Total</u>
Property taxes	\$ 1,733,679	\$ -	\$ -	\$ 1,733,679
Accounts receivable	<u>18,032</u>	<u>4,835</u>	<u>59,135</u>	<u>82,002</u>
	1,751,711	4,835	59,135	1,815,681
Allowance for Uncollectibles	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
	<u>\$ 1,691,711</u>	<u>\$ 4,835</u>	<u>\$ 59,135</u>	<u>\$ 1,755,681</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, 2009 was as follows:

Asset	Balance	Additions	Deletions	Balance	Life
Land	\$ 1,050,855	\$ -	\$ -	\$ 1,050,855	N/A
Buildings	10,452,825	-	-	10,452,825	50
Equipment	3,747,790	460,253	71,031	4,137,012	7
CIP	3,489,324	1,159,681	-	4,649,005	-
Infrastructure	17,283,127	109,050	-	17,392,177	40
	<u>\$ 36,023,921</u>	<u>\$ 1,728,984</u>	<u>\$ 71,031</u>	<u>\$ 37,681,874</u>	

Accumulated Depreciation	Prior	Additions	Deletions	Ending A/D	Book Value
Land	\$ 1,050,855	\$ -	\$ -	\$ 1,050,855	\$1,050,855
Buildings	10,102,520	177,437	-	10,279,957	172,868
Equipment	1,815,024	398,913	69,031	2,144,906	1,992,106
CIP	-	-	-	-	4,649,005
Infrastructure	16,259,679	4,619	-	16,264,298	1,127,879
	<u>\$ 29,228,078</u>	<u>\$ 580,969</u>	<u>\$ 69,031</u>	<u>\$ 29,740,016</u>	<u>\$8,992,713</u>

Depreciation Expense was charged to functions/programs as follows:

Government Activities:	
General Government	\$ 246,600
Public Safety	263,034
Public Facilities	2,304
Total Depreciation Expense - Government Activities	<u>\$ 511,938</u>

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

Enterprise Fund	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:	323,826	107,942	-	431,768
Total	755,590	(107,942)	-	647,648
 Component Unit				
Land	300,000	-	-	300,000
 Total Capital Assets being depreciated				
Building	12,561,352	-	-	12,561,352
Accumulated Depreciation	1,758,589	251,227	-	2,009,816
 Total Component Units Capital Assets, Net	11,102,763	(251,227)	-	10,551,536

(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, 2009.

Description	Interest Rate	Beginning Balance 1/1/2009	Debt Issuance	Principal Payments	Interest Payments	Other Adjustments	Ending Balance 12/31/2009
Grader	5.50%	82,202	-	26,063	4,664	-	57,139
Computers	6.10%	4,143	-	2,072	405	-	2,072
Grader	5.25%	91,495	-	27,661	4,749	-	63,834
Grader	3.75%	152,850	-	14,132	5,746	-	138,718
Grader	4.50%	163,350	-	12,470	7,351	-	150,880
Software	6.10%	54,368	-	26,432	3,093	-	27,936
JP Software	6.10%	19,861	-	9,644	1,182	-	10,217
Sharp Copier	6.10%	4,070	-	473	839	-35.67	3,633
Roll Off Truck	6.68%	-	126,270	-	-	-	126,270
Tractor/Mower	4.40%	-	83,153	-	-	-	83,153
Sharp Copier	6.10%	-	5,700	-	-	-	5,700
		\$ 573,340	\$ 215,213	\$ 118,947	\$ 28,030	\$ -35.67	\$ 669,552

Debt services requirements to maturity are as follows:

Year	Principal	Interest	Total
2010	194,457	32,604	227,061
2011	162,008	22,225	184,233
2012	105,974	15,121	121,095
2013	205,607	9,141	214,748
	\$ 668,046	\$ 79,091	\$ 747,137

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
2010	650,000	839,981	1,489,981
2011	700,000	787,200	1,487,200
2012	755,000	729,000	1,484,000
2013-2017	4,805,000	2,591,800	7,396,800
2018-2019	3,930,000	375,600	4,305,600
	<u>\$ 10,840,000</u>	<u>\$ 5,323,581</u>	<u>\$ 16,163,581</u>

(F) Individual Interfund Transactions

Transfers are as follows:

