

NEWTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2017

NEWTON COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended December 31, 2017

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INTRODUCTORY SECTION

**NEWTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017
DIRECTORY OF OFFICIALS**

COMMISSIONERS' COURT:

Paul Price	County Judge
William L. "Bill" Fuller	Commissioner, Precinct No. 1
Thomas Gill	Commissioner, Precinct No. 2
Gary Fomby	Commissioner, Precinct No. 3
Wesley (Gene) Thompson	Commissioner, Precinct No. 4

OTHER COUNTY OFFICIALS:

Courtney Tracy Ponthier	District Attorney
Bree Allen	District Clerk
Sandra K. Duckworth	County Clerk
Melissa Burks	County Tax Assessor and Collector
Ginger Siau	County Treasurer
Elizabeth Holloway	County Auditor
Billy Rowles	Sheriff
Stephanie Ducote	Librarian
Gwen Simmons	Indigent Health Care

JUSTICE OF PEACE:

Connie Smith	Justice of Peace, Precinct No. 1
Brenda Smith	Justice of Peace, Precinct No. 2
Michael Greer	Justice of Peace, Precinct No. 3
Dana Ashmore	Justice of Peace, Precinct No. 4

CONSTABLES:

Otis Lane	Constable, Precinct No. 1
Les Amburn	Constable, Precinct No. 2
Holton Johnson	Constable, Precinct No. 3
Jimmy Lavergne	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 Honorable County Judge and
County Commissioners
County of Newton, Texas
Newton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Newton, Texas as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Newton, Texas, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, page 21 and Note 3, page 32, Newton County Facilities Corporation, a blended component unit enterprise fund, defaulted on revenue bond principal payments to Bondholders. These revenue bonds are repaid solely from the revenues generated by the facility. The bonds are in default.

Our Opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Newton, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2018, on our consideration of the County of Newton, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Newton, Texas' internal control over financial reporting and compliance.

Charles E. Reed & Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
August 30, 2018

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, 2017. 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 and deferred outflows and resources of the County exceeded its liabilities and deferred inflows and resources at the close of 2017 by \$21,240,532. Of this amount, \$10,737,472 is considered unrestricted. The unrestricted net position of the County's governmental activities is \$9,856,846 and may be used to meet the government's ongoing obligations.
- The County's total net position increased by \$129,207 in 2017.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$8,504,164. Of this balance, \$8,504,164 is considered unassigned at December 31, 2017.
- The General Fund reported a fund balance of \$4,110,626 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$4,110,626 or 66.45% of total general expenditures (including transfers out).
- The County's total debt decreased by \$104,226 during the current fiscal year. Debt was issued in the current fiscal year in the amount of \$225,515.

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 positions* presents information on all of the County's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position 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 11-16 of this report.

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

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

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 21 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 40 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 42 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 and deferred outflows and resources exceeded liabilities by \$21,240,532 at the close of the most recent fiscal year.

A portion of the County's net position, \$10,503,060 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.

	2017	2016	2017	2016
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
Current and other assets	\$ 10,495,461	\$ 9,883,293	\$ 902,564	\$ 995,138
Capital assets	10,820,653	10,776,425	9,843,888	10,095,038
Total assets	<u>21,316,114</u>	<u>20,659,718</u>	<u>10,746,452</u>	<u>11,090,176</u>
Deferred outflows and resources	76,483	634,666	-	-
Long-term liabilities	354,122	932,369	3,930,000	7,396,200
Other liabilities	734,153	604,207	5,581,938	2,107,453
Total liabilities	<u>1,088,275</u>	<u>1,536,576</u>	<u>9,511,938</u>	<u>9,503,653</u>
Deferred Inflows and resources	298,304	233,085	-	-
Net position:				
Invested in capital assets, net of related debt	10,149,172	10,000,688	353,888	605,038
Restricted	-	300,891	-	-
Unrestricted	9,856,846	9,223,224	880,626	981,485
	<u>\$ 20,006,018</u>	<u>\$ 19,524,803</u>	<u>\$ 1,234,514</u>	<u>\$ 1,586,523</u>

The unrestricted net position \$10,737,472 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 position, 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 POSITION			
	2017	2016	2017	2016
	Governmental Activities	Governmental Activities	Proprietary Activities	Proprietary Activities
REVENUES				
Charges for services	\$ 1,094,053	\$ 964,474	\$ -	\$ -
Operating grants and contributions	-	-	-	-
Capital Grants	1,916,006	1,056,514	-	-
General revenues:				
Property taxes	7,852,942	7,464,644	-	-
Miscellaneous	113,541	84,997	-	-
Interest income	106,999	58,503	-	27,800
Other	301,152	950,090	4,518	519
Total Revenues	<u>11,384,693</u>	<u>10,579,222</u>	<u>4,518</u>	<u>28,319</u>
EXPENDITURES				
General government	1,318,099	1,059,320	-	-
Judicial	912,488	901,148	-	-
Legal	453,563	457,470	-	-
Financial administration	621,161	601,204	-	-
Public facilities	2,259,867	2,642,103	536,527	606,502
Public safety	4,284,703	3,604,942	-	-
Health and welfare	623,731	539,301	-	-
Conservation	6,738	11,657	-	-
Culture and recreation	148,841	157,568	-	-
Miscellaneous	70,173	83,722	-	-
Interest on long-term debt	24,113	25,268	-	-
Total Expenditures	<u>10,723,477</u>	<u>10,083,703</u>	<u>536,527</u>	<u>606,502</u>
Excess of Revenues over Expenses	661,216	495,519	(532,009)	(578,183)
Transfers	(180,000)	(200,000)	180,000	200,000
Increase (decrease) in net position	<u>481,216</u>	<u>295,519</u>	<u>(352,009)</u>	<u>(378,183)</u>
Net position at beginning of year	<u>19,524,802</u>	<u>18,458,265</u>	<u>1,586,523</u>	<u>1,964,706</u>
Prior period adjustment	-	771,019	-	-
Net Position End of Year	<u>\$ 20,006,018</u>	<u>\$ 19,524,803</u>	<u>1,234,514</u>	<u>1,586,523</u>

The government's total net position increased by \$129,207 during the current fiscal year. The County's governmental activities increased due primarily to the 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, 2017, the County's governmental funds reported combined ending fund balances of \$8,504,164 an decrease of (\$59,662) in comparison with the prior year of this, \$8,504,164 amount unassigned 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, 2017 unrestricted and total fund balance of the General Fund was \$4,110,626. As a measure of liquidity of the General Fund, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures (including transfers out). Fund balance represents 66.45% of total General Fund expenditures (including transfers out).

The fund balance of the General Fund increased by \$518,261 during 2017. It was budgeted at a decrease of \$(845,672) during this year. Therefore, comparison to budget shows positive variance. Revenue had a negative variance of \$(28,766) while expenditures had positive variance of \$845,835 and transfers a positive variance of \$500,924.

Enterprise funds – The enterprise funds provide information on Newton County prison facility. In 2012 the facility was depopulated. The County is currently seeking other management services specializing in prison management. The Newton County Public Facilities Corporation defaulted on its principal payments to Bond Holders and is currently servicing the interest due to the Bondholders from money that remains in the reserve fund. The Newton County Facilities Corporation is not able to service the principal payments to the Bondholders. The remaining amount of bonds outstanding is \$9,490,000.

The budget for the general fund was amended; the change was an increase in expenditure budget by \$57,159. The comparison between and the actual results significant variations were: general administration spent less than budget by \$845,835; and the health and welfare spent less than budget by \$375,849.

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2017, amounts to \$20,664,541 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements, and equipment.

CAPITAL ASSETS
(net of depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,050,855	\$ 300,000	\$ 1,350,855
Construction in Progress	-		-
Other capital assets	9,769,798	9,543,888	19,313,686
	\$ 10,820,653	\$ 9,843,888	\$ 20,664,541

Additional information on the County’s capital assets can be found in Note 1 on pages 24 and 31.

Long-term debt - At December 31, 2017, the County had \$10,161,481 total long-term debt outstanding of which \$5,877,359 was due within one year. Bonds payable are revenue bonds that the Newton County Facilities Corporation is not able to service the debt as this time.

DEBT OUTSTANDING

	Governmental Activities	Business-Type Activities
Bonds Payable	\$ -	\$ 9,490,000
Notes Payable	671,481	-
	\$ 671,481	\$ 9,490,000

The County’s total liabilities and deferred inflows of resources outstanding at December 31, 2017 decreased by \$374,797 from December 31, 2016 because new debt of \$225,515 was issued, and outstanding debt was paid. Additional information on the County’s debt can be found in Note 3, beginning on page 31.

