

NEWTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2011

NEWTON COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended December 31, 2011

TABLE OF CONTENTS

INTRODUCTORY SECTION

List of County Officials		i
--------------------------	--	---

FINANCIAL SECTION

Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-8

	Exhibit	Page
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	A	9
Statement of Activities	B	10
Fund Financial Statements		
Balance Sheet – Governmental Funds	C	11
Reconciliation of the Statement of Net Assets to the Balance Sheet of Governmental Funds	C-1	12
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds	D	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds	D-1	14
Statements of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	E	15
Statement of Net Assets – Proprietary Funds	F	16
Statement of Revenue, Expenses, and Changes in Net Assets – Proprietary Funds	G	17
Statement of Cash Flows – Proprietary Funds	H	18
Statement of Fiduciary Net Assets – Fiduciary Funds	I	19
Notes to the Financial Statements	J	20-34

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Funding Progress of the Retirement Plan for Employees		K 35
---	--	------

NON-MAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet-Non-Major Governmental Funds		L 36-39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance-Non-major Governmental Funds		M 40-44

SINGLE AUDIT SECTION

Independent auditor's report on compliance with requirements that Could have a direct and material effect on each major program and on Internal control over compliance in accordance with OMB Circular A-133		45-46
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		47-48
Schedule of Expenditures of Federal Awards	Schedule I	49
Schedule of Expenditures of State of Texas Awards	Schedule II	50
Notes to the Schedule of Expenditures of Federal and State Awards	Schedule III	51
Schedule of Findings and Questioned Costs	Schedule IV	52-53

INTRODUCTORY
SECTION

**NEWTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2011
DIRECTORY OF OFFICIALS**

COMMISSIONERS' COURT:

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

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

OTHER COUNTY OFFICIALS:

Robert Choate
Bree Allen
Mary Cobb
Melissa Burks
Ginger Arnold
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 AUDITOR'S 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 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, 2011, 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2012, on our consideration of Newton County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Beaumont

6850 Phelan Boulevard
Beaumont, Texas 77706
(409) 833-8986 • Fax: (409) 833-4486

Port Arthur

3636 Phelan 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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newton County, Texas' financial statements as a whole. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular issued by the Governor of the State and is also not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Yours very truly,

Charles E. Reed & Associates, A.C.

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

July 27, 2012

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, 2011. 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 2011 by \$22,085,628. Of this amount, \$7,110,068 is considered unrestricted. The unrestricted net assets of the County's governmental activities are \$4,038,863 and may be used to meet the government's ongoing obligations.
- The County's total net assets increased by \$700,860 in 2011.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$6,848,827. Of this balance, \$6,848,827 is considered unreserved at December 31, 2011.
- The General Fund reported a fund balance of \$3,194,692 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$3,194,692 or 74.52% of total general expenditures (including transfers out).
- The County's total debt decreased by \$742,419 during the current fiscal year. Debt was issued in the current fiscal year in the amount of \$143,500.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the County are governmental funds, fiduciary funds and proprietary funds:

- Governmental funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The County's assets exceeded liabilities by \$22,085,628 at the close of the most recent fiscal year.

A portion of the County's net assets, \$21,102,373 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

	2011	2010	2011	2010
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
<u>Assets</u>				
Current and other assets	\$ 8,239,501	\$ 8,511,958	\$ 3,843,471	\$ 6,264,376
Capital assets	10,043,189	9,795,031	11,059,184	11,140,010
Total assets	18,282,690	18,306,989	14,902,655	17,404,386

Liabilities

Long-term liabilities	506,338	363,253	9,490,000	9,542,000
Other liabilities	331,113	602,244	772,266	3,821,110
Total liabilities	837,451	965,497	10,262,266	13,363,110

Net assets

Invested in capital assets, net of related debt	9,536,851	9,246,274	1,569,184	950,010
Restricted	3,869,525	4,614,791	-	-
Unrestricted	4,038,811	3,480,427	3,071,205	3,093,266
Total net assets	<u>\$ 17,445,187</u>	<u>\$ 17,341,492</u>	<u>\$ 4,640,389</u>	<u>\$ 4,043,276</u>

An additional portion of the County's net assets, \$3,869,525 represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets \$7,110,068, 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

	2011	2010	2011	2010
	Governmental	Governmental	Proprietary	Proprietary
	Activities	Activities	Activities	Activities
<u>Revenues</u>				
Charges for services	\$ 1,147,791	\$ 1,237,899	\$ 9,692,409	\$ 9,201,909
Operating grants and contributions	225,643	-	-	-
Capital Grants	2,268,716	1,560,851	-	-
General revenues:				
Property taxes	4,703,907	4,318,179	-	-
Miscellaneous	71,658	87,580	-	-
Interest income	26,501	27,827	1,948	4,492
Other	650,193	444,420	-	-
Total Revenues	<u>9,094,409</u>	<u>7,676,756</u>	<u>\$ 9,694,357</u>	<u>\$ 9,206,401</u>
<u>Expenditures</u>				
General government	2,721,482	2,818,671	-	-
Public safety & health	4,695,918	2,741,667	-	-
Public facilities	1,742,955	1,792,455	8,738,944	8,707,138
Conservation	21,808	96,324	-	-
Culture and Recreation	140,585	170,559	-	-
Interest on long-term debt	26,214	32,958	-	-
Total Expenditures	<u>9,348,962</u>	<u>7,652,634</u>	<u>8,738,944</u>	<u>8,707,138</u>
Excess of Revenues over Expenses	(254,553)	24,122	955,413	499,263
Transfers	358,300	708,300	(358,300)	(708,300)
Increase (decrease) in net assets	<u>103,747</u>	<u>732,422</u>	<u>597,113</u>	<u>(209,037)</u>
Net assets at beginning of year	<u>17,341,492</u>	<u>16,609,070</u>	<u>4,043,276</u>	<u>4,252,313</u>
Net assets at end of year	<u>\$ 17,445,239</u>	<u>\$ 17,341,492</u>	<u>\$ 4,640,389</u>	<u>\$ 4,043,276</u>

The government's total net assets increased by \$700,860 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 revenue.

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, 2011, the County's governmental funds reported combined ending fund balances of \$6,848,827 a decrease of \$224,681 in comparison with the prior year. This entire amount constitutes unreserved fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the County. At December 31, 2011 unreserved and total fund balance of the General Fund was \$3,194,692. 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 74.52% of total General Fund expenditures (including transfers out).

The fund balance of the General Fund decreased by \$363,688 during 2011. It was budgeted at a decrease of (\$884,182) during this year. Therefore, this decrease was a \$520,494 positive variance. Revenue had a negative variance of \$75,027 while expenditures had positive variance of \$945,521.

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2011, amounts to \$20,935,041 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements, and equipment.

<u>Capital Assets</u>	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
Land	\$ 1,050,855	\$ 300,000	\$ 1,350,855
Construction in Progress	5,587,860	-	5,587,860
Other Capital Assets	3,156,316	10,840,010	13,996,326
Total Capital Assets	<u>\$ 9,795,031</u>	<u>\$11,140,010</u>	<u>\$ 20,935,041</u>

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

Long-term debt - At December 31, 2011, the County had \$9,996,338 total long-term debt outstanding of which \$835,504 was due within one year.

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

The County's total liabilities outstanding at December 31, 2011 decreased by \$742,237 from December 31, 2010 because new debt of \$143,500 was issued and outstanding debt was paid. Additional information on the County's debt can be found in Note 3E, beginning on page 30.

Economic Factors and Next Year's Budgets and Rates

Unemployment is at 11.9 %; the tax rate for 2010-2011 year is reduced to \$0.649325. As always in times of limited resources and consideration of the burden to rate and tax payers, the following items may be considered in balancing future budgets.