Fund	Transfers In	Transfers Out
General	\$ 1,288,764	\$ 576,853
NCCC Accrual Account	-	688,650
Road & Bridge - General	22,470	930,000
Road & Bridge Pct. 1	230,438	-
Road & Bridge Pct. 2	228,488	-
Road & Bridge Pct. 3	227,624	-
Road & Bridge Pct. 4	228,161	-
VAW Grant	7,266	-
Commissioners Special Pct. 1	89,288	-
Commissioners Special Pct. 2	57,539	-
Commissioners Special Pct. 3	57,723	-
Commissioners Special Pct. 4	71,284	-
TCPD Grant	100,247	139,677
Newton County Hartford Ins.	-	257,100
Solid Waste Disposal	78,787	-
Voter Registration	38,500	-
Newton County Library	80,400	-
Historical Operating	9,250	-
Victims Coord. Grant	2,500	-
Victims Advocate	-	8
Hazard Mit Grant	167,318	207,241
Courthouse Emergency Grant	257,100	-
TDHCA Grant	238,177	408,944
FEMA Grant	14,011	264,337
Civic Center	15,450	-
Federal Forest Fund	-	22,470
	<u>\$ 3,558,119</u>	<u>\$ 3,558,119</u>

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, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2008 included (or) 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, 2008 was 20 years.

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial date, the plan was 91.76% funded. The actuarial accrued liability for benefits was \$4,508,268, and the actuarial value of assets was \$4,135,726, resulting in an unfunded actuarial liability (UAAL) of \$371,542. The covered payroll (annual payroll of active employees covered by the plan) was \$2,312,322, and the ration of the UAAL to the covered payroll was 91.76%.

City of Newton
Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2008
Actuarial Value of Assets (A)	\$ 4,136,726
Actuarial Accrued Liability (B)	\$ 4,508,268
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL) (D) = (B)-(A)	\$ 371,542
Percentage Funded (C) = (A)/(B)	91.76%
Annual Covered Payroll (E)	\$ 2,312,322
UAAL as a Percentage of Covered Payroll (D)/(E)	16.07%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -
Annual Pension Cost:	
Annual Required Contribution (ARC) (F)	\$ 145,497
Contributions Made (F)	\$ 145,497
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	Long Term Appreciation with Adjustment
(to accurately reflect the requirements of GASB statement, No. 25, paragraphs 36e and 138)	36e and 138)
Investment Rate of Return	8%
Projected Salary Increases	5.30%
Includes Inflation At	4.00%
Cost-of-Living Adjustments	None

NOTE 5 – Subsequent Events

Events occurring subsequent to December 31, 2009 were evaluated by management and reviewed through June 30, 2010, the date of report issuance, with no significant items reported.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ration	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((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%

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

NEWTON COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2009

Exhibit K

	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 I
Cash and Cash Equivalents	\$ 23,899	\$ 404	\$ 17,628	\$ 94,665	\$ 123,223	\$ 56,643	\$ 82,992	\$ 96,320	\$ 50	\$ 54,495	\$ 114,745
Investments	-	-	-	31,736	-	-	-	-	-	164,372	-
Accounts Receivable	-	-	-	-	-	-	-	73	-	-	-
TOTAL ASSETS	\$ 23,899	\$ 404	\$ 17,628	\$ 126,401	\$ 123,223	\$ 56,643	\$ 82,992	\$ 96,393	\$ 50	\$ 218,867	\$ 115,294
LIABILITIES											
Accounts Payable	\$ -	\$ -	\$ 661	\$ 977	\$ 2,325	\$ 1,008	\$ 2,205	\$ -	\$ 67	\$ -	\$ 4,386
Accrued Vacation/Comp Time	-	-	-	1,223	6,517	1,055	1,584	-	-	-	-
TOTAL LIABILITIES	\$ -	\$ -	\$ 661	\$ 2,200	\$ 8,842	\$ 2,063	\$ 3,789	\$ -	\$ 67	\$ -	\$ 4,386
FUND BALANCE											
Unreserved	\$ 23,899	\$ 404	\$ 16,967	\$ 124,202	\$ 114,381	\$ 54,580	\$ 79,203	\$ 96,393	\$ (17)	\$ 218,867	\$ 110,908
TOTAL FUND BALANCE	23,899	404	16,967	124,202	114,381	54,580	79,203	96,393	(17)	218,867	110,908
TOTAL LIABILITIES AND FUND BALANCE	\$ 23,899	\$ 404	\$ 17,628	\$ 126,402	\$ 123,223	\$ 56,643	\$ 82,992	\$ 96,393	\$ 50	\$ 218,867	\$ 115,294