Economic Factors and Next Year’s Budgets and Rates

Unemployment remained at 11.9%; the tax rate for 2016-2017 year remained at \$0.643721. 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 2018 is similar to 2017.
- 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
Statement of Net Position
December 31, 2017

Exhibit A

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 8,271,445	\$ 902,564	\$ 9,174,009
Investments	181,296	-	181,296
Receivables:			
Accounts Receivable	171,867	-	171,867
Property Taxes Receivable	1,677,082	-	1,677,082
Allowance for Uncollectible Taxes	(60,000)	-	(60,000)
Prepaid Expenses	60,120	-	60,120
Net Pension Asset	193,651	-	193,651
Capital Assets			
Land	1,050,855	300,000	1,350,855
Construction in Progress	-	-	-
Capital Assets - Net	9,769,798	9,543,888	19,313,686
Total Assets	<u>21,316,114</u>	<u>10,746,452</u>	<u>32,062,566</u>
<u>Deferred Outflows and Resources</u>			
Deferred Outflows on Pensions	76,483	-	76,483
Total Deferred Outflows of Resources	<u>76,483</u>	<u>-</u>	<u>76,483</u>
<u>Liabilities</u>			
Accounts Payable	313,102	21,938	335,040
Accrued Payables	103,692	-	103,692
Notes Payable/Revenue Bonds Payable (Notes 1 and 3)	-	-	-
Due Within One Year	317,359	5,560,000	5,877,359
Due After One Year	354,122	3,930,000	4,284,122
Net Pension Liabilities	-	-	-
Total Liabilities	<u>1,088,275</u>	<u>9,511,938</u>	<u>10,600,213</u>
<u>Deferred Inflows of Resources</u>			
Deferred Inflows on Pensions	298,304	-	298,304
Total Deferred Inflows of Resources	<u>298,304</u>	<u>-</u>	<u>298,304</u>
<u>Net Position</u>			
Investment in Capital Assets- Net of Debt	10,149,172	353,888	10,503,060
Restricted	-	-	-
Unrestricted	9,856,846	880,626	10,737,472
Total Net Position	<u>\$ 20,006,018</u>	<u>\$ 1,234,514</u>	<u>\$ 21,240,532</u>

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

NEWTON COUNTY, TEXAS
Statement of Activities
For the year ended December 31, 2017

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	\$ 1,318,099	\$ 30			\$ (1,318,069)	\$ -	\$ (1,318,069)
Judicial	912,488	981,663	-	-	69,175	-	69,175
Legal	453,563	-	-	-	(453,563)	-	(453,563)
Financial Administration	621,161	-	-	-	(621,161)	-	(621,161)
Public Facilities	2,259,867	-	-	-	(2,259,867)	-	(2,259,867)
Public Safety	4,284,703	-	-	1,916,006	(2,368,697)	-	(2,368,697)
Health & Welfare	623,731	-	-	-	(623,731)	-	(623,731)
Conservation	6,738	-	-	-	(6,738)	-	(6,738)
Culture & Recreation	148,841	-	-	-	(148,841)	-	(148,841)
Miscellaneous	70,173	112,360	-	-	42,187	-	42,187
Interest on Long-term Debt	24,113	-	-	-	(24,113)	-	(24,113)
Total Governmental Activities	10,723,477	1,094,053	-	1,916,006	(7,713,418)	-	(7,713,418)
Business-type Activities:							
Prison Facilities	\$ 536,527	\$ -	\$ -	\$ -	\$ -	\$ (536,527)	\$ (536,527)
Total Business-type Activities	\$ 536,527	\$ -	\$ -	\$ -	\$ -	\$ (536,527)	\$ (536,527)
General Revenues:							
Property Taxes					\$ 7,852,942	\$ -	\$ 7,852,942
Intergovernmental					113,541	-	113,541
Miscellaneous					-	-	-
Interest					106,999	4,518	111,517
Other					301,152		301,152
Transfers					(180,000)	180,000	-
Total General Revenues					8,194,634	184,518	8,379,152
Change in Net Position					481,216	(352,009)	129,207
Net Position at beginning of year					19,524,802	1,586,523	21,111,325
					19,524,802	1,586,523	21,111,325
Net Position at end of year					<u>\$ 20,006,018</u>	<u>\$ 1,234,514</u>	<u>\$ 21,240,532</u>

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

NEWTON COUNTY, TEXAS
 Balance Sheet
 Governmental Funds
 December 31, 2017

Exhibit C

	5,10,98,99	20	68	70		
	General Fund	Road & Bridge General	Hazard Mitigation Grant	Courthouse Emergency Grant	Total Non-Major Funds	Total Governmental Funds
<u>Assets</u>						
Cash and Cash Equivalents	\$ 3,796,444	\$ 1,004,666	\$ 243,326	\$ 269,165	\$ 2,957,844	\$ 8,271,445
Investments	181,296	-	-	-	-	181,296
Prepaid Expenses	51,021	-	-	-	9,099	60,120
Property Taxes Receivable	1,677,082	-	-	-	-	1,677,082
Allowance for Uncollectible Taxes	(60,000)	-	-	-	-	(60,000)
Accounts Receivable	43,431	3,701	960	9,345	114,430	171,867
Total Assets	\$ 5,689,274	\$ 1,008,367	\$ 244,286	\$ 278,510	\$ 3,081,373	\$ 10,301,810
<u>Liabilities</u>						
Accounts Payable	113,315	11,735	-	-	188,052	313,102
Accrued Vacation/Comp Time	84,481	-	-	-	19,211	103,692
Total Liabilities	197,796	11,735	-	-	207,263	416,794
<u>Deferred Inflows of Resources</u>						
Unavailable Revenue - Property Tax	1,380,852	-	-	-	-	1,380,852
Total Deferred Inflows of Resources	1,380,852	-	-	-	-	1,380,852
<u>Fund Balances</u>						
Unassigned	4,110,626	996,632	244,286	278,510	2,874,110	8,504,164
Committed	-	-	-	-	-	-
Total Fund Balance	4,110,626	996,632	244,286	278,510	2,874,110	8,504,164
Total Liabilities and Fund Balances	\$ 5,689,274	\$ 1,008,367	\$ 244,286	\$ 278,510	\$ 3,081,373	\$ 10,301,810

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

NEWTON COUNTY, TEXAS
 Reconciliation of the Statement of Net Position to the
 Balance Sheet of Governmental Funds

Exhibit C-1

December 31, 2017

Total Fund Balances of Governmental Funds		\$ 8,504,164
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,820,653	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(671,481)	
Net Pension Asset	-	
	193,651	
Deferred Outflows and Inflows of Resources not available to pay for current-period expenditures	(221,821)	
Other Long Term Assets not available to pay for current period expenditures, and therefore, are deferred in the funds - Unavailable Revenue - Property Tax	1,380,852	
		<u>11,501,854</u>
Net Position of Governmental Activities- Exhibit A		<u><u>\$ 20,006,018</u></u>

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

NEWTON COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds
For the year ended December 31, 2017

Exhibit D

	5,10,98,99	20	68	70		
	General Fund	Road & Bridge General	Hazard Mitigation Grant	Courthouse Emergency Grant	Total Non-Major Funds	Total Governmental Funds
Revenue						
Taxes	\$ 5,399,849	\$ 971,552	\$ -	\$ -	\$ 1,143,246	\$ 7,514,647
Intergovernmental	29,523	-	-	-	84,018	113,541
Fines and Fees	356,475	543,708	-	-	81,480	981,663
Licenses and Permits	30	-	-	-	-	30
Miscellaneous	101,821	-	-	-	10,539	112,360
Interest	67,292	10,006	-	2,181	27,520	106,999
Other Revenue	42,670	-	77,345	-	181,137	301,152
Time Warrant Revenue	-	-	-	-	-	-
Grants	-	-	780,677	-	1,135,329	1,916,006
Total Revenue	5,997,660	1,525,266	858,022	2,181	2,663,269	11,046,398
Expenditures						
Current						
General Administration	677,887	331,622	-	-	44,610	1,054,119
Judicial	912,488	-	-	-	-	912,488
Legal	343,407	-	-	-	110,156	453,563
Financial Administration	621,161	-	-	-	-	621,161
Public Facilities	408,680	-	-	-	1,610,672	2,019,352
Public Safety	1,585,006	-	1,009,604	-	1,607,966	4,202,576
Health and Welfare	467,385	-	-	-	156,346	623,731
Conservation	-	-	-	-	6,738	6,738
Culture and Recreation	-	-	-	-	148,841	148,841
Miscellaneous	70,173	-	-	-	-	70,173
Debt Service	-	-	-	-	-	-
Principal Payment	14,651	-	-	-	314,393	329,044
Interest Expense	5,304	-	-	-	18,809	24,113
Capital Outlay	140,279	34,953	-	-	510,445	685,677
Total Expenditures	5,246,421	366,575	1,009,604	-	4,528,976	11,151,576
Excess (Deficiency) of Revenues Over (Under) Expenditures	751,239	1,158,691	(151,582)	2,181	(1,865,707)	(105,178)
Other Financing Sources						
Transfers In	660,024	6,738	192,925	-	2,845,469	3,705,156
Transfers (Out)	(938,942)	(988,384)	(152,324)	-	(1,805,506)	(3,885,156)
Issuance of Debt	45,940	-	-	-	179,575	225,515
Total Other Financing Sources	(232,978)	(981,646)	40,601	-	1,219,538	45,515
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	518,261	177,045	(110,981)	2,181	(646,169)	(59,663)
Fund Balance - Beginning of Year	3,592,365	819,587	355,267	276,329	3,520,279	8,563,827
Fund Balance - End of Year	\$ 4,110,626	\$ 996,632	\$ 244,286	\$ 278,510	\$ 2,874,110	\$ 8,504,164