- Budget for 2012 is similar to 2011.
- 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, 2011

Exhibit A

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 5,530,046	\$ 3,095,038	\$ 8,625,084
Receivables:			
Accounts Receivable	555,647	421,634	977,281
Property Taxes Receivable	1,550,530	-	1,550,530
Allowance for Uncollectible Taxes	(60,000)	-	(60,000)
Restricted Cash and Investments	656,999	230,745	887,744
Prepaid Expenses	6,279	-	6,279
Original Issue Discount - Net	-	96,054	96,054
Capital Assets	-	-	-
Land	1,050,855	300,000	1,350,855
Construction in Progress	5,881,051	-	5,881,051
Capital Assets - Net	3,111,283	10,759,184	13,870,467
Total Assets	\$ 18,282,690	\$ 14,902,655	\$ 33,185,345
<u>Liabilities</u>			
Accounts Payable	\$ 236,878	\$ 772,266	\$ 1,009,144
Accrued Payables	94,235	-	94,235
Notes Payable			
Due Within One Year	177,287	755,000	932,287
Due After One Year	329,051	8,735,000	9,064,051
Total Liabilities	\$ 837,451	\$ 10,262,266	\$ 11,099,717
<u>Net Assets</u>			
Investment in Capital Assets- Net of Debt	\$ 9,536,851	\$ 1,569,184	\$ 11,106,035
Restricted	656,999	-	656,999
Restricted - Special Revenue	3,212,526	-	3,212,526
Unrestricted	4,038,863	3,071,205	7,110,068
Total Net Assets	\$ 17,445,239	\$ 4,640,389	\$ 22,085,628

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

NEWTON COUNTY, TEXAS
Statement of Activities
For the year ended December 31, 2011

Exhibit B

Functions-Programs	Expenses	Charges for Services	Program Specific Operating Grants	Program Specific Capital Grants	Governmental Activities Total	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 909,186	\$ -		\$ -	\$ (909,186)	\$ -	\$ (909,186)
Judicial	867,494	-	225,643		(641,851)	-	(641,851)
Legal	363,638	-		2,112,691	1,749,053	-	1,749,053
Financial Administration	533,237	-	-	-	(533,237)	-	(533,237)
Public Facilities	1,742,955	-	-	156,025	(1,586,930)	-	(1,586,930)
Public Safety	3,917,945	-	-	-	(3,917,945)	-	(3,917,945)
Health & Welfare	777,973	1,146,836			368,863	-	368,863
Conservation	21,808	955	-	-	(20,853)	-	(20,853)
Culture & Recreation	140,585	-	-	-	(140,585)	-	(140,585)
Miscellaneous	47,927	-	-	-	(47,927)	-	(47,927)
Interest on Long-term Debt	26,214	-	-	-	(26,214)	-	(26,214)
Total Governmental Activities	\$ 9,348,962	\$ 1,147,791	\$ 225,643	\$ 2,268,716	\$ (5,706,812)	\$ -	\$ (5,706,812)
Business-type Activities:							
Prison Facilities	\$ 8,738,944	\$ 9,692,409	\$ -	\$ -	\$ -	\$ 953,465	\$ 953,465
Total Business-type Activities	\$ 8,738,944	\$ 9,692,409	\$ -	\$ -	\$ -	\$ 953,465	\$ 953,465
General Revenues:							
Property Taxes					\$ 4,703,907	\$ -	\$ 4,703,907
Intergovernmental					58,102	-	58,102
Miscellaneous					71,658	-	71,658
Interest					26,501	1,948	28,449
Other					95,269	-	95,269
Time Warrant Revenue					496,822	-	496,822
Transfers					358,300	(358,300)	-
Total General Revenues					5,810,559	(356,352)	5,454,207
Change in Net Assets					103,747	597,113	700,860
Net Assets at beginning of year					17,341,492	4,043,276	21,384,768
Net Assets at end of year					<u>\$ 17,445,239</u>	<u>\$ 4,640,389</u>	<u>\$ 22,085,628</u>

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

NEWTON COUNTY, TEXAS
 Balance Sheet
 Governmental Funds
 December 31, 2011

Exhibit C

	5,10,98,99	20	46	68	70		
	General Fund	Road & Bridge General	Newton Co Hartford Ins	Hazard Mitigation Grant	Courthouse Emergency Grant	Total Non-Major Funds	Total Governmental Funds
<u>Assets</u>							
Cash and Cash Equivalents	\$ 2,688,104	\$ 20,075	\$ 293,414	\$ 215,022	\$ -	\$ 2,313,431	\$ 5,530,046
Investments	215,390	-	-	-	-	441,609	656,999
Prepaid Expenses	6,279	-	-	-	-	-	6,279
Property Taxes Receivable	1,550,530	-	-	-	-	-	1,550,530
Allowance for Uncollectible Taxes	(60,000)	-	-	-	-	-	(60,000)
Accounts Receivable	31,158	4,577	-	-	413,231	106,681	555,647
Total Assets	\$4,431,461	\$24,652	\$293,414	\$215,022	\$ 413,231	\$ 2,861,721	\$8,239,501
<u>Liabilities</u>							
Accounts Payable	\$97,310	\$1,156	-	\$0	\$0	\$138,412	\$236,878
Accrued Vacation/Comp Time	79,898	-	-	-	-	14,337	94,235
Deferred Revenue	1,059,561	-	-	-	-	-	1,059,561
Total Liabilities	1,236,769	1,156	-	-	-	152,749	1,390,674
<u>Fund Balances</u>							
Unassigned	3,194,692	23,496	293,414	215,022	413,231	2,708,972	6,848,827
Reserved	-	-	-	-	-	-	-
Total Fund Balance	3,194,692	23,496	293,414	215,022	413,231	2,708,972	6,848,827
Total Liabilities and Fund Balances	\$ 4,431,461	\$ 24,652	\$ 293,414	\$ 215,022	\$ 413,231	\$ 2,861,721	\$ 8,239,501

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

NEWTON COUNTY, TEXAS
Reconciliation of the Statement of Net Assets to the
Balance Sheet of the Governmental Funds
December 31, 2011

Exhibit C-1

Net Fund Balances of Governmental Funds		\$ 6,848,827
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,043,189	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(506,338)	
Other long term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds - Deferred Tax Revenue	<u>1,059,561</u>	
		<u>10,596,412</u>
Net Assets of Governmental Activities- Exhibit A		<u><u>\$17,445,239</u></u>

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

NEWTON COUNTY, TEXAS
Statement of Revenue, Expenditures, and Changes in
Fund Balances of Governmental Funds
For the year ended December 31, 2011