NEWTON COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2009

Exhibit K

	32	33	34	35	36	37	38	39	40	41
	Commissioner Spec Pct 2	Commissioner Spec Pct 3	Commissioner Spec Pct 4	TCDP Grant	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1
ASSETS										
Cash and Cash Equivalents	\$ 60,165	\$ 31,473	\$ 84,175	\$ -	\$ 28,153	\$ 62,844	\$ 32,982	\$ 79,688	\$ 97,786	\$ 23,065
Investments	549	549	549	-	78	78	78	78	608	-
Accounts Receivable	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 60,714	\$ 32,022	\$ 84,724	\$ -	\$ 28,231	\$ 62,922	\$ 33,060	\$ 79,766	\$ 98,394	\$ 23,065
LIABILITIES										
Accounts Payable	\$ 3,147	\$ 1,013	\$ 2,893	\$ -	\$ 685	\$ 2,259	\$ -	\$ -	\$ -	\$ -
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	\$ 3,147	\$ 1,013	\$ 2,893	\$ -	\$ 685	\$ 2,259	\$ -	\$ -	\$ -	\$ -
FUND BALANCE										
Unreserved	\$ 57,567	\$ 31,009	\$ 81,831	\$ -	\$ 27,546	\$ 60,663	\$ 33,060	\$ 79,766	\$ 98,394	\$ 23,065
TOTAL FUND BALANCE	\$ 57,567	\$ 31,009	\$ 81,831	\$ -	\$ 27,546	\$ 60,663	\$ 33,060	\$ 79,766	\$ 98,394	\$ 23,065
TOTAL LIABILITIES AND FUND BALANCE	\$ 60,714	\$ 32,022	\$ 84,724	\$ -	\$ 28,231	\$ 62,922	\$ 33,060	\$ 79,766	\$ 98,394	\$ 23,065

NEWTON COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2009

Exhibit K

	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
ASSETS										
Cash and Cash Equivalents	\$ 27,710	\$ 21,731	\$ 41,488	\$ 173,301	\$ 1,115	\$ 10,418	\$ 305	\$ 73,862	\$ 7,204	\$ 419
Investments	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	11,619	90	40
TOTAL ASSETS	\$ 27,710	\$ 21,731	\$ 41,488	\$ 173,301	\$ 1,115	\$ 10,418	\$ 305	\$ 85,481	\$ 7,294	\$ 459
LIABILITIES										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,746	\$ 264	\$ 273
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	156	-
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,746	\$ 420	\$ 273
FUND BALANCE										
Unreserved	\$ 27,710	\$ 21,731	\$ 41,488	\$ 173,301	\$ 1,115	\$ 10,418	\$ 305	\$ 63,735	\$ 6,874	\$ 186
TOTAL FUND BALANCE	\$ 27,710	\$ 21,731	\$ 41,488	\$ 173,301	\$ 1,115	\$ 10,418	\$ 305	\$ 63,735	\$ 6,874	\$ 186
TOTAL LIABILITIES AND FUND BALANCE	\$ 27,710	\$ 21,731	\$ 41,488	\$ 173,301	\$ 1,115	\$ 10,418	\$ 305	\$ 85,481	\$ 7,294	\$ 459

NEWTON COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2009

Exhibit K

	53	55	56	58	59	60	63	65	66	71
Newton Co Library	Historical Operating	Historical Book Fund	Historical Book Fund	Dist Attny Hot Check	Dist Attny Contransband	Powell Hotel Fund	Victims Coord. Grant	Victims Advocate Grant	Records Management	TDHCA Grants
ASSETS										
Cash and Cash Equivalents	\$ 3,064	\$ 10,554	\$ 7,703	\$ 2,538	\$ 6,355	\$ 19,774	\$ 4,531	\$ -	\$ 32,215	
Investments	-	-	20,858	-	-	-	-	-	-	
Accounts Receivable	-	-	-	630	-	-	-	-	-	
TOTAL ASSETS	\$ 3,064	\$ 10,554	\$ 28,561	\$ 3,168	\$ 6,355	\$ 19,774	\$ 4,531	\$ -	\$ 32,250	\$ -
LIABILITIES										
Accounts Payable	\$ 688	\$ 266	-	\$ 433	-	-	-	\$ 59	\$ -	\$ -
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	\$ 688	\$ 266	\$ -	\$ 433	\$ -	\$ -	\$ -	\$ 59	\$ -	\$ -
FUND BALANCE										
Unreserved	\$ 2,376	\$ 10,288	\$ 28,561	\$ 2,735	\$ 6,355	\$ 19,774	\$ 4,472	\$ -	\$ 32,250	
TOTAL FUND BALANCE	\$ 2,376	\$ 10,288	\$ 28,561	\$ 2,735	\$ 6,355	\$ 19,774	\$ 4,472	\$ -	\$ 32,250	\$ -
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,064	\$ 10,554	\$ 28,561	\$ 3,168	\$ 6,355	\$ 19,774	\$ 4,531	\$ -	\$ 32,250	\$ -