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

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, 2017

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

Net change in fund balances - total governmental funds (Exhibit D)	(59,663)
<p>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:</p>	
Capital Outlay	682,813
Depreciation	<u>(586,622)</u>
Capital Asset Disposition	96,191
Actuarially calculated additional pension expense not using current-period financial resources	-
<p>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.</p>	
Issuance of Debt	(225,515)
Payment of Principal	<u>329,044</u>
Revenues in statement of activities that do not provide current financial resources are not reported as revenue in the funds.	103,529
change in unavailable revenue	341,159
Change in Net Assets of Governmental Activities (Exhibit B)	<u><u>\$ 481,216</u></u>

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

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the year ended December 31, 2017

	Original Budget Original	Final Budget Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUE				
Taxes	\$ 5,510,196	\$ 5,510,196	\$ 5,399,849	\$ (110,347)
Intergovernmental	28,840	28,840	29,523	683
Fines and Fees	328,050	328,050	356,475	28,425
Licenses & Permits	3,936	3,936	30	(3,906)
Miscellaneous	39,300	53,450	101,821	48,371
Interest	18,000	18,000	67,292	49,292
Other Revenue	9,985	83,954	42,670	(41,284)
Total Revenue	5,938,307	6,026,426	5,997,660	(28,766)
EXPENDITURES				
Current				
General Administration	960,544	914,337	677,887	236,450
Judicial	987,974	987,974	912,488	75,486
Legal	393,933	393,933	343,407	50,526
Financial Administration	610,708	633,514	621,161	12,353
Public Facilities	382,521	404,332	408,680	(4,348)
Public Safety	1,586,806	1,606,856	1,585,006	21,850
Health and Welfare	843,235	843,234	467,385	375,849
Conservation	460	460	-	460
Miscellaneous	100,000	100,000	70,173	29,827
Principal Payment	11,561	11,561	14,651	(3,090)
Interest Expense	3,355	3,355	5,304	(1,949)
Capital Outlay	154,000	192,700	140,279	52,421
TOTAL EXPENDITURES	6,035,097	6,092,256	5,246,421	845,835
Excess(Deficiency) of Rev Over(Under) Expenditures	(96,790)	(65,830)	751,239	817,069
Other Finance Sources(Uses)				
Issuance of Debt	-	-	-	-
Transfers In	14,916	209,039	660,024	450,985
Transfers Out	(587,490)	(988,881)	(938,942)	49,939
Issuance of Debt	-	-	45,940	45,940
Total Other Finance Sources(Uses)	(572,574)	(779,842)	(232,978)	546,864
Excess(Deficiency) of Revenue Over(Under) Expenses & Other Financial Sources(Uses)	(669,364)	(845,672)	518,261	1,363,933
Fund Balance - Beginning of Period	3,592,365	3,592,365	3,592,365	-
Fund Balance - End of Period	\$ 2,923,001	\$ 2,746,693	\$ 4,110,626	\$ 1,363,933

The accompanying notes are an integral part of this financial statement

NEWTON COUNTY, TEXAS
Statement of Net Position - Proprietary Funds
December 31, 2017

Exhibit F

	Business-Type Activities Enterprise Fund	Component Unit Public Facility Corporation	Total
	<u>Correctional Facility</u>	<u>Corporation</u>	<u>Total</u>
<u>Assets</u>			
Current Assets			
Cash and Cash Equivalents	\$ 394,135	\$ 508,429	\$ 902,564
Investments	-	-	-
Accounts Receivables - Net of Allowances for Uncollectibles	-	-	-
Total Current Assets	<u>394,135</u>	<u>508,429</u>	<u>902,564</u>
Non-Current Assets			
Restricted Cash and Investments	-	-	-
Original Issue Discount	-	-	-
Less: Accumulated Accretion	-	-	-
Total Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>9,843,888</u>	<u>9,843,888</u>
Total Non-Current Assets	<u>-</u>	<u>9,843,888</u>	<u>9,843,888</u>
Total Assets	<u>394,135</u>	<u>10,352,317</u>	<u>10,746,452</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts Payable	21,938	-	21,938
Bonds Payable - Current Portion (Note 1 and 3)	-	5,560,000	5,560,000
Total Current Liabilities	<u>21,938</u>	<u>5,560,000</u>	<u>5,581,938</u>
Long-Term Liabilities			
Bonds Payable - Noncurrent Portion (note 1 and 3)	-	3,930,000	3,930,000
Total Long-term Liabilities	<u>-</u>	<u>3,930,000</u>	<u>3,930,000</u>
Total Liabilities	<u>21,938</u>	<u>9,490,000</u>	<u>9,511,938</u>
<u>Net Position</u>			
Invested in Capital Assets	-	353,888	353,888
Unrestricted	372,197	508,429	880,626
Total Net Position	<u>\$ 372,197</u>	<u>\$ 862,317</u>	<u>\$ 1,234,514</u>

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

NEWTON COUNTY, TEXAS
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year ended December 31, 2017

Exhibit G

	Business-Type Activities		Total
	Enterprise Fund	Component Unit	
	Correctional Facility	Public Facility Corporation	
<u>Operating Revenue</u>			
Project Revenues	\$ -	\$ -	\$ -
Total Operating Revenues	-	-	-
<u>Operating Expenses</u>			
Management Fees	-	33,312	33,312
Depreciation	-	251,150	251,150
Insurance	-	-	-
Trust Fees	-	-	-
Operating Expense	207,365	44,700	252,065
Bond Interest	-	-	-
Total Operating Expenses	207,365	329,162	536,527
Operating Income (Loss)	(207,365)	(329,162)	(536,527)
<u>Nonoperating Revenues (Expenses)</u>			
Interest Income	1,933	2,585	4,518
Miscellaneous Income (Expenses)	-	-	-
Total Nonoperating Revenues (Expenses)	1,933	2,585	4,518
Transfers	180,000	-	180,000
Change in Net Position	(25,432)	(326,577)	(352,009)
Total Net Position at Beginning of Year	397,629	1,188,894	1,586,523
Total Net Position at End of Year	\$ 372,197	\$ 862,317	\$ 1,234,514

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, 2017

Exhibit H

	Business-Type Activities		Total
	Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	
Cash Flows From Operating Activities			
Receipts from Customers	\$ -	\$ -	\$ -
Payment for Goods and Services	<u>(199,080)</u>	<u>(78,012)</u>	<u>(277,092)</u>
Net Cash Provided (Used) by Operating Activities	<u>(199,080)</u>	<u>(78,012)</u>	<u>(277,092)</u>
Cash Flows from Non-Capital Financing Sources (Uses)			
Miscellaneous	-	-	-
Transfers	<u>180,000</u>		<u>180,000</u>
Cash Flows from Capital and Related Financing Activities			
Interest Payments	-	-	-
Principal Payments	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest Income	1,933	2,585	4,518
(Purchase)/Sale of Capital Assets	-	-	-
(Purchase)/Sale of Investments	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase(Decrease) in Cash and Cash Equivalents	<u>(17,147)</u>	<u>(75,427)</u>	<u>(92,574)</u>
Cash and Cash Equivalents at Beginning of Year			
Unrestricted Cash and Cash Equivalents	<u>411,282</u>	<u>583,856</u>	<u>995,138</u>
	<u>411,282</u>	<u>583,856</u>	<u>995,138</u>
Cash and Cash Equivalents at End of Year			
Unrestricted Cash and Cash Equivalents	<u>394,135</u>	<u>508,429</u>	<u>902,564</u>
	<u>394,135</u>	<u>508,429</u>	<u>902,564</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss) Adjustments	(207,365)	(329,162)	(536,527)
Depreciation	-	251,150	251,150
Increase (Decrease) in Other Miscellaneous Items	8,285	-	8,285
	<u>\$ (199,080)</u>	<u>\$ (78,012)</u>	<u>\$ (277,092)</u>
Interest Paid	-	\$ -	\$ -

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

NEWTON COUNTY, TEXAS
Statement of Net Position
Fiduciary Funds - Agency Funds
December 31, 2017

Exhibit I

	Sheriff Office	Criminal District Attorney	District Clerk Fee Fund	District Clerk Trust	County Clerk Fee Fund	County Clerk Trust Fund	Tax Assessor Collector	Total
<u>Assets</u>								
Cash	\$ 734	\$55,848	\$232,250	\$ 49,212	\$ 18,177	\$ 122,666	\$1,089,692	\$1,568,579
Total Assets	<u>734</u>	<u>55,848</u>	<u>232,250</u>	<u>49,212</u>	<u>18,177</u>	<u>122,666</u>	<u>1,089,692</u>	<u>1,568,579</u>
<u>Liabilities</u>								
Liabilities								
Payable to Newton County Beneficiaries	734	55,848	232,250	49,212	18,177	122,666	1,089,692	-
Total Liabilities	<u>734</u>	<u>55,848</u>	<u>232,250</u>	<u>49,212</u>	<u>18,177</u>	<u>122,666</u>	<u>1,089,692</u>	<u>1,568,579</u>
<u>Fiduciary Net Position</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, 2017

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 has one component unit – The Public Facility Corporation. Blended component units are, in substance, part of the primary government operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The Public Facilities Corporation is governed by a board comprised of the County’s commissioners’. The Public Facilities Corporation is reported as an enterprise fund and does not issue separate financial statements.