Exhibit D

	5,10,98,99	20	46	68	70	Total	Total
	General Fund	Road & Bridge General	Newton Co Hartford Ins	Hazard Mitigation Grant	Courthouse Emergency Grant	Non-Major Funds	Governmental Funds
<u>Revenue</u>							
Taxes	\$ 3,244,062	\$ 572,482	\$ -	\$ -	\$ -	\$ 849,512	\$ 4,666,056
Intergovernmental	14,968	-	-	-	-	43,134	58,102
Fines and Fees	449,562	599,673	-	-	-	97,601	1,146,836
Licenses and Permits	955	-	-	-	-	-	955
Miscellaneous	60,512	4,000	-	-	-	7,146	71,658
Interest	18,657	213	903	-	4	6,724	26,501
Other Revenue	61,386	-	-	-	-	33,863	95,249
Time Warrant Revenue	-	-	-	496,822	-	-	496,822
Grants	-	-	-	-	-	2,494,359	2,494,359
Total Revenue	<u>3,850,102</u>	<u>1,176,368</u>	<u>903</u>	<u>496,822</u>	<u>4</u>	<u>3,532,339</u>	<u>9,056,538</u>
<u>Expenditures</u>							
<u>Current</u>							
General Administration	307,024	316,236	-	-	-	54,161	677,421
Judicial	867,494	-	-	-	-	-	867,494
Legal	280,473	-	-	-	-	83,165	363,638
Financial Administration	533,237	-	-	-	-	-	533,237
Public Facilities	299,953	-	77,393	-	-	1,312,496	1,689,842
Public Safety	1,472,531	-	-	-	-	2,237,949	3,710,480
Health and Welfare	349,939	-	-	322,169	-	105,866	777,974
Conservation	195	-	-	-	-	21,613	21,808
Culture and Recreation	-	-	-	-	-	140,585	140,585
Miscellaneous	47,927	-	-	-	-	-	47,927
Debt Service	-	-	-	-	-	-	-
Principal Payment	1,298	-	-	-	-	184,110	185,408
Interest Expense	1,188	-	-	-	-	25,026	26,214
Capital Outlay	125,712	-	38,760	-	293,191	282,828	740,491
Total Expenditures	<u>4,286,971</u>	<u>316,236</u>	<u>116,153</u>	<u>322,169</u>	<u>293,191</u>	<u>4,447,799</u>	<u>9,782,519</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(436,869)</u>	<u>860,132</u>	<u>(115,250)</u>	<u>174,653</u>	<u>(293,187)</u>	<u>(915,460)</u>	<u>(725,981)</u>
<u>Other Financing Sources</u>							
Transfers In	137,173	69,030	-	20,826	293,187	1,579,660	2,099,876
Transfers (Out)	(63,992)	(930,000)	(293,187)	(12,500)	-	(441,896)	(1,741,575)
Issuance of Debt	-	-	-	-	-	143,000	143,000
Total Other Financing Sources	<u>73,181</u>	<u>(860,970)</u>	<u>(293,187)</u>	<u>8,326</u>	<u>293,187</u>	<u>1,280,764</u>	<u>501,301</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(363,688)</u>	<u>(838)</u>	<u>(408,437)</u>	<u>182,979</u>	<u>-</u>	<u>365,304</u>	<u>(224,680)</u>
Fund Balance - Beginning of Year	<u>3,558,380</u>	<u>24,334</u>	<u>701,851</u>	<u>32,043</u>	<u>413,231</u>	<u>2,343,668</u>	<u>7,073,507</u>
Fund Balance - End of Year	<u>\$ 3,194,692</u>	<u>\$ 23,496</u>	<u>\$ 293,414</u>	<u>\$ 215,022</u>	<u>\$ 413,231</u>	<u>\$ 2,708,972</u>	<u>\$ 6,848,827</u>

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

NEWTON COUNTY, TEXAS

Exhibit D-1

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended December 31, 2011

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

Net change in fund balances - total governmental funds (Exhibit D) \$ (224,680)

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	740,491	
Depreciation	(482,843)	
Deletions	<u>(9,500)</u>	
		248,148

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	(143,000)	
Payment of Principal	<u>185,320</u>	
		42,320

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	37,851	
Other	<u>108</u>	
		<u>37,959</u>

Change in Net Assets of Governmental Activities (Exhibit B) \$ 103,747

NEWTON COUNTY, TEXAS
Statement of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the year ended December 31, 2011

Exhibit E

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive Negative
<u>Revenue</u>				
Taxes	\$ 3,376,979	\$ 3,376,979	\$ 3,244,062	\$ (132,917)
Intergovernmental	15,000	15,000	14,968	(32)
Fines and Fees	464,400	464,400	449,562	(14,838)
Licenses and Permits	5,000	5,000	955	(4,045)
Miscellaneous	43,350	43,350	60,512	17,162
Interest	10,400	10,400	18,657	8,257
Other Revenue	10,000	10,000	61,386	51,386
Grants	-	-	-	-
Total Revenue	<u>3,925,129</u>	<u>3,925,129</u>	<u>3,850,102</u>	<u>(75,027)</u>
<u>Expenditures</u>				
Current				
General Administration	665,116	597,716	307,024	290,692
Judicial	869,344	936,744	867,494	69,250
Legal	376,366	376,366	280,473	95,893
Financial Administration	558,561	559,237	533,237	26,000
Public Facilities	349,065	349,065	299,953	49,112
Public Safety	1,545,048	1,545,048	1,472,531	72,517
Health and Welfare	622,539	622,539	349,939	272,600
Conservation	460	460	195	265
Miscellaneous	100,000	100,000	47,927	52,073
Debt Service				
Principal Payment	2,828	2,827	1,298	1,529
Interest Expense	1,990	1,990	1,188	802
Capital Outlay	140,500	140,500	125,712	14,788
Total Expenditures	<u>5,231,817</u>	<u>5,232,492</u>	<u>4,286,971</u>	<u>945,521</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,306,688)</u>	<u>(1,307,363)</u>	<u>(436,869)</u>	<u>870,494</u>
<u>Other Financing Sources</u>				
Transfers In	396,139	487,173	137,173	(350,000)
Transfers (Out)	(13,985)	(63,992)	(63,992)	-
Issuance of Debt	-	-	-	-
Total Other Financing Sources (Uses)	<u>382,154</u>	<u>423,181</u>	<u>73,181</u>	<u>(350,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(924,534)</u>	<u>(884,182)</u>	<u>(363,688)</u>	<u>520,494</u>
Fund Balance at Beginning of Year	<u>3,558,380</u>	<u>3,558,380</u>	<u>3,558,380</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,633,846</u>	<u>\$ 2,674,198</u>	<u>\$ 3,194,692</u>	<u>\$ 520,494</u>

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

NEWTON COUNTY, TEXAS
Statement of Net Assets - Proprietary Funds
December 31, 2011

Exhibit F

	Business-Type Activities Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	Total
<u>Assets</u>			
Current Assets			
Cash and Cash Equivalents	\$ 673,518	\$ 2,421,520	\$3,095,038
Investments	230,745	-	230,745
Accounts Receivables - Net of Allowances for Uncollectibles	421,634	-	421,634
Total Current Assets	<u>1,325,897</u>	<u>2,421,520</u>	<u>3,747,417</u>
Non-Current Assets			
Restricted Cash and Investments	-	-	-
Original Issue Discount	-	-	-
Less: Accumulated Accretion	-	96,054	96,054
Total Capital Assets, Net of Accumulated Depreciation	<u>431,764</u>	<u>10,627,420</u>	<u>11,059,184</u>
Total Non-Current Assets	<u>431,764</u>	<u>10,723,474</u>	<u>11,155,238</u>
Total Assets	<u>1,757,661</u>	<u>13,144,994</u>	<u>14,902,655</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts Payable	772,266		772,266
Bonds Payable - Current Portion	-	755,000	755,000
Total Current Liabilities	<u>772,266</u>	<u>755,000</u>	<u>1,527,266</u>
Long-Term Liabilities			
Bonds Payable - Noncurrent Portion	-	8,735,000	8,735,000
Total Long-term Liabilities	<u>-</u>	<u>8,735,000</u>	<u>8,735,000</u>
Total Liabilities	<u>772,266</u>	<u>9,490,000</u>	<u>10,262,266</u>
<u>Net Assets</u>			
Invested in Capital Assets	431,764	1,137,420	1,569,184
Restricted	-	-	-
Unrestricted	553,631	2,517,574	3,071,205
Total Net Assets	<u>\$ 985,395</u>	<u>\$ 3,654,994</u>	<u>\$4,640,389</u>

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

NEWTON COUNTY, TEXAS
Statement of Revenue, Expenses, and Changes in Net Assets
Proprietary Funds
December 31, 2011