NEWTON COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2009

Exhibit K

	80	88	92	93	97	Total
	Civic Center Operations	State Fee Account	Justice Court Technology	Federal Forest Fund	Debt Service	Nonmajor Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 1,438	\$ 54,631	\$ 6,531	\$ 581	\$ 13,175	\$ 1,686,038
Investments	-	-	-	-	-	216,966
Accounts Receivable	458	-	-	13,930	29,141	59,132
TOTAL ASSETS	\$ 1,438	\$ 55,089	\$ 6,531	\$ 14,511	\$ 42,316	\$ 1,962,136
LIABILITIES						
Accounts Payable	\$ 940	\$ 55,089	\$ -	\$ -	\$ -	\$ 101,384
Accrued Vacation/Comp Time	-	-	-	-	-	10,535
TOTAL LIABILITIES	\$ 940	\$ 55,089	\$ -	\$ -	\$ -	\$ 111,919
FUND BALANCE						
Unreserved	\$ 498	\$ -	\$ 6,531	\$ 14,511	\$ 42,316	\$ 1,850,218
TOTAL FUND BALANCE	498	-	6,531	14,511	42,316	1,850,218
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,438	\$ 55,089	\$ 6,531	\$ 14,511	\$ 42,316	\$ 1,962,137

NEWTON COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Exhibit L

	14	15	19	21	22
	Prison Guard Detail	Indigent Defense Grant	Dist. Attny State Fund	Road & Bridge Pct 1	Road & Bridge Pct 2
REVENUE					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	34,723	-	-
Fines and Fees	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest	-	-	-	-	-
Other Revenue	62	-	36	495	216
Grants	-	-	-	-	-
		8,549			
TOTAL REVENUE	<u>62</u>	<u>8,549</u>	<u>34,759</u>	<u>495</u>	<u>216</u>
EXPENDITURES					
Current					
General Administration	460	-	-	-	-
Judicial	-	-	-	-	-
Legal	-	11,631	42,305	-	-
Public Facilities	-	-	-	-	-
Public Safety	-	-	-	164,742	181,770
Health and Welfare	-	-	-	-	-
Conservation	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Debt Service	-	-	-	-	-
Principle Payment	-	-	-	-	-
Interest Expense	-	-	-	24,897	-
Capital Outlay	-	-	-	5,831	-
TOTAL EXPENDITURES	<u>460</u>	<u>11,631</u>	<u>42,305</u>	<u>195,470</u>	<u>83,153</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(398)</u>	<u>(3,082)</u>	<u>(7,546)</u>	<u>(194,975)</u>	<u>(264,707)</u>
OTHER FINANCING SOURCES					
Transfers In (Out)	-	-	-	230,438	228,488
Transfers In (Out)	-	-	-	-	-
Issuance of Debt	-	-	-	-	83,153
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,438</u>	<u>311,641</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(398)</u>	<u>(3,082)</u>	<u>(7,546)</u>	<u>35,463</u>	<u>46,934</u>
FUND BALANCE AT BEGINNING OF PERIOD	<u>24,297</u>	<u>3,486</u>	<u>24,512</u>	<u>88,739</u>	<u>67,446</u>
FUND BALANCE AT END OF PERIOD	<u>\$ 23,899</u>	<u>\$ 404</u>	<u>\$ 16,966</u>	<u>\$ 124,202</u>	<u>\$ 114,380</u>

The notes to the financial statements 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, 2009

Exhibit L

	23	24	25	29	30	31	32
	Road & Bridge Pct 3	R & B Pct 4	Courthouse Security	VAW Grant	Right of Way	Commissioner Spec Pct 1	Commissioner Spec Pct 2
REVENUE							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,696	\$ 118,696
Intergovernmental	-	-	-	-	-	-	-
Fines and Fees	-	-	13,561	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Interest	94	201	578	4	4,029	252	239
Other Revenue	-	-	-	-	-	-	476
Grants	-	-	-	17,362	-	-	-
TOTAL REVENUE	94	201	14,139	17,366	4,029	118,948	119,411
EXPENDITURES							
Current							
General Administration	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-
Legal	-	-	-	25,779	-	-	-
Public Facilities	121,166	172,420	7,930	-	3,000	88,087	147,704
Public Safety	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Principle Payment	-	26,603	-	-	-	-	-
Interest Expense	-	13,097	-	-	-	-	-
Capital Outlay	91,690	21,300	-	-	2,500	32,500	25,000
TOTAL EXPENDITURES	212,856	233,420	7,930	25,779	5,500	120,587	172,704
Excess (Deficiency) of Revenues Over (Under) Expenditures	(212,762)	(233,219)	6,209	(8,413)	(1,471)	(1,639)	(53,293)
OTHER FINANCING SOURCES							
Transfers In (Out)	227,624	228,161	-	7,266	-	89,288	57,539
Transfers In (Out)	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	227,624	228,161	-	7,266	-	89,288	57,539
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	14,862	(5,058)	6,209	(1,147)	(1,471)	87,649	4,246
FUND BALANCE AT BEGINNING OF PERIOD	39,718	84,261	90,184	1,130	220,338	23,259	53,321
FUND BALANCE AT END OF PERIOD	\$ 54,580	\$ 79,203	\$ 96,393	\$ (17)	\$ 218,867	\$ 110,908	\$ 57,567