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

The County negotiated a contract with Community Education Centers, Inc. (CEC) on November 9, 2009 to assume the operations and management of the facility. The facility continued to house inmates until November, 2011 and CEC continued to manage the facility until March, 2012 at which time the facility was depopulated. The County is currently seeking other management services specializing in prison management. The Newton County Public Facilities Corporation defaulted on its principal payments to Bond Holders and is currently servicing the interest due to the Bondholders from money that remains in the reserve fund. The Newton County Facilities Corporation is not able to service the principal payments to the Bondholders. The remaining amount of bonds outstanding is \$9,490,000.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The County has the following major governmental funds:

- General Fund - The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

- Road and Bridge Fund – The Road & Bridge Fund is used to maintain county roads, bridges, ditches, etc. through the out County.
- 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund and the Component Unit are project revenues. Operating expenses for enterprise funds and the component unit include management fees depreciation on capital assets, insurance, trust fees, operating expenses, and bond interest. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments

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

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

Investments are stated at fair value.

Inventories and Prepaid Items

Inventories – The costs of governmental fund-type inventories are recorded as expenditures when purchased. The cost of inventory on hand at December 31, 2017 was minimal.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods in both the government-wide and fund financial statements.

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	40-50
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. Employee benefits are reviewed on an annual basis by the County Commissioners. Benefits are subject to change.

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, the County Commissioners Court.
- 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.

Deferred Outflows/inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure)” until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows or resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

Sometimes the governments will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the government fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of this fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but so not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the financial director to assign fund balance. The council may assign fund balance as it dies when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Fund Deficit

As of December 31, 2017 no funds had deficit fund balances.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the net position of the County of Newton, Texas's plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by Texas County and District Retirement System (TCDRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.
 - There are no excess expenditures over appropriation.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits

The carrying amount of the County's deposits as of December 31, 2017 were \$9,174,009, and the bank balances were \$8,831,710. Of the bank balance, \$ 250,000 was covered by FDIC insurance and up to

\$17,647,753 was covered by collateral held in the County's name by the agent bank which is the County's depository bank. In addition, the County's fiduciary funds balances totaled \$1,568,579.

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.

The County's investments total \$181,296. \$49,066 is invested in Government Bonds with Investment Center of America; \$71,360 is in GNMA, government security, and \$60,870 in corporate bonds. Investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

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

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

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

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

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

Receivables

Receivables and related allowances for uncollectible accounts were as follows as of December 31, 2017 for the governmental funds of the County:

	General	Road & Bridge	Other	Total
Property taxes	\$ 1,677,082	\$ -	\$ -	\$ 1,677,082
Accounts	43,431	3,701	124,735	171,867
	1,720,513	3,701	124,735	1,848,949
Allowance for Uncollectibles	(60,000)	-	-	(60,000)
	<u>\$ 1,660,513</u>	<u>\$ 3,701</u>	<u>\$ 124,735</u>	<u>\$ 1,788,949</u>

Receivables for the Business-Type Enterprise Funds:

	Correctional Facility	Public Facility Corporation	Total
Accounts Receivable	\$ -	\$ -	\$ -

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

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

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

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

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

In the fund financial statements, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay

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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 2017 tax rate was \$.719169 per \$100.00 valuation assessed at 100% of market value. The 2018 tax rate is set at \$.713246 per \$100 valuation.

Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

Governmental Activities:

Asset	Balance	Additions	Deletions	Balance
Land	\$ 1,050,855	\$ -	\$ -	\$ 1,050,855
Buildings	17,056,841	9,143	-	17,065,984
Equipment	6,091,070	676,534	252,611	6,514,993
Infrastructure	17,562,021	-	-	17,562,021
	<u>\$ 41,760,787</u>	<u>\$ 685,677</u>	<u>\$ 252,611</u>	<u>\$ 42,193,853</u>
Accumulated Depreciation	Prior	Additions	Deletions	Ending A/D
Land	\$ -	\$ -	\$ -	\$ -
Buildings	10,519,781	65,174	-	10,584,955
Equipment	4,003,638	487,077	197,784	4,292,931
Infrastructure	16,460,943	34,371	-	16,495,314
	<u>\$ 30,984,362</u>	<u>\$ 586,622</u>	<u>\$ 197,784</u>	<u>\$ 31,373,200</u>

Depreciation Expense was charged to functions/programs as follows:

Government Activities:	
General Government	\$ 263,980
Public Safety	82,127
Public Facilities	<u>240,515</u>
Total Depreciation Expense - Government Activities	<u><u>\$ 586,622</u></u>

Enterprise Fund:

There are no capital assets.

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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	12,591,475	-	-	12,591,475
Total Assets	12,891,475	-	-	12,891,475
Less: Accumulated Depreciation	2,796,437	251,150	-	3,047,587
Total	\$ 10,095,038	\$ (251,150)	\$ -	\$ 9,843,888

The amount \$251,150 of depreciation is recorded for component unit. The building is vacant; and secured by the revenue bond debt of \$9,490,000. Additional information is located in Note 1 page 21. No additions or deletions were made.

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, 2017.

Description	Interest Rate	Beginning Balance 1/1/2017	Debt Issuance	Principal Payments	Interest Payments	Other Adjustments	Ending Balance 12/31/2017	Due in One Year	Maturity
Sharp Copier	6.10%	1,679	-	741	159	-	938	832	2019
Sharp Copier	6.10%	-	5,948	898	252	-	5,050	1,100	2022
Sharp Copier	6.10%	4,430	-	1,291	509	-	3,139	1,468	2019
Extension - Small Copier	6.10%	1,732	-	524	196	-	1,208	594	2019
Sheriff - Dewyville	6.10%	2,598	-	787	320	-	1,811	891	2019
Tax Assessor - Copier	6.10%	2,886	-	876	297	-	2,010	990	2019
Extension - Big Copier	6.10%	2,747	-	806	310	-	1,941	910	2019
Motor Vehicle - Dewey	6.10%	1,772	-	562	218	-	1,210	587	2019
Indigent - Copier	6.10%	2,836	-	755	326	-	2,081	852	2019
Treasurer - Copier	6.10%	-	7,146	497	503	-	6,649	1,104	2022
Sharp Copier - Dist Clk	6.10%	3,713	-	1,206	414	-	2,507	1,366	2019
Sharp Copier - Co Clk	6.10%	-	10,000	1,645	653	-	8,355	1,774	2022
Sharp Copier - History	6.10%	3,989	-	1,703	432	-	2,286	1,781	2019
Sharp Copier - Library	6.10%	2,103	-	1,621	179	-	482	482	2018
Sharp Copier - JP 4	6.10%	1,375	-	447	153	-	928	506	2019
Sharp Copier - JP 4	6.10%	1,375	-	447	157	-	928	506	2019
Sharp Copier - JP 1	6.10%	2,683	-	950	310	-	1,733	1,086	2019
Sharp Copier - JP 3	6.10%	-	4,138	607	193	-	3,531	765	2022
Sharp Copier - JP 2	6.10%	1,772	-	401	259	-	1,371	587	2019
Sharpe Copier - Sheriff	6.10%	3,214	-	2,626	254	-	588	588	2018
Motor - Grader	3.20%	162,159	-	29,051	884	-	133,108	23,577	2020
Volvo Motor Grader	2.62%	32,562	-	32,546	862	-	-	-	2017
John Deere Grader	2.58%	137,875	-	68,057	3,569	-	69,818	69,818	2018
Volvo Motor Grader	2.62%	-	-	-	-	-	-	-	2017
J deere Loader R&B Pct1	2.82%	130,200	-	42,276	3,603	-	87,924	43,389	2019
Sharpr Copier - Judge	6.10%	1,440	-	1,525	95	-	-	-	2017
Sharpe Copier - Judge	6.10%	-	6,936	-	-	-	6,936	1,002	2022
Tax Assessor - TAC	6.10%	-	3,067	191	438	-	2,876	398	2022
Auditor Spare Copier	6.10%	4,919	-	1,121	529	-	3,798	1,389	2020
Copier - JP 2	6.10%	1,494	-	232	488	-	1,262	304	2020
Color Kyocera Copier	6.10%	-	3,066	136	314	-	2,929	390	2022
Case Backhoe	2.58%	-	90,428	-	-	-	90,428	29,243	2022
Volvo Motor Grader	2.62%	36,956	-	36,938	979	-	-	-	2018
2015 Dump Tuck	3.20%	-	89,147	-	-	-	89,147	28,829	2022
John Deere Grader	2.58%	137,802	-	68,058	3,416	-	69,744	69,744	2018
Sheriff - 2 Printers	6.10%	-	3,000	335	265	-	2,665	457	2022
Sherrif - secr copier	6.10%	-	2,639	387	123	-	2,252	490	2022
Linlbelt Exc R&B Pct2	2.82%	88,700	-	28,801	2,454	-	59,899	29,559	2019
		\$ 775,011	\$ 225,515	\$ 329,044	\$ 24,113	\$ -	\$ 671,532	\$ 317,358	

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Debt services requirements to maturity are as follows:

Year	Principal	Interest	Total
2018	\$ 317,358	\$ 26,463	\$ 343,821
2019	180,638	15,320	195,958
2020	97,679	8,343	106,022
2021	36,753	4,248	41,001
2022	39,104	2,084	41,188
	<u>\$ 671,532</u>	<u>\$ 56,458</u>	<u>\$ 727,990</u>

The Public Facilities Corporation has revenue 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; however, the Corporation is in default. Prior year amounts that were not paid are shown as current.