Exhibit G

	Business-Type Activities		Total
	Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	
<u>Operating Revenue</u>			
Project Revenues	\$ 7,442,140	\$ 2,250,269	\$ 9,692,409
Total Operating Revenues	<u>7,442,140</u>	<u>2,250,269</u>	<u>9,692,409</u>
<u>Operating Expenses</u>			
Management Fees	3,790,401	3,373,695	7,164,096
Newton County Fee	550,000	-	550,000
Depreciation	107,942	3,013	110,955
PFC Lease	-	-	-
Professional Fees	6,963	47,500	54,463
Trust Fees	-	-	-
Repairs & Maintenance	47,158	11,351	58,509
Accretion Expense-OID	-	13,722	13,722
Bond Interest	-	787,200	787,200
Total Operating Expenses	<u>4,502,464</u>	<u>4,236,481</u>	<u>8,738,945</u>
Operating Income (Loss)	<u>2,939,676</u>	<u>(1,986,212)</u>	<u>953,464</u>
<u>Nonoperating Revenues (Expenditures)</u>			
Interest Income	1,949	-	1,949
Miscellaneous Income (Expenses)	-	-	-
Transfer	(3,093,593)	2,735,293	(358,300)
Total Nonoperating Revenues (Expenses)	<u>(3,091,644)</u>	<u>2,735,293</u>	<u>(356,351)</u>
Change in Net Assets	(151,968)	749,081	597,113
Total Net Assets at Beginning of Year	<u>1,137,363</u>	<u>2,905,913</u>	<u>4,043,276</u>
Total Net Assets at End of Year	<u>\$ 985,395</u>	<u>\$ 3,654,994</u>	<u>\$ 4,640,389</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, 2011

Exhibit H

	Business-Type Activities		Total
	Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	
Cash Flows From Operating Activities			
Receipts from customers	\$ 8,604,616	\$ 2,250,269	\$ 10,854,885
Payment for interfund services provided	-	-	-
Payment for goods and services	(6,793,366)	(3,432,546)	(10,225,912)
Payment to employees	-	-	-
Net cash provided (used) by operating activities	<u>1,811,250</u>	<u>(1,182,277)</u>	<u>628,973</u>
Cash Flows from Non-Capital Financing Sources (Uses)			
Miscellaneous	-	-	-
Transfers	<u>(3,093,593)</u>	<u>2,735,293</u>	<u>(358,300)</u>
Cash Flows from Capital and Related Financing Activities			
Interest payments	-	(787,200)	(787,200)
Principal payments	-	(700,000)	(700,000)
Cash Flows from Investing Activities			
Interest income	1,949	-	1,949
(Purchase)/Sale of capital assets	-	(30,129)	(30,129)
(Purchase)/Sale of investments	<u>1,680,647</u>	<u>-</u>	<u>1,680,647</u>
Net Increase(Decrease) in Cash and Cash Equivalents	<u>400,253</u>	<u>35,687</u>	<u>1,253,269</u>
Cash and Cash Equivalents at Beginning of Year			
Unrestricted cash and cash equivalents	273,265	2,385,833	2,659,098
Restricted cash	-	-	-
	<u>273,265</u>	<u>2,385,833</u>	<u>2,659,098</u>
Cash and Cash Equivalents at End of year			
Unrestricted cash and cash equivalents	\$ 673,518	\$ 2,421,520	\$ 3,095,038
Restricted cash	-	-	-
	<u>\$ 673,518</u>	<u>\$ 2,421,520</u>	<u>\$ 3,095,038</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss) adjustments	\$ -	\$ -	\$ -
Depreciation	107,942	3,013	110,955
Bond discount accretion	-	13,722	13,722
(Increase) decrease in receivable	(923,195)	-	(923,195)
Increase (decrease) in payables	2,591,499	-	2,591,499
	<u>\$ 1,776,246</u>	<u>\$ 16,735</u>	<u>\$ 1,792,981</u>
Interest paid	-	787,200	
Income tax paid	-	-	

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

NEWTON COUNTY, TEXAS
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2011

Exhibit I

	Sheriff Office	Criminal District Attorney	District Clerk Fee Fund	Clerk Trust Funds	County Clerk Fee Fund	County Clerk Trust Fund	Tax Assessor Collector	Total
<u>Assets</u>								
Cash	\$ 733	\$28,584	\$284,827	\$ 73,446	\$ 8,082	\$210,636	\$1,292,950	\$1,899,258
Total Assets	<u>733</u>	<u>28,584</u>	<u>284,827</u>	<u>73,446</u>	<u>8,082</u>	<u>210,636</u>	<u>1,292,950</u>	<u>1,899,258</u>
<u>Liabilities</u>								
Liabilities								
Payable to Newton County Beneficiaries	733	28,584	284,827	73,446	8,082	210,636	1,292,950	-
Total Liabilities	<u>733</u>	<u>28,584</u>	<u>284,827</u>	<u>73,446</u>	<u>8,082</u>	<u>210,636</u>	<u>1,292,950</u>	<u>1,899,258</u>
<u>Fiduciary Net Assets</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NEWTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

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

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

On December 12, 2001, the County of Newton, Texas formed the Newton County Public Facility Corporation, pursuant to the Public Facilities Act Chapter 303 of the Texas Local Government Code, for the purpose of financing eligible jail and criminal detention projects and other public facilities on behalf of Newton County, Texas. Specifically, the Newton County Public Facility Corporation was formed to refinance the debt of approximately \$ 14,300,000 of revenue bonds issued by Newton County, Texas. The bonds were initially issued by Newton County, Texas to acquire real property, construct, furnish and equip a multi-classification secure detention center known as the Fillyaw Correctional Facility located in Newton County, Texas. This type of alternative revenue source and financing lessens the local tax burden. The Project Revenue Bonds are repaid solely from the revenues generated by the facility, using no County tax dollars and presenting no liability to either the County or the Newton County Public Facility Corporation. Newton County contracted with the GEO correctional group to manage the facility until the termination of the contract on November 9, 2009.

The County negotiated a contract with Community Education Centers, Inc. (CEC) on November 9, 2009 to assume the operations and management of the facility. The facility continued to house inmates until November, 2011 and CEC continued to manage the facility until March, 2012 at which time the facility was depopulated. The County is currently in negotiations with other management companies specializing in prison management.

Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The fiduciary fund types are used to account for assets held by a government unit in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The component unit financial statement is not published separately.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

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

The County has the following major governmental funds:

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

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

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

Deposits and Investments

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

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

Investments are stated at fair value.

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

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, 2011 was minimal.

Receivables and Payables

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

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

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

Capital Assets

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

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

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

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

Use of Estimates

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

Compensated Absences

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

Long-term Obligations

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

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

Government-Wide Net Assets / Fund Balances – Governmental Funds

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

- Non-spendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.
- Committed – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned – The portion of fund balance that the County intends to use for specific purposes.
- Unassigned – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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

Fund 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, 2011 no funds had deficit fund balances.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits

The carrying amount of the County's deposits as of December 31, 2011 were \$8,625,084, and the bank balances were \$6,836,727. Of the bank balance, \$ 250,000 was covered by FDIC insurance and up to \$9,510,761 was covered by collateral held in the County's name by the agent bank which is the County's depository bank.

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

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

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

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

Category 3: Deposits that are not collateralized.

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

A portion of the County's investments, \$419,000 are in certificates of deposits with Edward Jones. Investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

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

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

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

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

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

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

which have a remaining term of less than one year or less at time of purchase. The term "non-participating" means that the investment's value does not vary with market interest rate changes.

Receivables

Receivables and related allowances for uncollectible accounts were as follows as of December 31, 2011 for the governmental funds of the County:

	<u>General</u>	<u>Road & Bridge</u>	<u>Other</u>	<u>Total</u>
Property taxes	\$ 1,550,530	\$ -	\$ -	\$1,550,530
Accounts	31,158	4,577	519,912	555,647
	<u>1,581,688</u>	<u>4,577</u>	<u>519,912</u>	<u>2,106,177</u>
 Allowance for Uncollectibles	 (60,000)	 -	 -	 (60,000)
	<u>\$ 1,521,688</u>	<u>\$ 4,577</u>	<u>\$ 519,912</u>	<u>\$ 2,046,177</u>

Receivables for the Business-Type Enterprise Funds:

	<u>Correctional Facility</u>	<u>Public Facility Corporation</u>	<u>Total</u>
Accounts Receivable	\$ 421,634	\$ -	\$ 421,634

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.

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

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

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

Property Tax Levy - the County's maximum legal rate is \$.699220 per \$100.00 valuation. The 2010-2011 tax rate was \$.649325 per \$100.00 valuation assessed at 100% of market value.

Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

Governmental Activities:

Asset	Balance	Additions	Deletions	Balance	Life
Land	\$ 1,050,855	\$ -	\$ -	\$ 1,050,855	N/A
Buildings	10,497,025	17,304	-	10,514,329	50
Equipment	4,284,075	333,525	9,500	4,608,100	7
CIP	5,587,860	293,191	-	5,881,051	N/A
Infrastructure	17,465,550	96,471	-	17,562,021	40
	<u>\$ 38,885,365</u>	<u>\$ 740,491</u>	<u>\$ 9,500</u>	<u>\$ 39,616,356</u>	

Accumulated Depreciation	Prior	Additions	Deletions	Ending A/D	Book Value
Land	\$ -	\$ -	\$ -	\$ -	\$ 1,050,855
Buildings	10,330,559	-	-	10,330,559	183,770
Equipment	2,489,014	450,561	-	2,939,575	1,668,525
CIP	-	-	-	-	5,881,051
Infrastructure	16,270,751	32,282	-	16,303,033	1,258,988
	<u>\$ 29,090,324</u>	<u>\$ 482,843</u>	<u>\$ -</u>	<u>\$ 29,573,167</u>	<u>\$10,043,189</u>

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

General Government	\$ 231,675
Public Safety	197,965
Public Facilities	<u>53,113</u>
Total Depreciation Expense	\$ 482,843

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

Enterprise Fund:

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

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$1,079,416	\$ -	\$ -	\$1,079,416
Less: Accumulated depreciation	(539,706)	(107,946)		(647,652)
Total	\$ 539,710	\$(107,946)	\$ -	\$ 431,764

Component Unit:

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

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 300,000	\$ -	\$ -	\$ 300,000
Building	12,561,352	30,129		12,591,481
Total Assets	\$12,861,352	\$ 30,129	\$ -	\$12,891,481
Less: Accumulated depreciation	(2,009,816)	(254,245)		(2,264,061)
Total	\$10,851,536	\$(224,116)	\$ -	\$10,627,420

Long-term Debt

The County is obligated for notes payable to provide funds for the acquisition and construction of major capital facilities. No bonds are outstanding at December 31, 2010.

Description	Interest Rate	Beginning Balance 1/1/2011	Debt Issuance	Principal Payments	Interest Payments	Other Adjustments	Ending Balance 12/31/2011
Grader	5.50%	29,605	-	29,605	1,222	-	-
Grader	5.25%	32,112	-	32,112	299	-	-
Grader	3.75%	124,041	-	15,228	4,651	-	108,813
Grader	4.50%	137,849	-	13,618	6,203	-	124,231
Sharp Copier	6.10%	3,048	-	725	587	-	2,323
Roll Off Truck	6.68%	86,870	-	42,031	5,803	-	44,839
Tractor/Mower	4.40%	56,645	-	27,701	2,549	-	28,944
Sharp Copier	6.10%	4,506	-	905	928	-	3,601
Sharp Copier	6.10%	2,825	-	444	437	-	2,381
Sharp Copier	6.10%	3,857	-	584	591	-	3,273
Tractor/Mower	4.50%	67,400	-	22,467	3,033	-	44,933
Tractor/Mower	4.24%	-	71,500	-	-	-	71,500
Tractor/Mower	4.24%	-	71,500	-	-	-	71,500
		\$ 481,358	\$ 143,000	\$ 185,420	\$ 26,303	\$ -	506,338

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

Debt services requirements to maturity are as follows:

Year	Principal	Interest	Total
2012	177,287	21,259	198,546
2013	276,271	14,931	291,202
2014	51,352	2,604	53,956
2015	1,428	200	1,628
	\$ 506,338	\$ 38,994	\$ 545,332

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
2012	755,000	729,000	1,484,000
2013	820,000	666,000	1,486,000
2014	885,000	597,800	1,482,800
2015-2018	4,300,000	1,594,400	5,894,400
2019-2020	2,730,000	109,200	2,839,200
	\$ 9,490,000	\$ 3,696,400	\$ 13,186,400

Individual Interfund Transactions

Transfers are as follows:

Fund	Transfers In	Transfers Out
General	\$ 520,431	\$ 235,971
NCCC Accrual Account	-	708,300
District Attorney State Fund	1,735	1,735
Road & Bridge - General	19,578	930,000
Road & Bridge Pct. 1	245,728	-
Road & Bridge Pct. 2	215,000	-
Road & Bridge Pct. 3	215,000	-
Road & Bridge Pct. 4	249,536	-
VAW Grant	14,025	-
Commissioners Special Pct. 1	50,000	-
Commissioners Special Pct. 2	50,000	-
Commissioners Special Pct. 3	82,410	-
Commissioners Special Pct. 4	50,000	-
TCPD Grant	-	-
Courthouse Rest Fund	99,000	-
Newton County Hartford Ins.	-	615,044
Tocker Grant	-	-
Solid Waste Disposal	70,000	-
Voter Registration	40,977	-
Law Library	300	-
Newton County Library	123,103	-
Historical Operating	9,250	-
DA Hot Check Fund	1,735	1,735
DA Contraband	-	2,540
Victims Coord. Grant	-	-
Victims Advocate	-	-
Hazard Mit Grant	44,731	117,869
EECBG Stimulus Grant	40,800	-
Courthouse Emergency Grant	615,044	-
TDHCA Grant	-	-
FEMA Grant	-	-
HAVA Grant	7,197	19,694
SAVNS/VINE Grant	7,905	3,342
Civic Center	12,000	-
Technology Fund	10,825	-
Federal Forest Fund	-	19,578
Debt Service	-	140,502
	\$ 2,796,310	\$ 2,796,310

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

NOTE 4 - Other Information

Risk Management and Litigation

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

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

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

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

Commitments and Contingencies

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

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

Pension Plans

Plan Description:

The County provides retirement, disability, and death benefits for all of its full time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of 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.

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

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

Funding Policy:

The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 8.0% investment rate of return (net of administrative expense), and (b) projected salary increased of 5.3%. Both (a) and (b) include an inflation rate of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over ten year period. The intended actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 20 years.

Funded Status and Funding Progress:

As of December 31, 2011, the most recent actuarial date, the plan was 90.53% funded. The actuarial accrued liability for benefits was \$5,986,216, and the actuarial value of assets was \$5,419,527 resulting in an unfunded actuarial liability (UAAL) of \$566,689. The covered payroll (annual payroll of active employees covered by the plan) was \$2,684,362, and the ratios of the UAAL to the covered payroll was 21.11%.

County of Newton
Schedule of Actuarial Liabilities and Funding Progress

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

Actuarial Assumptions

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

NOTE 5 – Subsequent Events

Events occurring subsequent to December 31, 2011 were evaluated by management and reviewed through June 27, 2012, the date of report issuance, with no significant items reported.