The notes to the financial statements 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, 2009

Exhibit L

	33	34	35	36	37	38	39
	Commissioner Spec Pct 3	Commissioner Spec Pct 4	TCDP Grant	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4
REVENUE							
Taxes	\$ 118,696	\$ 118,696	\$ -	\$ 16,956	\$ 16,957	\$ 16,956	\$ 16,957
Intergovernmental	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Interest	173	208	-	62	126	54	172
Other Revenue	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-
TOTAL REVENUE	118,869	118,904	327,411	17,018	17,083	17,010	17,129
EXPENDITURES							
Current							
General Administration	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-
Public Facilities	109,492	110,745	-	11,344	12,724	-	19,520
Public Safety	-	-	253,983	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Principle Payment	27,661	-	-	-	-	-	-
Interest Expense	4,749	-	-	-	-	-	-
Capital Outlay	44,860	-	38,239	2,000	-	-	-
TOTAL EXPENDITURES	186,762	110,745	292,222	13,344	12,724	-	19,520
Excess (Deficiency) of Revenues Over (Under) Expenditures	(67,893)	8,159	35,189	3,674	4,359	17,010	(2,391)
OTHER FINANCING SOURCES							
Transfers In (Out)	57,723	71,284	100,247	-	-	-	-
Transfers In (Out)	-	-	(139,677)	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	57,723	71,284	(39,430)	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(10,170)	79,443	(4,241)	3,674	4,359	17,010	(2,391)
FUND BALANCE AT BEGINNING OF PERIOD	41,180	2,388	4,241	23,872	56,304	16,050	82,157
FUND BALANCE AT END OF PERIOD	\$ 31,010	\$ 81,831	\$ -	\$ 27,546	\$ 60,663	\$ 33,060	\$ 79,766

The notes to the financial statements 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, 2009

Exhibit L

	40	41	42	43	44	45	47
	Record Preservation	Lateral Road Pct 1	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4	Courthouse Restoration	Victims Impact Panel
REVENUE							
Taxes	\$ -	\$ 7,123	\$ 7,123	\$ 7,123	\$ 7,123	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-
Fines and Fees	31,717	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Interest	614	35	40	29	98	260	2
Other Revenue	-	-	-	-	-	44,290	-
Grants	-	-	-	-	-	-	-
TOTAL REVENUE	32,331	7,158	7,163	7,152	7,221	44,550	2
EXPENDITURES							
Current							
General Administration	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-
Public Facilities	-	3,639	-	-	19,000	8,823	-
Public Safety	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-
Conservation	41,615	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	41,615	3,639	-	-	19,000	8,823	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,284)	3,519	7,163	7,152	(11,779)	35,727	2
OTHER FINANCING SOURCES							
Transfers In (Out)	-	-	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,284)	3,519	7,163	7,152	(11,779)	35,727	2
FUND BALANCE AT BEGINNING OF PERIOD	107,678	19,546	20,547	14,579	53,267	137,574	1,113
FUND BALANCE AT END OF PERIOD	\$ 98,394	\$ 23,065	\$ 27,710	\$ 21,731	\$ 41,488	\$ 173,301	\$ 1,115

The notes to the financial statements 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, 2009