Debt Service Requirements on the Series 2002 Bond:

Year	Principal	Interest	Total
2018	\$ 5,560,000	\$ 3,587,200	\$ 9,147,200
2019	1,200,000	266,400	1,466,400
2019	2,730,000	109,200	2,839,200
	<u>\$ 9,490,000</u>	<u>\$ 3,962,800</u>	<u>\$ 13,452,800</u>

Series 2002 revenue Bonds are in default

Individual Interfund Transactions

Transfers are as follows:

Fund	Transfers In	Transfers Out
General	\$ 660,024	\$ 938,942
Indigent Defense	\$ -	-
NCCC Accrual	\$ 180,000	-
DA State Funds	-	\$ 1,355
Road & Bridge - General	6,738	988,384
Road & Bridge Pct. 1	417,098	-
Road & Bridge Pct.2	571,437	-
Road & Bridge Pct. 3	252,916	-
Road & Bridge Pct. 4	316,408	-
VAW Grant	14,500	-
Commissioners Special Pct. 1	187,923	-
Commissioners Special Pct. 2	439,067	3,340
Commissioners Special Pct. 3	83,384	-
Commissioners Special Pct. 4	28,290	-
CDBG Grants	2,527	-
Record Preservation	3,918	-
Solid Waste Disposal	70,000	-
Voter Registration	43,590	1,599
Law Library	-	-
Library	100,350	-
Historical Operating	11,399	-
DA Contriband	1,355	-
Hazard Mitigation Grant	192,925	152,324
FEMA	271,512	1,404,341
TDRA Grant	13,938	1,756
Civic Center	12,000	-
CERTZ Grant	-	33,343
Technology Fund	3,858	-
Federal Forest Fund	-	6,738
Debt Service	-	353,035
	<u>\$ 3,885,157</u>	<u>\$ 3,885,157</u>

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

During 2017, transfers in excess of budget were made due to flooding in September 2016 of South Newton County. The County received \$467,000 of insurance proceeds for the South Newton County facilities damage shown in Fund 72, Disaster Grant Fund.

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.

NOTE 6 – Retirement Plan

Plan Description -

A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. Newton County participates in the Texas County and District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 1. All full-and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 2. The plan provides retirement, disability and survivor benefits.
 3. TCDRS is a savings-based plan. For the County’s plan, 7% of each employee’s pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 170%) and is then converted to an annuity.
 4. There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 5. Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The county’s contribution rate is calculates annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The newton County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contributions rates are set by the county and are currently 7%. Contributions to the pension plan from the count for 2017 are shown in the Schedule of Employer Contributions.
- e. The most resent comprehensive annual financial report for TCDRS can be found at the following link, www.tdrs.org.

Membership Information

<u>Members</u>	<u>December 31, 2016</u>	<u>December 31, 2017</u>
Number of inactive employees entitled to but not yet receiving benefits	107	105
Number of active employees	100	109
Average monthly salary*	\$2,328	\$2,295
Average age*	51.37	52.03
Average length of service in years*	8.76	8.98
<u>Inactive Employees (or their Beneficiaries) Receiving Benefits</u>		
Number of benefit recipients:	55	53
<u>Average monthly benefit:</u>	<u>\$649</u>	<u>\$678</u>

**Averages reported for all active employees. They differ from the prior year's report, which included all active and inactive employees. Average service includes all proportionate service.*

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of December 31, 2017, Newton County reported a net pension asset of \$193,651. The net pension asset was determined by an actuarial valuation as of December 31, 2017. Newton County's net pension liability was based on a projection of the county's long-term share of contributions to the pension plan relative to projected contributions of all employers, actuarially determined.

For the year ended December 31, 2017, Newton County recognized pension expense of \$199,295. At December 31, 2017, Newton County reported deferred outflows and inflows of resources as follows:

Deferred Outflows - \$76,483
Deferred Inflows – \$298,304

Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2017 funding valuation (see Appendix C, following for details), except as noted below and throughout this report. Please see the Newton County December 31, 2017 Summary Valuation report for further details.

Following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of economic/demographic Gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes Or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymtotic
Corridor	None
Inflation	Same as funding valuation: See Appendix C
Salary Increases	Same as funding valuation: See Appendix C
Investment Rate of Return	8.10%
Cost-of-living Adjustments	Cost-of-Living Adjustments for Newton County are not considered to be substantively automatic under GASB 68. Therefore, no assumptions for future cost-of-living adjustment is included in the GASB

calculations. No Assumption for future cost-of-living adjustments is included in the funding valuation.

Retirement Age

Same as funding valuation: See Appendix C

Turnover

Same as funding valuation: See Appendix C

Mortality

Same as funding valuation: See Appendix C

- (1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.
- (2) Actuarial Methods and Assumptions Used for Funding Valuation – Except where indicated in the section of GASB 68 report entitled “Actuarial Methods and Assumptions Used for GASB Calculations”, the assumptions used in this analysis for the December 31, 2016 financial reporting metrics are the same as those used in the December 31, 2017 actuarial valuation analysis for Newton County.

Following is a description of the assumptions used in the December 31, 2017 actuarial valuation analysis for Newton County. This information may also be found in the Newton County December 31, 2017 Summary Valuation report.

Appendix C

Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	3.25%

The payroll growth assumption is for the aggregate covered payroll of an employer.

Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan’s fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1) calculated using the municipal bond rate.

	December 31, 2016	December 31, 2017
Discount rate ⁽²⁾	8.10%	8.10%
Long-term expected rate of return, net of investment expense ⁽²⁾	8.10%	8.10%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply

⁽²⁾ *this rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expense as required by GASB 68.*

⁽³⁾ *the plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply. See page 6 of this report for further details.*

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefits payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20 year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan’s fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer’s funding policy and the legal requirements under the TCDRS Act.

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3) The employer’s assets are projected to exceed its actuarial liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

As additional documentation for auditing purposes, we have shown the projection of the Fiduciary Net Position in the following exhibit (“Projection of Fiduciary Net Position”).

Projection of Fiduciary Net Position*						
Calendar Year Ending**	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses*** (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2018	\$ 11,307,622	\$ 456,752	\$ 709,315	\$ 11,308	\$ 905,439	\$ 11,949,190
2019	11,949,190	434,061	611,719	11,949	960,355	12,719,938
2020	12,719,938	418,100	655,247	12,720	1,020,392	13,490,463
2021	13,490,463	402,312	702,036	13,490	1,080,289	14,257,538
2022	14,257,539	388,518	751,532	14,258	1,139,879	15,020,146
2023	15,020,147	367,354	830,170	15,020	1,197,656	15,739,967
2024	15,739,967	358,028	887,056	15,740	1,253,304	16,448,503
2025	16,448,502	337,094	960,056	16,449	1,306,937	17,116,028
2026	17,116,028	324,691	1,048,305	17,116	1,356,983	17,732,281
2027	17,732,282	318,795	1,079,872	17,732	1,405,387	18,358,860
2037	23,596,423	280,230	1,525,621	23,596	1,860,917	24,188,353
2047	30,146,716	266,564	1,761,321	30,147	2,381,328	31,003,140
2057	43,434,444	321,301	1,569,512	43,434	3,466,897	45,609,696
2067	78,730,781	434,052	991,835	78,731	6,351,916	84,446,183
2077	165,890,323	597,165	424,559	165,890	13,437,383	179,334,422
2087	363,977,430	822,233	117,404	363,977	29,495,708	393,813,990
2097	798,558,717	1,132,128	15,610	798,559	64,695,883	863,572,559

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

- * Projection values include no assumption for future cost-of-living adjustments
- ** Note that only select years have been shown for formatting purposes
- *** Administrative expenses are assumed to be 0.10% of Fiduciary Net Position

Sensitivity Analysis

The following presents the net pension liability of the county, calculated using the discount rate of 8.10% as well as what the Newton County net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Increase 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 12,532,172	\$ 11,113,971	\$ 9,919,378
Fiduciary net position	11,307,622	11,307,622	11,307,622
Net pension liability/asset	\$ 1,224,550	\$ (193,651)	\$ (1,388,244)

Pension Plan Fiduciary Net Position

Changes in Net Pension Liability / Asset			
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2016	\$ 10,392,571	\$ 9,911,585	\$ 480,986
Changes for the year:			
Service Cost	355,450	-	355,450
Interest on pension liability	850,736	-	850,736
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(49,448)	-	(49,448)
Effect of assumptions changes or inputs	64,619	-	64,619
Refund of Contributions	(51,042)	(51,042)	-
Benefit Payments	(448,914)	(448,914)	-
Administrative expenses	-	(7,520)	7,520
Member contributions	-	207,542	(207,542)
Net investment income	-	1,446,072	(1,446,072)
Employer contributions	-	250,532	(250,532)
Other (3)	-	(632)	632
Balances as of December 31, 2017	\$ 11,113,972	\$ 11,307,623	\$ (193,651)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge interest or fees.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

NOTE 5 – Subsequent Events

Events occurring subsequent to December 31, 2017 were evaluated by management and reviewed through August 30, 2018, the date of report issuance.