REQUIRED
SUPPLEMENTAL
INFORMATION

NEWTON COUNTY, TEXAS
 Required Supplemental Information
 Schedule of Funding Progress of the Retirement Plan for Employees
 For the year ended December 31, 2011

Exhibit K

(Unaudited)

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

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

NON-MAJOR GOVERNMENTAL
FUNDS

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2011

Exhibit L

	14	15	19	21	22	23	24	25	29	30	31	32
	Prison Guard Detail	Indigent Defense Grant	District Attorney State Fund	Road & Bridge Pct 1	Road & Bridge Pct 2	Road & Bridge Pct 3	Road & Bridge Pct 4	Courthouse Security	VAW Grant	Right Of Way	Commissioner Spec Pct 1	Commissioner Spec Pct 2
Assets												
Cash and Cash Equivalents	\$ 6,973	\$ 9,689	\$ 8,243	\$ 210,230	\$ 86,021	\$ 281,515	\$ 146,041	\$ 59,291	\$ 2,300	\$ 47,610	\$ 177,862	\$ 70,745
Investments	15,089	-	-	32,679	-	-	-	51,324	-	167,857	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	607	607
Total Assets	\$ 22,062	\$ 9,689	\$ 8,243	\$ 242,909	\$ 86,021	\$ 281,515	\$ 146,041	\$ 110,615	\$ 2,300	\$ 215,467	\$ 178,469	\$ 71,352
Liabilities												
Accounts Payable	\$ -	\$ -	\$ (18)	\$ 6,164	\$ 1,394	\$ 580	\$ 1,669	\$ 4,073	\$ 56	\$ -	\$ 17,569	\$ 16,778
Accrued Vacation/Comp Time	-	-	-	1,867	6,958	1,400	3,553	-	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ (18)	\$ 8,031	\$ 8,352	\$ 1,980	\$ 5,222	\$ 4,073	\$ 56	\$ -	\$ 17,569	\$ 16,778
Fund Balance												
Unassigned	\$ 22,062	\$ 9,689	\$ 8,261	\$ 234,878	\$ 77,669	\$ 279,535	\$ 140,819	\$ 106,542	\$ 2,244	\$ 215,467	\$ 160,900	\$ 54,574
Total Fund Balance	22,062	9,689	8,261	234,878	77,669	279,535	140,819	106,542	2,244	215,467	160,900	54,574
Total Liabilities and Fund Balance	\$ 22,062	\$ 9,689	\$ 8,243	\$ 242,909	\$ 86,021	\$ 281,515	\$ 146,041	\$ 110,615	\$ 2,300	\$ 215,467	\$ 178,469	\$ 71,352

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2011

	33	34	35	36	37	38	39	40	41	42	43	44
	Commissioner Spec Pct 3	Commissioner Spec Pct 4	TCDP Grant	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4
Assets												
Cash and Cash Equivalents	\$ 102,555	\$ 183,498	\$ 20,000	\$ 36,594	\$ 53,413	\$ 69,365	\$ 81,106	\$ 68,546	\$ 19,509	\$ 26,136	\$ 1,783	\$ 33,658
Investments	-	-	-	-	-	-	-	51,324	-	-	-	-
Accounts Receivable	607	607	-	87	87	87	87	-	-	-	-	-
Total Assets	\$ 103,162	\$ 184,105	\$ 20,000	\$ 36,681	\$ 53,500	\$ 69,452	\$ 81,193	\$ 119,870	\$ 19,509	\$ 26,136	\$ 1,783	\$ 33,658
Liabilities												
Accounts Payable	\$ 6,612	\$ 7,859	\$ -	\$ 5,025	\$ 1,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,316
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	\$ 6,612	\$ 7,859	\$ -	\$ 5,025	\$ 1,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,316
Fund Balance												
Unassigned	\$ 96,550	\$ 176,246	\$ 20,000	\$ 31,656	\$ 51,700	\$ 69,452	\$ 81,193	\$ 119,870	\$ 19,509	\$ 26,136	\$ 1,783	\$ 32,342
Total Fund Balance	\$ 96,550	\$ 176,246	\$ 20,000	\$ 31,656	\$ 51,700	\$ 69,452	\$ 81,193	\$ 119,870	\$ 19,509	\$ 26,136	\$ 1,783	\$ 32,342
Total Liabilities and Fund Balance	\$ 103,162	\$ 184,105	\$ 20,000	\$ 36,681	\$ 53,500	\$ 69,452	\$ 81,193	\$ 119,870	\$ 19,509	\$ 26,136	\$ 1,783	\$ 33,658

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2011

	45	47	48	50	51	52	53	55	56	58	59	60
	Courthouse Restoration	Victims Impact Panel	Sheriff Contraband	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library	Historical Operating	Historical Book Fund	Dist Attny Hot Check	Dist Attny Contraband	Powell Hotel Fund
<u>Assets</u>												
Cash and Cash Equivalents	\$ 168,358	\$ 1,117	\$ 48,829	\$ 77,252	\$ 4,463	\$ 548	\$ 2,480	\$ 12,779	\$ 9,503	\$ 354	\$ 29,701	\$ 20,393
Investments	101,838	-	-	-	-	-	-	-	21,498	-	-	-
Accounts Receivable	-	-	-	64,071	-	-	81	-	-	-	-	-
Total Assets	\$ 270,196	\$ 1,117	\$ 48,829	\$ 141,323	\$ 4,463	\$ 548	\$ 2,561	\$ 12,779	\$ 31,001	\$ 354	\$ 29,701	\$ 20,393
<u>Liabilities</u>												
Accounts Payable	\$ -	\$ -	\$ -	\$ 11,922	\$ 2,237	\$ 502	\$ 474	\$ 1,845	\$ -	\$ -	\$ -	\$ 608
Accrued Vacation/Comp Time	-	-	-	-	559	-	-	-	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ -	\$ 11,922	\$ 2,796	\$ 502	\$ 474	\$ 1,845	\$ -	\$ -	\$ -	\$ 608
<u>Fund Balance</u>												
Unassigned	\$ 270,196	\$ 1,117	\$ 48,829	\$ 129,401	\$ 1,667	\$ 46	\$ 2,087	\$ 10,934	\$ 31,001	\$ 354	\$ 29,701	\$ 19,785
Total Fund Balance	270,196	1,117	48,829	129,401	1,667	46	2,087	10,934	31,001	354	29,701	19,785
Total Liabilities and Fund Balance	\$ 270,196	\$ 1,117	\$ 48,829	\$ 141,323	\$ 4,463	\$ 548	\$ 2,561	\$ 12,779	\$ 31,001	\$ 354	\$ 29,701	\$ 20,393

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2011

Exhibit L

	66	77	80	88	92	93	97	Total
	Records Management	Tx/SAVNS/ Vine Grant	Civic Center Operations	State Fee Account	Justice Court Technology	Federal Forest Fund	Debt Service	Nonmajor Governmental Funds
Assets								
Cash and Cash Equivalents	\$ 25,882	\$ 7,905	\$ 3,629	\$ 48,676	\$ 20,445	\$ -	\$ 28,434	\$ 2,313,431
Investments	-	-	-	-	-	-	-	441,609
Accounts Receivable	-	-	146	15	-	11,276	28,316	106,681
Total Assets	\$ 25,882	\$ 7,905	\$ 3,775	\$ 48,691	\$ 20,445	\$ 11,276	\$ 56,750	\$ 2,861,721
Liabilities								
Accounts Payable	\$ 383	\$ -	\$ 835	\$ 48,691	\$ 38	\$ -	\$ -	\$ 138,412
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	14,337
Total Liabilities	\$ 383	\$ -	\$ 835	\$ 48,691	\$ 38	\$ -	\$ -	\$ 152,749
Fund Balance								
Unassigned	\$ 25,499	\$ 7,905	\$ 2,940	\$ -	\$ 20,407	\$ 11,276	\$ 56,750	\$ 2,708,972
Total Fund Balance	25,499	7,905	2,940	-	20,407	11,276	56,750	2,708,972
Total Liabilities and Fund Balance	\$ 25,882	\$ 7,905	\$ 3,775	\$ 48,691	\$ 20,445	\$ 11,276	\$ 56,750	\$ 2,861,721