Exhibit L

	48	49	50	51	52	53	55
	Sheriff Contraband	Library Tocker Grant	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library	Historical Operating
REVENUE							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-
Fines and Fees	3,783	-	28,040	90	4,240	-	-
Miscellaneous	-	-	30,000	-	-	-	453
Interest	17	12	157	62	2	88	81
Other Revenue	-	-	3,650	-	-	16,058	612
Grants	-	-	19,600	-	-	5,634	-
TOTAL REVENUE	3,800	12	81,447	152	4,242	21,780	1,146
EXPENDITURES							
Current							
General Administration	-	-	-	38,678	-	-	-
Judicial	-	-	-	-	-	-	-
Legal	-	-	-	-	6,098	-	-
Public Facilities	-	-	-	-	-	-	-
Public Safety	5,000	-	-	-	-	-	-
Health and Welfare	-	-	101,624	-	-	-	-
Conservation	-	-	-	-	-	-	-
Culture and Recreation	-	10,953	-	-	-	-	-
Debt Service	-	-	-	-	-	105,551	15,867
Principle Payment	-	-	-	-	-	-	-
Interest Expense	-	-	-	1,899	-	-	1,159
Capital Outlay	-	1,285	143,672	371	-	-	1,124
TOTAL EXPENDITURES	5,000	12,238	245,296	40,948	6,098	105,551	18,150
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,200)	(12,226)	(163,849)	(40,796)	(1,856)	(83,771)	(17,004)
OTHER FINANCING SOURCES							
Transfers In (Out)	-	-	78,787	38,500	-	80,400	9,250
Transfers In (Out)	-	(1,500)	(30,000)	-	-	-	-
Issuance of Debt	-	-	126,270	-	-	-	5,700
TOTAL OTHER FINANCING SOURCES (USES)	-	(1,500)	175,057	38,500	-	80,400	14,950
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,200)	(13,726)	11,208	(2,296)	(1,856)	(3,371)	(2,054)
FUND BALANCE AT BEGINNING OF PERIOD	11,618	14,031	52,529	9,170	2,042	5,747	12,342
FUND BALANCE AT END OF PERIOD	\$ 10,418	\$ 305	\$ 63,737	\$ 6,874	\$ 186	\$ 2,376	\$ 10,288

The notes to the financial statements 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, 2009

Exhibit L

	56	58	59	60	63	65
	Historical Book Fund	Dist Attny Hot Ck Fund	Dist Attny Contraband	Powell Hotel Fund	Victims Coord. Grant	Victims Advocate Gr
REVENUE						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Fines and Fees	-	3,215	5,992	-	-	-
Miscellaneous	-	-	-	-	-	-
Interest	440	8	8	-	6	-
Other Revenue	514	-	-	5,238	-	-
Grants	-	-	-	-	-	-
TOTAL REVENUE	<u>954</u>	<u>3,223</u>	<u>6,000</u>	<u>5,238</u>	<u>32,293</u>	<u>-</u>
EXPENDITURES						
Current						
General Administration	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Legal	-	5,501	5,489	-	-	-
Public Facilities	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Health and Welfare	-	-	-	-	34,891	-
Conservation	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Debt Service	95	-	-	2,916	-	-
Principle Payment	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>95</u>	<u>5,501</u>	<u>5,489</u>	<u>2,916</u>	<u>34,891</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>859</u>	<u>(2,278)</u>	<u>511</u>	<u>2,322</u>	<u>(2,592)</u>	<u>-</u>
OTHER FINANCING SOURCES						
Transfers In (Out)	-	-	-	-	2,500	-
Transfers In (Out)	-	-	-	-	-	(8)
Issuance of Debt	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>(8)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>859</u>	<u>(2,278)</u>	<u>511</u>	<u>2,322</u>	<u>(92)</u>	<u>(8)</u>
FUND BALANCE AT BEGINNING OF PERIOD	<u>27,702</u>	<u>5,013</u>	<u>5,844</u>	<u>17,452</u>	<u>4,564</u>	<u>8</u>
FUND BALANCE AT END OF PERIOD	<u>\$ 28,561</u>	<u>\$ 2,735</u>	<u>\$ 6,355</u>	<u>\$ 19,774</u>	<u>\$ 4,472</u>	<u>\$ -</u>

The notes to the financial statements 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, 2009

Exhibit L

	66	71	74	75	77	80	92
	Records Management	TDHCA Grant	Texas Disaster Relief Grant	HAVA Grant	TxSAVNS/Vine Grant	Civic Center Operations	Justice Court Technology
REVENUE							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-
Fines and Fees	3,771	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	725	8,869
Interest	58	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	17	6
Grants	-	581,108	-	-	-	-	-
TOTAL REVENUE	3,829	581,108	-	-	31,340	742	8,875
EXPENDITURES							
Current							
General Administration	289	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-
Public Facilities	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-
Health and Welfare	-	422,457	-	12,652	34,682	-	-
Conservation	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	16,563	-
Principle Payment	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	9,643
Capital Outlay	-	-	-	-	-	-	1,182
TOTAL EXPENDITURES	289	422,457	-	12,652	34,682	16,563	10,825
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,540	158,651	-	(12,652)	(3,342)	(15,821)	(1,950)
OTHER FINANCING SOURCES							
Transfers In (Out)	-	238,177	-	12,652	34,682	15,450	-
Transfers In (Out)	-	(408,944)	-	-	(31,340)	-	-
Issuance of Debt	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(170,767)	-	12,652	3,342	15,450	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,540	(12,116)	-	-	-	(371)	(1,950)
FUND BALANCE AT BEGINNING OF PERIOD	28,710	12,116				869	8,480
FUND BALANCE AT END OF PERIOD	\$ 32,250	\$ -	\$ -	\$ -	\$ -	\$ 498	\$ 6,530