REQUIRED
SUPPLEMENTAL
INFORMATION

NEWTON COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2017

	Schedule of Changes in Net Pension Liability and Related Ratios										
	Year ended December 31										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability											
Service Cost	\$ 355,450	\$ 400,458	\$ 366,497	\$ 356,677	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	850,736	792,498	754,382	705,683	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect on plan changes	-	-	(45,725)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect on assumption changes or inputs	64,619	-	125,075	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(49,448)	(106,848)	(323,707)	63,562	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(499,957)	(551,531)	(471,101)	(407,319)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	721,400	534,577	402,422	718,603	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability - beginning	10,392,571	10,392,571	9,455,572	8,736,969	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability - ending (a)	\$ 11,113,971	\$ 10,392,571	\$ 9,857,994	\$ 9,455,572	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position											
Employer Contributions	\$ 250,532	\$ 248,048	\$ 243,170	\$ 241,137	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member Contributions	207,542	205,485	201,439	199,756	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	1,446,072	689,044	(8,658)	607,206	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(499,957)	(551,531)	(471,101)	(407,319)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(7,520)	(7,493)	(6,762)	(7,053)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	(632)	7,241	(115,540)	9,979	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net pension	1,396,037	590,794	(157,451)	643,705	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net pension - beginning	9,911,585	9,320,792	9,478,243	8,834,537	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net pension - ending	\$ 11,307,622	\$ 9,911,585	\$ 9,320,792	\$ 9,478,243	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability/asset = (a) - (b)	\$ (193,651)	\$ 480,986	\$ 537,202	\$ (22,671)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	101.74%	95.37%	94.55%	100.24%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$ 2,964,890	\$ 2,935,500	\$ 2,877,707	\$ 2,853,654	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	-6.53%	16.39%	18.67%	-0.79%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

NEWTON COUNTY, TEXAS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 DECEMBER 31, 2017

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contributions (1)	Actual Employer Contributions (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2007	109,746	145,497	(35,751)	2,078,523	7.00%
2008	127,409	161,863	(34,454)	2,312,322	7.00%
2009	145,122	171,597	(23,475)	2,451,383	7.00%
2010	188,596	188,596	-	2,641,403	7.10%
2011	200,252	200,252	-	2,684,362	7.50%
2012	211,586	211,286	-	2,751,126	7.70%
2013	218,306	218,306	-	2,695,144	8.10%
2014	241,137	241,137	-	2,853,654	8.50%
2015	230,217	243,170	(12,954)	2,877,707	8.50%
2016	235,721	248,048	(12,327)	2,935,500	8.40%
2017	224,739	250,532	(25,793)	2,964,890	8.40%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

(2) Payroll is calculated based on contributions as reported to TCDRS.

NON-MAJOR GOVERNMENTAL
FUNDS

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2017

Exhibit L

	14	15	19	21	22	23	24	25	29	30	31	32
	Prison Guard Detail	Indigent Defense Grant	District Attorney State Fund	Road & Bridge Pct 1	Road & Bridge Pct 2	Road & Bridge Pct 3	Road & Bridge Pct 4	Courthouse Security	VAW Grant	Right Of Way	Commissioner Spec Pct 1	Commissioner Spec Pct 2
<u>Assets</u>												
Cash and Cash Equivalents	\$ 19,939	\$ 11,951	\$ 20,242	\$ 311,935	\$ 252,770	\$ 44,946	\$ 34,783	\$ 95,309	\$ 2,514	\$ 204,366	\$ 422,679	\$ 640,202
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expense	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	29,935	-	-	-	551	551
Total Assets	<u>\$ 19,939</u>	<u>\$ 11,951</u>	<u>\$ 20,242</u>	<u>\$ 311,935</u>	<u>\$ 252,770</u>	<u>\$ 44,946</u>	<u>\$ 64,718</u>	<u>\$ 95,309</u>	<u>\$ 2,514</u>	<u>\$ 204,366</u>	<u>\$ 423,230</u>	<u>\$ 640,753</u>
<u>Liabilities</u>												
Accounts Payable	-	-	12	299	1,345	1,397	2,061	51	23	-	13,213	4,108
Accrued Vacation/Comp Time	-	-	-	3,676	6,864	2,081	5,333	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>12</u>	<u>3,975</u>	<u>8,209</u>	<u>3,478</u>	<u>7,394</u>	<u>51</u>	<u>23</u>	<u>-</u>	<u>13,213</u>	<u>4,108</u>
<u>Fund Balance</u>												
Unassigned	19,939	11,951	20,230	307,960	244,560	41,468	57,324	95,258	2,491	204,366	410,017	636,645
Total Fund Balance	<u>19,939</u>	<u>11,951</u>	<u>20,230</u>	<u>307,960</u>	<u>244,560</u>	<u>41,468</u>	<u>57,324</u>	<u>95,258</u>	<u>2,491</u>	<u>204,366</u>	<u>410,017</u>	<u>636,645</u>
Total Liabilities and Fund Balance	<u>\$ 19,939</u>	<u>\$ 11,951</u>	<u>\$ 20,242</u>	<u>\$ 311,935</u>	<u>\$ 252,769</u>	<u>\$ 44,946</u>	<u>\$ 64,718</u>	<u>\$ 95,309</u>	<u>\$ 2,514</u>	<u>\$ 204,366</u>	<u>\$ 423,230</u>	<u>\$ 640,753</u>

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

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2017

Exhibit L

	33	34	36	37	38	39	40	41	42	43	44	47
	Commissioner Spec Pct 3	Commissioner Spec Pct 4	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4	Victims Impact Panel
<u>Assets</u>												
Cash and Cash Equivalents	\$ 1,496	\$ 128,599	\$ 72,562	\$ 24,046	\$ 413	\$ 43,465	\$ 118,040	\$ 21,272	\$ 30,435	\$ 768	\$ 23,572	\$ 1,132
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expense	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	10,551	551	79	79	79	79	3,918	-	-	-	-	-
Total Assets	<u>\$ 12,047</u>	<u>\$ 129,150</u>	<u>\$ 72,641</u>	<u>\$ 24,125</u>	<u>\$ 492</u>	<u>\$ 43,544</u>	<u>\$ 121,958</u>	<u>\$ 21,272</u>	<u>\$ 30,435</u>	<u>\$ 768</u>	<u>\$ 23,572</u>	<u>\$ 1,132</u>
<u>Liabilities</u>												
Accounts Payable	10,893	13,187	-	-	-	-	1,277	-	-	-	-	-
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>10,893</u>	<u>13,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balance</u>												
Unassigned	1,154	115,963	72,641	24,125	492	43,544	120,681	21,272	30,435	768	23,572	1,132
Total Fund Balance	<u>1,154</u>	<u>115,963</u>	<u>72,641</u>	<u>24,125</u>	<u>492</u>	<u>43,544</u>	<u>120,681</u>	<u>21,272</u>	<u>30,435</u>	<u>768</u>	<u>23,572</u>	<u>1,132</u>
Total Liabilities and Fund Balance	<u>\$ 12,047</u>	<u>\$ 129,150</u>	<u>\$ 72,641</u>	<u>\$ 24,125</u>	<u>\$ 492</u>	<u>\$ 43,544</u>	<u>\$ 121,958</u>	<u>\$ 21,272</u>	<u>\$ 30,435</u>	<u>\$ 768</u>	<u>\$ 23,572</u>	<u>\$ 1,132</u>

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

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2017

Exhibit L

	48	50	51	52	53	55	56	58	59	60	66	67
	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	Records Management	Pretrial Diversion
<u>Assets</u>												
Cash and Cash Equivalents	\$ 27,247	\$ 89,112	\$ 56	\$ 3,899	\$ 25,574	\$ 124	\$ 13,393	\$ 3,026	\$ 6,446	\$ 4,529	\$ 9,181	\$ 22,112
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expense	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	25,385	-	-	1,800	1,288	55	-	-	172	-	-
Total Assets	\$ 27,247	\$ 114,497	\$ 56	\$ 3,899	\$ 27,374	\$ 1,412	\$ 13,448	\$ 3,026	\$ 6,446	\$ 4,701	\$ 9,181	\$ 22,112
<u>Liabilities</u>												
Accounts Payable	395	1,801	15	549	582	140	220	-	-	699	-	-
Accrued Vacation/Comp Time	-	721	399	-	137	-	-	-	-	-	-	-
Total Liabilities	395	2,522	414	549	719	140	220	-	-	699	-	-
<u>Fund Balance</u>												
Unassigned	26,852	111,975	(358)	3,350	26,655	1,272	13,228	3,026	6,446	4,002	9,181	22,112
Total Fund Balance	26,852	111,975	(358)	3,350	26,655	1,272	13,228	3,026	6,446	4,002	9,181	22,112
Total Liabilities and Fund Balance	\$ 27,247	\$ 114,497	\$ 56	\$ 3,899	\$ 27,374	\$ 1,412	\$ 13,448	\$ 3,026	\$ 6,446	\$ 4,701	\$ 9,181	\$ 22,112