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2011

Exhibit M

	14	15	19	21	22	23	24	25	29	30
Prison Guard Detail	Indigent Defense Grant	Dist. Atmy 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	
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Taxes	-	-	-	-	-	-	-	-	-	
Intergovernmental	-	31,272	-	-	-	-	-	-	-	
Fines and Fees	-	-	-	-	-	-	10,555	-	-	
Miscellaneous	-	-	-	-	-	-	-	-	-	
Interest	25	9	606	66	146	96	420	2	2,039	
Other Revenue	-	-	-	-	-	-	-	-	-	
Grants	-	12,632	-	-	-	-	-	30,333	-	
Total Revenue	25	12,632	31,281	66	146	96	10,975	30,335	2,039	
Expenditures										
Current										
General Administration	1,022	-	-	-	-	-	-	-	-	
Judicial	-	-	-	-	-	-	-	-	-	
Legal	-	3,050	28,349	-	-	-	-	36,350	-	
Public Facilities	-	-	147,858	295,282	101,851	174,675	6,134	-	-	
Public Safety	-	-	-	-	-	-	-	-	7,000	
Health and Welfare	-	-	-	-	-	-	-	-	-	
Conservation	-	-	-	-	-	-	-	-	-	
Culture and Recreation	-	-	-	-	-	-	-	-	-	
Debt Service	-	-	-	-	-	-	-	-	-	
Principle Payment	-	-	29,605	27,701	-	28,845	-	-	-	
Interest Expense	-	-	1,123	2,549	-	10,854	-	-	-	
Capital Outlay	-	-	100,664	-	-	15,532	4,023	-	-	
Total Expenditures	1,022	3,050	28,349	325,532	101,851	229,906	10,157	36,350	7,000	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(997)	9,582	2,932	(278,644)	(325,466)	(101,705)	818	(6,015)	(4,961)	
Other Financing Sources (Uses)										
Transfers In (Out)	-	-	265,728	245,250	215,000	254,700	-	8,300	-	
Transfers In (Out)	-	-	(791)	-	-	-	-	-	-	
Issuance of Debt	-	-	71,500	71,500	-	-	-	-	-	
Total Other Financing Sources (Uses)	-	-	(791)	337,228	316,750	215,000	254,700	8,300	-	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(997)	9,582	2,141	(8,716)	113,295	24,890	818	2,285	(4,961)	
Fund Balance beginning of year	23,059	107	6,120	176,294	86,385	115,929	105,724	(41)	220,428	
Fund Balance end of year	\$ 22,062	\$ 9,689	\$ 8,261	\$ 234,878	\$ 77,669	\$ 279,535	\$ 140,819	\$ 106,542	\$ 2,244	\$ 215,467

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

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2011

	31	32	33	34	35	36	37	38	39	40	41
Commissioner Spec Pct 1	Commissioner Spec Pct 2	Commissioner Spec Pct 3	Commissioner Spec Pct 4	Commissioner Spec Pct 4	TCDP Grants	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1
Revenue	\$ 130,299	\$ 130,298	\$ 130,299	\$ 130,299	\$ -	\$ 18,614	\$ 18,615	\$ 18,615	\$ 18,614	\$ -	\$ 7,040
Taxes	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	-	-	28,341	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Interest	176	107	107	166	-	28	47	46	54	419	13
Other Revenue	180	1,000	-	512	20,000	-	-	-	-	-	-
Grants	-	-	-	-	37,817	-	-	-	-	-	-
Total Revenue	130,655	131,405	130,406	130,977	57,817	18,642	18,662	18,661	18,668	28,760	7,053
Expenditures											
Current											
General Administration	-	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	158,662	151,116	128,106	124,323	-	1,584	751	-	-	-	8,669
Public Safety	-	-	-	-	37,817	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	15,043	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	32,112	22,467	-	-	-	-	-	-	-
Interest Expense	-	-	299	3,033	-	-	-	-	-	-	-
Capital Outlay	6,200	24,597	20,000	-	-	11,948	28,802	-	-	11,385	-
Total Expenditures	164,862	175,713	180,517	149,823	37,817	13,532	29,553	-	-	26,428	8,669
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,207)	(44,308)	(50,111)	(18,846)	20,000	5,110	(10,891)	18,661	18,668	2,332	(1,616)
Other Financing Sources (Uses)											
Transfers In (Out)	50,000	50,000	102,410	75,500	-	-	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	50,000	50,000	102,410	75,500	-	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	15,793	5,692	52,299	56,654	20,000	5,110	(10,891)	18,661	18,668	2,332	(1,616)
Fund Balance beginning of year	145,107	48,882	44,251	119,592	-	26,546	62,591	50,791	62,525	117,538	21,125
Fund Balance end of year	\$ 160,900	\$ 54,574	\$ 96,550	\$ 176,246	\$ 20,000	\$ 31,656	\$ 51,700	\$ 69,452	\$ 81,193	\$ 119,870	\$ 19,509

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2011

	42	43	44	45	47	48	49	50	51	52	53
	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4	Courthouse Restoration	Victims Impact Panel	Sheriff Contraband	Library Tocker Grant	Solid Waste Disposal	Registration	Law Library	Newton Co Library
<u>Revenue</u>											
Taxes	\$ 7,039	\$ 7,039	\$ 7,038	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	23,725	-	-	-	4,241	-
Miscellaneous	-	-	-	-	-	-	-	-	1,210	-	4,016
Interest	19	20	20	1,550	1	32	-	22	24	-	48
Other Revenue	-	-	-	-	-	-	-	2,778	-	-	99
Grants	-	-	-	-	-	-	-	156,025	-	-	10,200
Total Revenue	7,058	7,059	7,058	1,550	1	23,757	-	158,825	1,234	4,241	14,363
<u>Expenditures</u>											
Current											
General Administration	-	-	-	-	-	-	-	-	44,021	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	4,860	-
Public Facilities	9,287	-	1,315	2,883	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	14,107	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	105,866	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	115,386
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	42,031	-	-	-
Interest Expense	-	-	-	-	-	-	-	5,803	-	-	-
Capital Outlay	-	34,115	-	-	-	-	226	22,724	1,250	-	1,284
Total Expenditures	9,287	34,115	1,315	2,883	-	14,107	226	176,424	45,271	4,860	116,670
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,229)	(27,056)	5,743	(1,333)	1	9,650	(226)	(17,599)	(44,037)	(619)	(102,307)
<u>Other Financing Sources (Uses)</u>											
Transfers In (Out)	-	-	-	-	-	-	-	117,834	38,500	-	98,550
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-	(24,553)
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	117,834	38,500	-	73,997
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,229)	(27,056)	5,743	(1,333)	1	9,650	(226)	100,235	(5,537)	(619)	(28,310)
Fund Balance beginning of year	28,365	28,839	26,599	271,529	1,116	39,179	226	29,166	7,204	665	30,397
Fund Balance end of year	\$ 26,136	\$ 1,783	\$ 32,342	\$ 270,196	\$ 1,117	\$ 48,829	\$ -	\$ 129,401	\$ 1,667	\$ 46	\$ 2,087

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

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2011

	55	56	58	59	60	63	64	66	69	75	76
	Historical Operating	Historical Book Fund	Dist Attny Hot Ck Fund	Dist Attny Contraband	Powell Hotel Fund	Victims Coord. Grant	Homeland Security Grant	Records Management	EECBG Stim Grant	HAVA Grant	TDRA Grant
Revenue											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	2,069	12,983	-	-	-	4,828	-	-	-
Miscellaneous	1,920	-	-	-	-	-	-	-	-	-	-
Interest	32	265	-	16	-	3	-	20	-	-	-
Other Revenue	464	1,130	-	-	4,742	-	-	-	-	-	-
Grants	-	-	-	-	-	29,123	-	-	40,800	25,771	2,112,691
Total Revenue	2,416	1,395	2,069	12,999	4,742	29,126	-	4,848	40,800	25,771	2,112,691
Expenditures											
Current											
General Administration	-	-	-	-	-	-	-	9,118	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	2,975	1,351	-	-	-	-	-	-	-
Public Facilities	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	33,868	3,700	-	-	20,389	2,113,163
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	2,814	-	-	-	-	-	-
Debt Service	8,726	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	905	-	-	-	-	-	-	-	-	-	-
928	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	78	-	-	-	-	-	-	-	-	-	-
Total Expenditures	10,637	-	2,975	1,351	2,814	33,868	3,700	9,118	40,800	20,389	2,113,163
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,221)	1,395	(906)	11,648	1,928	(4,742)	(3,700)	(4,270)	40,800	5,382	(472)
Other Financing Sources (Uses)											
Transfers In (Out)	9,250	-	159	-	-	3,132	3,700	-	-	20,389	472
Transfers In (Out)	-	-	-	(100)	-	-	-	-	(40,800)	(25,771)	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	9,250	-	159	(100)	-	3,132	3,700	-	(40,800)	(5,382)	472
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,029	1,395	(747)	11,548	1,928	(1,610)	-	(4,270)	-	-	-
Fund Balance beginning of year	9,905	29,606	1,101	18,153	17,857	1,610	-	29,769	-	-	-
Fund Balance end of year	\$ 10,934	\$ 31,001	\$ 354	\$ 29,701	\$ 19,785	\$ -	\$ -	\$ 25,499	\$ -	\$ -	\$ -

