

NEWTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2015

NEWTON COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended December 31, 2015

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Independent Auditor's Report		1-3
Management's Discussion and Analysis		4-9

	Exhibit	Page
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Position	A	10
Statement of Activities	B	11
Fund Financial Statements		
Balance Sheet – Governmental Funds	C	12
Reconciliation of the Statement of Net Position to the Balance Sheet of Governmental Funds	C-1	13
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds	D	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds	D-1	15
Statements of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	E	16
Statement of Net Position – Proprietary Funds	F	17
Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Funds	G	18
Statement of Cash Flows – Proprietary Funds	H	19
Statement of Fiduciary Net Position – Fiduciary Funds	I	20
Notes to the Financial Statements	J	21-38

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios	K	39
Schedule of Employer Contributions	K	40

NON-MAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet-Non-Major Governmental Funds	L	41-44
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance-Non-major Governmental Funds	M	45-49

SINGLE AUDIT SECTION

Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance		50-51
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		52-53
Schedule of Expenditures of Federal Awards	Schedule I	54
Schedule of Expenditures of State of Texas Awards	Schedule II	55
Notes to the Schedule of Expenditures of Federal and State Awards	Schedule III	56
Schedule of Findings and Questioned Costs	Schedule IV	57-58

INTRODUCTORY
SECTION

**NEWTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2015
DIRECTORY OF OFFICIALS**

COMMISSIONERS' COURT:

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

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

OTHER COUNTY OFFICIALS:

Courtney Tracy
Bree Allen
Sandra K. Duckworth
Melissa Burks
Ginger Siau
Elizabeth Holloway
Eddie Shannon
Sharon Long
Gwen Simmons

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

JUSTICE OF PEACE:

Connie Smith
Brenda Smith
Michael Greer
Dana Ashmore

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

CONSTABLES:

Otis Lane
Les Amburn
Steven Lowe
Jimmy Lavergne

Constable, Precinct No. 1
Constable, Precinct No. 2
Constable, Precinct No. 3
Constable, Precinct No. 4

FINANCIAL
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 County of Newton, Texas as of and for the year ended December 31, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 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, 2016, 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, 2016

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, 2015. 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 2015 by \$20,422,971. Of this amount, \$9,265,207 is considered unrestricted. The unrestricted net position of the County's governmental activities are \$8,156,689 and may be used to meet the government's ongoing obligations.
- The County's total net position increased by \$347,331 in 2015.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$8,142,644. Of this balance, \$7,089,338 is considered unreserved at December 31, 2015.
- The General Fund reported a fund balance of \$3,983,792 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$2,930,486 or 30.87% of total general expenditures (including transfers out).
- The County's total debt increased by \$253,829 during the current fiscal year. Debt was issued in the current fiscal year in the amount of \$418,868.

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 10 and 11 of this report.

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

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

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

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

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

- Fiduciary funds - The fiduciary funds are used to account for assets held by the governmental unit in a trustee capacity.
- Proprietary funds - The County has two proprietary funds. Both are enterprise funds which are used to report business-type activities for which a fee is charged to external uses for goods and services.

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

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 39-40 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 36 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 \$20,422,971 at the close of the most recent fiscal year.

A portion of the County's net position, \$10,815,738 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.

	2015	2014	2015	2014
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
Current and other assets	\$ 9,509,434	\$ 8,770,432	\$ 1,129,971	\$ 1,299,045
Capital assets	10,804,789	10,624,009	10,346,188	10,346,188
Total assets	20,314,223	19,394,441	11,476,159	11,645,233
Deferred outflows and resources	36,753	-	-	-
Long-term liabilities	1,094,891	428,014	8,351,200	8,351,200
Other liabilities	554,860	481,692	1,160,253	1,151,160
Total liabilities	1,649,751	909,706	9,511,453	9,502,360
Deferred Inflows and resources	242,780	-	-	-
Net position:				
Invested in capital assets, net of related debt	9,959,550	9,985,624	856,188	856,188
Restricted	342,026	1,053,306	-	-
Unrestricted	8,156,689	7,445,805	1,108,518	1,286,685
	<u>\$ 18,458,265</u>	<u>\$ 18,484,735</u>	<u>\$ 1,964,706</u>	<u>\$ 2,142,873</u>