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

NEWTON COUNTY, TEXAS
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2017

Exhibit L

	72	80	88	92	93	97	Total
	FEMA	Civic Center	State Fee	Justice Court	Federal	Debt	Total
	Grant	Operations	Account	Technology	Forest Fund	Service	Nonmajor Governmental Funds
<u>Assets</u>							
Cash and Cash Equivalents	\$ 61,697	\$ 6,426	\$ 36,623	\$ 11,292	\$ -	\$ 109,671	\$ 2,957,844
Investments	-	-	-	-	-	-	-
Prepaid Expense	-	-	-	9,099	-	-	9,099
Accounts Receivable	-	360	90	3,858	-	35,049	114,430
Total Assets	\$ 61,697	\$ 6,786	\$ 36,713	\$ 24,249	\$ -	\$ 144,720	\$ 3,081,373
<u>Liabilities</u>							
Accounts Payable	36,878	2,538	36,713	178	-	59,478	188,052
Accrued Vacation/Comp Time	-	-	-	-	-	-	19,211
Total Liabilities	36,878	2,538	36,713	178	-	59,478	207,263
<u>Fund Balance</u>							
Unassigned	24,820	4,248	-	24,071	-	85,242	2,874,110
Total Fund Balance	24,820	4,248	-	24,071	-	85,242	2,874,110
Total Liabilities and Fund Balance	\$ 61,698	\$ 6,786	\$ 36,713	\$ 24,249	\$ -	\$ 144,720	\$ 3,081,373

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, 2017

Exhibit M

	14	15	19	21	22	23	24	25	29	30
	Prison Guard Detail	Indigent Defense Grant	Dist. Attny State Fund	Road & Bridge Pct 1	Road & Bridge Pct 2	Road & Bridge Pct 3	Road & Bridge Pct 4	Courthouse Security	VAW Grant	Right of Way
<u>Revenue</u>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	27,500	-	-	-	-	7,039	-	-
Fines and Fees	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Interest	64	-	189	2,621	1,951	775	968	443	41	642
Other Revenue	-	-	1,740	12,421	33,786	-	60,878	-	-	-
Grants	-	11,517	-	-	-	-	-	-	48,750	-
Total Revenue	64	11,517	29,429	15,042	35,737	775	61,846	7,482	48,791	642
<u>Expenditures</u>										
Current										
General Administration	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-
Legal	-	3,625	27,994	-	-	-	-	-	61,351	-
Public Facilities	-	-	-	-	-	-	-	9,300	-	-
Public Safety	-	-	-	242,442	273,419	215,384	420,356	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	74,821	96,857	36,937	97,108	-	-	-
Interest Expense	-	-	-	4,465	6,024	979	4,300	-	-	-
Capital Outlay	-	-	-	34,500	-	129,705	153,745	-	-	-
Total Expenditures	-	3,625	27,994	356,228	376,300	383,005	675,509	9,300	61,351	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	64	7,892	1,435	(341,186)	(340,563)	(382,230)	(613,663)	(1,818)	(12,560)	642
<u>Other Financing Sources (Uses)</u>										
Transfers In (Out)	-	-	-	417,098	571,437	252,916	316,408	-	14,500	-
Transfers In (Out)	-	-	(1,355)	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	90,428	89,147	-	-	-
Total Other Financing Sources (Uses)	-	-	(1,355)	417,098	571,437	252,916	405,555	-	14,500	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	64	7,892	80	75,912	230,874	(129,314)	(208,108)	(1,818)	1,940	642
Fund Balance beginning of year	19,875	4,059	20,150	232,048	13,686	80,354	265,432	97,076	551	203,724
Fund Balance end of year	\$ 19,939	\$ 11,951	\$ 20,230	\$ 307,960	\$ 244,560	\$ (48,960)	\$ 57,324	\$ 95,258	\$ 2,491	\$ 204,366

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

NEWTON COUNTY, TEXAS

Exhibit M

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

Non-Major Governmental Funds

for the year ended December 31, 2017

	31	32	33	34	35	36	37	38	39	40	41
	Commissioner Spec Pct 1	Commissioner Spec Pct 2	Commissioner Spec Pct 3	Commissioner Spec Pct 4	TCDP Grants	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1
<u>Revenue</u>											
Taxes	\$ 183,275	\$ 183,275	\$ 183,275	\$ 183,275	\$ -	\$ 26,182	\$ 26,182	\$ 26,182	\$ 26,182	\$ -	\$ 6,748
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	-	-	42,749	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Interest	4,028	5,407	1,320	1,530	-	618	283	370	551	515	138
Other Revenue	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	46,024	-	-	-	-	-	-
Total Revenue	187,303	188,682	184,595	184,805	46,024	26,800	26,465	26,552	26,733	43,264	6,886
<u>Expenditures</u>											
Current											
General Administration	-	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	307,461	95,948	415,741	361,505	48,551	21,857	34,829	124,494	161,500	27,358	2,128
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	-	-	2,851	-
Interest Expense	-	-	-	-	-	-	-	-	-	1,067	-
Capital Outlay	18,500	118,228	10,350	-	-	-	-	-	-	-	-
Total Expenditures	325,961	214,176	426,091	361,505	48,551	21,857	34,829	124,494	161,500	31,276	2,128
Excess (Deficiency) of Revenues Over (Under) Expenditures	(138,658)	(25,494)	(241,496)	(176,700)	(2,527)	4,943	(8,364)	(97,942)	(134,767)	11,988	4,758
<u>Other Financing Sources (Uses)</u>											
Transfers In (Out)	187,923	439,066	83,384	28,290	2,527	-	-	-	-	3,918	-
Transfers In (Out)	-	(3,339)	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	187,923	435,727	83,384	28,290	2,527	-	-	-	-	3,918	-
Excess (Deficiency) of Revenues and Other Financir Sources Over (Under) Expenditures and Other Financing Uses	49,265	410,233	(158,112)	(148,410)	-	4,943	(8,364)	(97,942)	(134,767)	15,906	4,758
Fund Balance beginning of year	360,752	226,412	159,266	264,373	-	67,698	32,489	98,434	178,311	104,776	16,514
Fund Balance end of year	\$ 410,017	\$ 636,645	\$ 1,154	\$ 115,963	\$ -	\$ 72,641	\$ 24,125	\$ 492	\$ 43,544	\$ 120,682	\$ 21,272

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

NEWTON COUNTY, TEXAS

Exhibit M

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

Non-Major Governmental Funds

for the year ended December 31, 2017

	42	43	44	47	48	50	51	52	53	55	56
	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4	Victims Impact Panel	Sheriff Contraband	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library	Historical Operating	Historical Book Fund
<u>Revenue</u>											
Taxes	\$ 6,748	\$ 6,748	\$ 6,748	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	36,003	-	-	-	-	-
Fines and Fees	-	-	-	-	13,630	-	-	5,015	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	7,003	1,486	-
Interest	275	139	221	9	69	1,393	148	27	561	179	-
Other Revenue	-	-	-	-	13,900	3,787	1,658	-	216	835	270
Grants	-	-	-	-	-	16,405	-	-	560	-	-
Total Revenue	7,023	6,887	6,969	9	27,599	57,588	1,806	5,042	8,340	2,500	270
<u>Expenditures</u>											
Current											
General Administration	-	-	-	-	-	-	44,482	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	4,102	-	-	-
Public Facilities	-	-	-	-	-	-	-	-	-	-	-
Public Safety	12,518	42,000	50,000	-	1,213	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	156,346	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	111,634	11,818	2,469
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	-	1,621	1,703	-
Interest Expense	-	-	-	-	-	-	-	-	179	432	-
Capital Outlay	-	-	-	-	-	45,417	-	-	-	-	-
Total Expenditures	12,518	42,000	50,000	-	1,213	201,763	44,482	4,102	113,434	13,953	2,469
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,495)	(35,113)	(43,031)	9	26,386	(144,175)	(42,676)	940	(105,094)	(11,453)	(2,199)
<u>Other Financing Sources (Uses)</u>											
Transfers In (Out)	-	-	-	-	-	70,000	43,590	-	100,350	11,399	-
Transfers In (Out)	-	-	-	-	-	-	(1,599)	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	70,000	41,991	-	100,350	11,399	-
Excess (Deficiency) of Revenues and Other Financir Sources Over (Under) Expenditures and Other Financing Uses	(5,495)	(35,113)	(43,031)	9	26,386	(74,175)	(685)	940	(4,744)	(54)	(2,199)
Fund Balance beginning of year	35,930	35,881	66,603	1,123	466	186,150	327	2,409	31,399	1,326	15,427
Fund Balance end of year	\$ 30,435	\$ 768	\$ 23,572	\$ 1,132	\$ 26,852	\$ 111,975	\$ (358)	\$ 3,349	\$ 26,655	\$ 1,272	\$ 13,228