The notes to the financial statements 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, 2009

Exhibit L

	93	97	Total
	Federal Forest Fund	Debt Service	Nonmajor Governmental Fund
REVENUE			
Taxes			
Intergovernmental	\$ -	\$ 42,314	\$ 613,416
Fines and Fees	14,511		49,234
Miscellaneous	-	-	104,003
Interest	-	-	30,453
Other Revenue	-	2	9,043
Grants	-	-	70,838
TOTAL REVENUE	<u>14,511</u>	<u>42,316</u>	<u>1,023,297</u>
EXPENDITURES			
Current			
General Administration	-	-	39,427
Judicial	-	-	-
Legal	-	-	96,803
Public Facilities	-	-	1,182,106
Public Safety	-	-	763,665
Health and Welfare	-	-	101,624
Conservation	7,738	-	49,353
Culture and Recreation	-	-	151,945
Debt Service	-	-	-
Principle Payment	-	-	91,862
Interest Expense	-	-	26,354
Capital Outlay	-	-	486,199
TOTAL EXPENDITURES	<u>7,738</u>	<u>-</u>	<u>2,989,338</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,773</u>	<u>42,316</u>	<u>(1,089,054)</u>
OTHER FINANCING SOURCES			
Transfers In (Out)	-	-	1,808,456
Transfers In (Out)	(22,470)	-	(633,939)
Issuance of Debt	-	-	215,123
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,470)</u>	<u>-</u>	<u>1,389,640</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(15,697)</u>	<u>42,316</u>	<u>300,586</u>
FUND BALANCE AT BEGINNING OF PERIOD	<u>30,208</u>	<u>-</u>	<u>1,549,632</u>
FUND BALANCE AT END OF PERIOD	<u>\$ 14,511</u>	<u>\$ 42,316</u>	<u>\$ 1,850,218</u>

The notes to the financial statements are an integral part of this financial statement.

SINGLE AUDIT SECTION



Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

Member

American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

AICPA Private
Companies Practice Section

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Newton County, Texas, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the State of Texas Single Audit Circular issued by the Office of the Governor of the State that are applicable to each of its major federal programs for the year ended December 31, 2009. Newton County, Texas' major federal and state 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 and state programs is the responsibility of Newton County, Texas' management. Our responsibility is to express an opinion on Newton County, 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 Newton County, 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 Newton County, Texas compliance with those requirements.

In our opinion, Newton County, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with these requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items: 2009-01.

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Internal Control Over Compliance

The management of Newton County, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Newton County, 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. Accordingly, we do not express an opinion on the effectiveness of Newton County, Texas' internal control over compliance.

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

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

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

County of Newton, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Newton, Texas' response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the County Commissioners, 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.

Charles E. Reed & Associates, P.C.

Charles E. Reed & Associates, P.C.
Certified Public Accountants
Port Arthur, Texas, U.S.A.
June 30, 2010



Charles E. Reed & Associates, P.C.

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Texas Society of
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Companies Practice Section

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

To the County Judge and
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 Newton County, Texas as of and for the year ended December 31, 2009, which collectively comprise the Newton County, Texas', basic financial statements and have issued our report thereon dated June 30, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 principals such that there is more than a remote likelihood that a misstatement of the County's financial statements that is

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more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of 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.

Compliance and other matters

As part of obtaining reasonable assurance about whether Newton County, 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 and which are described in the accompanying schedule of findings and questioned costs as items: 2009-01.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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.