An additional portion of the County's net position, \$342,026 represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position \$9,265,207, 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			
	2015	2014	2015	2014
	Governmental Activities	Governmental Activities	Proprietary Activities	Proprietary Activities
REVENUES				
Charges for services	\$ 1,007,839	\$ 1,068,395	\$ 25,457	\$ 37,276
Operating grants and contributions	498,084	57,629	-	-
Capital Grants	1,006,437	2,634,850	-	-
General revenues:				
Property taxes	7,229,786	6,846,476	-	-
Miscellaneous	60,376	115,830	-	-
Interest income	24,630	26,217	600	832
Other	196,697	254,447	-	-
Total Revenues	10,023,849	11,003,844	26,057	38,108
EXPENDITURES				
General government	3,113,953	3,210,549	-	-
Public safety & health	3,705,047	4,937,105	-	-
Public facilities	2,243,275	2,131,740	404,224	557,484
Conservation	13,957	13,307	-	-
Culture and Recreation	199,607	170,244	-	-
Interest on long-term debt	22,512	18,323	-	-
Total Expenditures	9,298,351	10,481,268	404,224	557,484
Excess of Revenues over Expenses	725,498	522,576	(378,167)	(519,376)
Transfers	(200,000)	-	200,000	-
Increase (decrease) in net position	525,498	522,576	(178,167)	(519,376)
Net position at beginning of year	17,932,767	17,962,159	2,142,873	2,662,249
Net Position End of Year	\$ 18,458,265	\$ 18,484,735	\$ 1,964,706	\$ 2,142,873
Prior Period Adjustment		(551,968)		
Net Position Beginning of year as restated		\$ 17,932,767		

The government's total net position increased by \$525,498 during the current fiscal year. The County's governmental activities increased due primarily to the implementation of GASB 68, 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, 2015, the County's governmental funds reported combined ending fund balances of \$8,142,644 an increase of \$750,621 in comparison with the prior year. This entire amount constitutes unreserved fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the County. At December 31, 2015 unreserved and total fund balance of the General Fund was \$3,983,792. As a measure of

liquidity of the General Fund, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures (including transfers out). Fund balance represents 30.87% of total General Fund expenditures (including transfers out).

The fund balance of the General Fund increased by \$489,074 during 2015. It was budgeted at a decrease of \$(558,439) during this year. Therefore, this increase was a \$1,047,512 positive variance. Revenue had a negative variance of \$106,772 while expenditures had positive variance of \$1,032,816.

Enterprise funds – The enterprise funds provide information on Newton count 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 most significant change was an increase in general administration expenditure budget by \$244,911. The comparison between and the actual results significant variations were: general administration spent less than budget by \$423,988; and the health and welfare spent less than budget by \$276,926.

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2015, amounts to \$21,150,977 (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	9,753,934	10,046,188	19,800,122
	<u>\$ 10,804,789</u>	<u>\$ 10,346,188</u>	<u>\$ 21,150,977</u>

Additional information on the County's capital assets can be found in Note 1 on page 24 and Note 3 (D) on pages 29-30.

Long-term debt - At December 31, 2015, the County had \$10,335,239 total long-term debt outstanding of which \$1,426,350 was due within one year.

	DEBT OUTSTANDING	
	Governmental Activities	Business-Type Activities
Bonds Payable	\$ -	\$ 9,490,000
Notes Payable	845,239	-
	<u>\$ 845,239</u>	<u>\$ 9,490,000</u>

The County's total liabilities and deferred inflows of resources outstanding at December 31, 2015 increased by \$991,918 from December 31, 2014 because new debt of \$418,868 was issued, outstanding debt was paid and the County implemented GASB 68. Additional information on the County's debt can be found in Note 3E, beginning on page 30.