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

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2011

Exhibit M

	77	72	80	92	93	97	Total
	TxSAVNS/ Vine Grant	FEMA Grants	Civic Center Operations	Justice Court Technology	Federal Forest Fund	Debt Service	Nonmajor Governmental Fund
Revenue							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,703	\$ 849,512
Intergovernmental	-	-	-	-	11,862	-	43,134
Fines and Fees	-	-	1,000	9,859	-	-	97,601
Miscellaneous	-	-	-	-	-	-	7,146
Interest	-	-	7	10	-	63	6,724
Other Revenue	-	-	2,958	-	-	-	33,863
Grants	15,810	23,157	-	-	-	-	2,494,359
Total Revenue	15,810	23,157	3,965	9,869	11,862	225,766	3,532,339
Expenditures							
Current							
General Administration	-	-	-	-	-	-	54,161
Judicial	-	-	-	-	-	-	-
Legal	-	-	-	6,230	-	-	83,165
Public Facilities	-	-	-	-	-	-	1,312,496
Public Safety	7,905	-	-	-	-	-	2,237,949
Health and Welfare	-	-	-	-	-	-	105,866
Conservation	-	-	-	-	6,570	-	21,613
Culture and Recreation	-	-	13,659	-	-	-	140,585
Debt Service	-	-	-	-	-	-	-
Principle Payment	-	-	-	444	-	-	184,110
Interest Expense	-	-	-	437	-	-	25,026
Capital Outlay	-	-	-	-	-	-	282,828
Total Expenditures	7,905	-	13,659	7,111	6,570	-	4,447,799
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,905	23,157	(9,694)	2,758	5,292	225,766	(915,460)
Other Financing Sources (Uses)							
Transfers In (Out)	7,905	-	12,000	881	-	-	1,579,660
Transfers In (Out)	(7,905)	(23,157)	-	-	(69,030)	(249,789)	(441,896)
Issuance of Debt	-	-	-	-	-	-	143,000
Total Other Financing Sources (Uses)	-	(23,157)	12,000	881	(69,030)	(249,789)	1,280,764
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	7,905	-	2,306	3,639	(63,738)	(24,023)	365,304
Fund Balance beginning of year	-	-	634	16,768	75,014	80,773	2,343,668
Fund Balance end of year	\$ 7,905	\$ -	\$ 2,940	\$ 20,407	\$ 11,276	\$ 56,750	\$ 2,708,972

The accompanying notes 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
Members Practice Section

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

To the County Judge and
County Commissioners
Newton, County

Compliance

We have audited Newton County Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Newton, Texas's major federal programs for the year ended December 31, 2011. Newton County, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Newton County, Texas's management. Our responsibility is to express an opinion on City of X, State Y's compliance based on our audit.

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

In our opinion, Newton County, Texas, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

Management of Newton County, Texas, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Newton County, Texas's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on

Beaumont

6850 Phelan Boulevard
Beaumont, Texas 77706

(409) 833-8986 • Fax: (409) 833-4486

Port Arthur

3636 Professional Drive
Port Arthur, Texas 77642

(409) 983-3277 • Fax: (409) 983-3270

Silsbee

295 Hwy. 327 East
Silsbee, Texas 77656

(409) 385-2806 • Fax: (409) 385-4338

compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Newton County, Texas's internal control over compliance.

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

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

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

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

Charles E. Reed + Associates, A.C.

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

June 27, 2012



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

To the County Judge and
County Commissioners
County of Newton, 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, 2011, which collectively comprise Newton County, Texas's basic financial statements and have issued our report thereon dated June 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Beaumont

6850 Phelan Boulevard
Beaumont, Texas 77706

(409) 833-8986 • Fax: (409) 833-4486

Port Arthur

3636 Professional Drive
Port Arthur, Texas 77642

(409) 983-3277 • Fax: (409) 983-3270

Silsbee

295 Hwy. 327 East
Silsbee, Texas 77656

(409) 385-2806 • Fax: (409) 385-4338

Compliance and Other Matters

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

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

Charles E. Reed & Associates, P.C.

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

June 27, 2012

NEWTON COUNTY, TEXAS
 Schedule of Expenditures of Federal Awards
 For the year ended December 31, 2011

Schedule I

	Federal CFDA Number	Amount of Award	Amount Expended
<u>Department of Homeland Security</u>			
Governors Department of Emergency Management	97.039	\$ 2,763,662	\$ 317,168
Texas Dept. of Public Safety - DETCOG - SHSP	97.073	13,528	<u>3,700</u>
			320,868
<u>Department of Housing and Urban Development</u>			
Texas Department of Rural Affairs	14.228	250,000	37,817
Texas Department of Rural Affairs	14.218	280,686	278,171
Texas Department of Rural Affairs	14.218	565,715	553,760
Texas Department of Rural Affairs	14.228	2,043,005	<u>1,281,232</u>
			2,150,980
<u>Department of Criminal Justice</u>			
<i>Pass through from the Office of the Governor Criminal Justice</i>			
Victim Coordinator Liaison			
Pass through number 1014430	16.575	67,662	33,868
Violence Against Women			
Pass through number WF-10-V03-19193-04	16.588	26,000	27,241
Violence Against Women			
Pass through number WF-11-V03-19191-05	16.588	26,000	<u>9,109</u>
			70,218
<u>U.S. Elections Assistance Commission</u>			
HAVA- General Compliance 78651	90.401	12,652	<u>20,389</u>
			20,389
<u>U.S. Department of Agriculture</u>			
Texas Forest Service	10.664	10,000	<u>5,000</u>
			5,000
Total Federal Money Expended			<u>\$ 2,567,455</u>

NEWTON COUNTY, TEXAS
 Schedule of Expenditures of State of Texas Awards
 For the year ended December 31, 2011

Schedule II

		<u>Grant I.D.</u>	<u>Amount of Award</u>	<u>Amount Expended</u>
Texas Comptroller	Texas Task Force on Indigent Defense	212-10-176	\$ 11,294	\$ 107
Texas Comptroller	Texas Task Force on Indigent Defense	212-11-176	12,632	2,943
Texas Historical Commission	Newton County Court House Restoration	3-2002	4,038,848	293,191
Texas Department of Agriculture	East Texas Support Services		15,000	15,000
Office of Attorney General	Texas SAVNS/VINE Program	1121417.000	7,905	7,905
Deep East Texas Council of Gov.	LETTP		2,406	2,406
			Total State Money Expended	<u>\$ 321,552</u>

NEWTON COUNTY, TEXAS
Notes to the Schedule of Expenditures of Federal and State Awards
For the year ended December 31, 2011

Schedule III

NOTE 1 – GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

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

NOTE 3 – BASIS OF PRESENTATION

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

NEWTON COUNTY, TEXAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2011

Schedule IV

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

Material weakness identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Material weakness identified? Yes No

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 Yes No

Identification of major programs:

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

American Recovery and Reinvestment Act

16.804	Department of Justice
81.128	Comptroller of Public Accounts - SECO

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

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

Auditee qualified as low-risk auditee? Yes No

NEWTON COUNTY, TEXAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2011

Schedule IV

Section II-Financial Statements Findings

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

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

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

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

MATERIAL WEAKNESSES

NONE

SIGNIFICANT DEFICENCIES

NONE

Section III - Federal Award Findings and Questioned Costs

None

Section IV-Status of Prior Year Findings

No prior year findings