June 30, 2010

Newton County, Texas
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2009

Schedule I

	<u>Federal CFDA Number</u>	<u>Amount of Award</u>	<u>Amount Expended</u>
<u>Department of Homeland Security</u>			
Governors Department of Emergency Management	97.039	\$ 1,312,826	\$ 232,971
Governors Department of Emergency Management	97.039	2,763,662	831,817
			<u>1,064,788</u>
<u>Department of Housing and Urban Development</u>			
Texas Department of Housing and Community Affairs	14.239	498,160	6,477
Texas Department of Housing and Community Affairs	14.239	624,000	415,980
ORCA- 1st time Water/Sewer	14.228	250,000	136,463
ORCA- Disaster flood Project	14.228	350,000	92,462
ORCA - Disaster Recovery	14.228	877,654	66,302
			<u>717,684</u>
<u>Department of Justice</u>			
Victem Coordination Liason	16.575	64,574	23,340
Coordinator Liason	16.575	67,662	11,564
Violence Against Women	16.588	26,000	13,913
Violence Against Women	16.588	26,000	11,886
			<u>60,703</u>
<u>U.S. Electrons Assistance Commision</u>			
HAVA- General Compliance	90.401	12,652	12,652
			<u>12,652</u>
	Total Federal Money Expended	\$	<u><u>1,855,827</u></u>

NEWTON COUNTY, TEXAS
 SCHEDULE OF STATE OF TEXAS EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2009

Schedule II

	Grant I.D.	Amount of Award	Amount Expended
Texas Comptroller	212-08-176	\$ 11,740	\$ 3,486
Texas Comptroller	212-09-176	11,399	8,146
Texas Comptroller	212-07-176	11,982	-
Texas Historical Commission	3-2002	4,038,848	1,159,681
Texas Department of Agriculture		15,000	15,000
Deep East Texas Council of Gov.	Solid Waste Project	09-14-G07	19,600
Office of Attorney General	Texas SAVNS/VINE Program		34,682
Deep East Texas Council of Gov.	LETPP		7,875
Comptroller of Public Accounts	CM905	34,000	34,000
Total State Money Expended		\$	<u>1,262,870</u>

NEWTON COUNTY, TEXAS
NOTES TO EXPENDITURES OF FEDERAL AND STATE AWARDS SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009

Schedule III

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 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:

CFDA Number

Name of Federal Program or Cluster

97.039

Federal Emergency Management

14.239

Housing and Urban Development

14.228

Housing and Urban Development

Grant ID#

Name of State Program

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 exist 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

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.

Recommendation: This issue had been discussed in detail with the County Auditor. During that discussion we suggested that the County conduct a quarterly physical inventory count and reconcile the count to the general ledger. The result would be an accurate accounting of the inventory expended in the normal day to day operations of the County and prevent the overstatement of expenditures.

Section III - Federal Award Findings and Questioned Costs

None

Section IV-Status of Prior Year Findings

Material Weaknesses:

Finding 2008-01A Safeguard of Original Books of Record: During our examination, we noted that the District Clerk was custodian of various County records which are original books of record. These records were being kept in an area that did not protect them from perils such as weather related events or fire.

Status of Finding: The County has taken appropriate action to insure that the County's original documentation and accounts are in compliance with the safekeeping requirements as per the Texas Local Government Code.

Finding 2008-01B Physical Inventory: 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: During our examination we found that the County has made some progress in identifying inventory at year-end but has not implemented procedures to insure an accurate inventory count is taken at year-end.

Significant Deficiencies:

Finding 2008-02A Financial Reporting: The County was not able to issue, without auditor assistance, completed financial statements with all of the related footnotes, in accordance with generally accepted accounting principles and free of material misstatement. This inability is a symptom of significant deficiencies in internal control.

Status of Finding: The County Auditor has taken additional training and education classes enabling her to complete a good majority of the requirements for externally released financial statements. The County Auditor continues to seek additional training and education in this area.

Finding 2008-02B Grant Administration and Management: During our examination of grant revenues and expenditures, we found that County staff responsible for the administration of grants was not familiar with OMB Circular A-133 nor OMB Circular A-87 which sets forth the compliance requirements as well as cost principles associated with federal grants. It was noted that the County depends on external grant administrators to perform reconciliations and compile documentation regarding specific grants. However, some grants such as Hurricane recovery grants are administered without the assistance of external grant administrators and are not being monitored for compliance requirements. Further, those charged with the responsibility for grant administration were not capable of producing a complete and reconciled Schedule of Expenditures of Federal Awards. Subsequent to year-end, the County Auditor was able to compile a complete and reconciled Schedule of Expenditures of Federal Awards and perform a reconciliation of those grants not being administered by external grant administrators.

Status of Finding: The County had made substantial progress in its ability to properly record and reconcile grants in a timely manner.

Section IV – Corrective Action Plan

Material Weaknesses

None

Significant Deficiencies

Finding #2009-01 Physical Inventory Count at Year-end:

The Auditor's office has developed policies and procedures to conduct a physical inventory count at year-end and reconcile the count to the general ledger. The county Auditor, Elizabeth Holloway, is responsible for the Corrective Action Plan.