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

NEWTON COUNTY, TEXAS

Exhibit M

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

Non-Major Governmental Funds

for the year ended December 31, 2017

	58	59	60	66	67	72	76	80	83	88	92
	Dist Attny Hot Ck Fund	Dist Attny Contraband	Powell Hotel Fund	Records Management	Pretrial Diversion	FEMA Grant	TDRA Grant	Civic Center Operations	CERTZ Grant	State Fee Acct.	Justice Court Technology
<u>Revenue</u>											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	5,842	-	1,355	4,360	-	-	-	-	-	8,523
Miscellaneous	-	-	-	-	-	-	-	2,050	-	-	-
Interest	29	15	-	70	166	-	-	93	-	-	128
Other Revenue	122	-	3,054	-	-	45,199	-	3,271	-	-	-
Grants	-	-	-	-	-	953,356	25,374	-	33,343	-	-
Total Revenue	151	5,857	3,054	1,425	4,526	998,555	25,374	5,414	33,343	-	8,651
<u>Expenditures</u>											
Current											
General Administration	-	-	-	128	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	798	4,454	-	-	-	-	-	-	-	-	7,832
Public Facilities	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	313,078	37,556	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	4,198	-	-	-	-	18,722	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	-	-	-	2,495
Interest Expense	-	-	-	-	-	-	-	-	-	-	1,363
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	798	4,454	4,198	128	-	313,078	37,556	18,722	-	-	11,690
Excess (Deficiency) of Revenues Over (Under) Expenditures	(647)	1,403	(1,144)	1,297	4,526	685,477	(12,182)	(13,308)	33,343	-	(3,039)
<u>Other Financing Sources (Uses)</u>											
Transfers In (Out)	-	1,355	-	-	-	271,512	13,938	12,000	-	-	3,858
Transfers In (Out)	-	-	-	-	-	(1,404,341)	(1,756)	-	(33,343)	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	1,355	-	-	-	(1,132,829)	12,182	12,000	(33,343)	-	3,858
Excess (Deficiency) of Revenues and Other Financir Sources Over (Under) Expenditures and Other Financing Uses	(647)	2,758	(1,144)	1,297	4,526	(447,352)	-	(1,308)	-	-	819
Fund Balance beginning of year	3,673	3,688	5,146	7,884	17,586	472,172	-	5,556	-	-	23,252
Fund Balance end of year	\$ 3,026	\$ 6,446	\$ 4,002	\$ 9,181	\$ 22,112	\$ 24,820	\$ -	\$ 4,248	\$ -	\$ -	\$ 24,071

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, 2017

Exhibit M

	93	97	Total
	Federal	Debt	Nonmajor
	Forest Fund	Service	Governmental
			Funds
<u>Revenue</u>			
Taxes	\$ -	\$ 278,426	\$ 1,143,246
Intergovernmental	13,476		84,018
Fines and Fees	-	-	81,474
Miscellaneous	-	-	10,539
Interest	-	1,544	27,520
Other Revenue	-	-	181,137
Grants	-	-	1,135,329
Total Revenue	<u>13,476</u>	<u>279,970</u>	<u>2,663,263</u>
<u>Expenditures</u>			
Current			
General Administration	-	-	44,610
Judicial	-	-	-
Legal	-	-	110,156
Public Facilities	-	-	1,610,672
Public Safety	-	-	1,607,966
Health and Welfare	-	-	156,346
Conservation	6,738		6,738
Culture and Recreation	-	-	148,841
Debt Service	-	-	-
Principle Payment	-	-	314,393
Interest Expense	-	-	18,809
Capital Outlay	-	-	510,445
Total Expenditures	<u>6,738</u>	<u>-</u>	<u>4,528,976</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>6,738</u>	<u>279,970</u>	<u>(1,865,713)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In (Out)	-	-	2,845,469
Transfers In (Out)	(6,738)	(353,035)	(1,805,506)
Issuance of Debt	-	-	179,575
Total Other Financing Sources (Uses)	<u>(6,738)</u>	<u>(353,035)</u>	<u>1,219,538</u>
Excess (Deficiency) of Revenues and Other Financing			
Sources Over (Under) Expenditures and Other			
Financing Uses	<u>-</u>	<u>(73,065)</u>	<u>(646,175)</u>
Fund Balance beginning of year	<u>-</u>	<u>158,307</u>	<u>3,520,285</u>
Fund Balance end of year	<u>\$ -</u>	<u>\$ 85,242</u>	<u>\$ 2,874,110</u>

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
Companies Practice Section

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable County Judge and
County Commissioners
County of Newton, Texas
Newton, Texas

Report on Compliance for Each Major Federal Program

We have audited the County of Newton, Texas’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Newton, Texas’s major federal programs for the year ended December 31, 2017. The County of Newton, Texas’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Newton, Texas’ major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U. S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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 the County of Newton, Texas’ compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Newton, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Charles E. Reed & associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
August 30, 2018



Charles E. Reed & Associates, P.C.

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

To the Honorable County Judge and
County Commissioners
County of Newton, Texas
Newton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the County of Newton, Texas, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County of Newton, Texas’s basic financial statements, and have issued our report thereon dated August 30, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Charles E. Reed & associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
August 30, 2018

Newton County Texas
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2017

	Federal CFDA Number	Grant #	Amount of Award	Amount Expended
<u>Department of Homeland Security</u>				
Pass-Through Agency: Office of the Governor				
Disaster Grants- Public Assistance	97.036	DR 4266	1,856,630	1,191,695
Disaster Grants- Public Assistance	97.036	EMT-2016-PC-0002	54,855	12,855
			<u>1,911,485</u>	<u>1,204,550</u>
Hazard Mitigation Grant	97.039	DR 1791-137	883,662	98,101
Hazard Mitigation Grant	97.039	DR 1791-136	2,064,635	480,788
Hazard Mitigation Grant	97.039	DR 1791-208	1,347,029	278,665
Hazard Mitigation Grant	97.039	DR 4223-056	2,330,872	131,555
Hazard Mitigation Grant	97.039	DR 1999-017	209,185	8,600
				<u>997,709</u>
Total Department of Homeland Security				2,202,259
Department of Housing and Urban Development				
Pass through agency: Texas General Land Office				
CDBG Disaster Recovery	14.228	7214321	275,000	39,705
CDBG Disaster Recovery	14.228	7216167	91,610	8,845
CDBG Disaster Recovery	14.228	DRS 210126	3,104,000	37,556
				<u>86,106</u>
Total Department of Housing and Urban Development				86,106
Department of Criminal Justice				
Pass through agency: Office of the Governor				
Violence against Women	16.588	WF-17-V30-25592-06	45,000	20,499
Violence against Women	16.588	WF-16-V30-25592-04	45,000	40,875
				<u>61,374</u>
Total Federal Money Expended				<u><u>\$ 2,349,739</u></u>

See accompanying notes to schedule of expenditures of federal and state awards and auditor's report letter.

Newton County Texas
 Schedule of State of Texas Expenditures
 For the Year Ended December 31, 2017

	<u>Grant ID</u>	<u>Amount of Award</u>	<u>Amount Expended</u>
<u>Texas Comptroller</u>			
Texas Task Force on Indigent Defense	212-17-176	15,356	-
Texas Task Force on Indigent Defense	212-16-176	16,113	3,625
Texas Task Force on Indigent Defense	212-18-176	18,720	-
Total of Texas Comptroller			<u>3,625</u>
Texas Department of Agriculture			
East Texas Support Services		15,000	15,000
Office of the Attorney General			
Texas SAVNS/VINE Program	1771484	7,133	5,350
Texas SAVNS/VINE Program	1660281	7,133	1,783
Total of the Office of Attorney General			<u>7,133</u>
Texas Department of Transportation			
County Transportation Infrastructure	CTIF-01-176	341,933	-
Deep East Texas Council of Governments			
FY17 Solid Waste Grant	582-6-60651	16,405	16,405
			<u>16,405</u>
Total State of Texas Expended			<u>\$ 42,163</u>

See accompanying notes to schedule of expenditures of federal and state awards and auditor's report letter.

Notes to the Schedule of Expenditures of Federal and State Awards
For the year ended December 31, 2017

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 County of Newton, Texas account for federal funding using the modified accrual method of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences, claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Equipment purchases for grant purposes are treated as expenses in the schedule of expenditures of federal awards and typically capitalized for financial statement purposes.

Federal grant funds are considered to be earned to the extent of expenses made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

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 Title 2 U. S. Code of Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Newton County, Texas, it is not intended to and does not present the financial position, changes in net position or cash flows of Newton County, Texas. statements.

NOTE 4 – DE MINIMIS INDIRECT COST RATE

The County of Newton, Texas does not use the 10% de minimis indirect cost rate.

COUNTY OF NEWTON, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2017

Section I-Summary of Auditor's Results

Financial Statements

Type if auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness identified? ___ Yes No
 · Significant deficiency that is not considered
 to be a material weakness? ___ Yes No
 Noncompliance material to financial statements noted? ___ Yes No

Federal Awards

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

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

Any audit findings disclosed that are required to be reported in
 accordance with section 2 CFR 500.516(a) ___ Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
97.036**	Department of Homeland Security Hazard Mitigation Grant	\$1,204,550
97.039**	Department of Homeland Security Emergency Management Grant	997,709

The threshold used to distinguish the type of federal program was \$ 750,000.
 The threshold used to distinguish the type of state program was \$300,000.

Auditee qualified as low-risk auditee? Yes ___ No

**Designates Cluster

Section II-Financial Statements Findings

None noted

Section III - Federal Award Findings and Questioned Costs

None noted

Section IV-Status of Prior Year Findings

No prior year findings