Economic Factors and Next Year's Budgets and Rates

Unemployment remained at 11.9 %; the tax rate for 2014-2015 year is increased to \$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 2015 is similar to 2014.
- 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, 2015

Exhibit A

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 7,559,964	\$ 1,129,971	\$ 8,689,935
Receivables:			
Accounts Receivable	69,995	-	69,995
Property Taxes Receivable	1,545,563	-	1,545,563
Allowance for Uncollectible Taxes	(60,000)	-	(60,000)
Restricted Cash and Investments	342,026	-	342,026
Prepaid Expenses	51,886	-	51,886
Capital Assets	-	-	-
Land	1,050,855	300,000	1,350,855
Construction in Progress	-	-	-
Capital Assets - Net	9,753,934	10,046,188	19,800,122
Total Assets	<u>20,314,223</u>	<u>11,476,159</u>	<u>31,790,382</u>
<u>Deferred Outflows and Resources</u>			
Deferred Outflows on Pensions	36,753	-	36,753
Total Deferred Outflows of Resources	<u>36,753</u>	<u>-</u>	<u>36,753</u>
<u>Liabilities</u>			
Accounts Payable	202,111	21,453	223,564
Accrued Payables	65,199	-	65,199
Notes Payable	-	-	-
Due Within One Year	287,550	1,138,800	1,426,350
Due After One Year	557,689	8,351,200	8,908,889
Net Pension Liabilities	537,202	-	537,202
Total Liabilities	<u>1,649,751</u>	<u>9,511,453</u>	<u>11,161,204</u>
<u>Deferred Inflows of Resources</u>			
Deferred Inflows on Pensions	242,780	-	242,780
Total Deferred Inflows of Resources	<u>242,780</u>	<u>-</u>	<u>242,780</u>
<u>Net Position</u>			
Investment in Capital Assets- Net of Debt	9,959,550	856,188	10,815,738
Restricted	342,026	-	342,026
Unrestricted	8,156,689	1,108,518	9,265,207
Total Net Position	<u>\$ 18,458,265</u>	<u>\$ 1,964,706</u>	<u>\$ 20,422,971</u>

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

NEWTON COUNTY, TEXAS
Statement of Activities

For the year ended December 31, 2015

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	\$ 1,218,931	\$ 1,006,021	\$ 498,084	\$ 1,006,437	\$ 1,291,611	\$ -	\$ 1,291,611
Judicial	860,355	-	-	-	(860,355)	-	(860,355)
Legal	460,365	-	-	-	(460,365)	-	(460,365)
Financial Administration	574,302	-	-	-	(574,302)	-	(574,302)
Public Facilities	2,243,275	-	-	-	(2,243,275)	-	(2,243,275)
Public Safety	3,052,180	-	-	-	(3,052,180)	-	(3,052,180)
Health & Welfare	652,867	1,818	-	-	(651,049)	-	(651,049)
Conservation	13,957	-	-	-	(13,957)	-	(13,957)
Culture & Recreation	161,701	-	-	-	(161,701)	-	(161,701)
Miscellaneous	37,906	-	-	-	(37,906)	-	(37,906)
Interest on Long-term Debt	22,512	-	-	-	(22,512)	-	(22,512)
Total Governmental Activities:	9,298,351	1,007,839	498,084	1,006,437	(6,785,991)	-	(6,785,991)

Business-type Activities:							
Prison Facilities	\$ 404,224	\$ -	\$ -	\$ -	\$ -	\$ (404,224)	\$ (404,224)
Total Business-type Activities	\$ 404,224	\$ -	\$ -	\$ -	\$ -	\$ (404,224)	\$ (404,224)

General Revenues:							
Property Taxes		\$ 7,229,786	\$ -	\$ -	\$ 7,229,786	\$ -	\$ 7,229,786
Intergovernmental		128,493	-	-	128,493	-	128,493
Miscellaneous		60,376	-	-	60,376	-	60,376
Interest		24,630	600	600	24,630	600	25,230
Other		68,204	25,457	25,457	68,204	25,457	93,661
Transfers		(200,000)	200,000	200,000	(200,000)	200,000	-
Total General Revenues		7,311,489	226,057	226,057	7,537,546	226,057	7,537,546
Change in Net Position		525,498	(178,167)	(178,167)	347,331	(178,167)	347,331
Net Position at beginning of year		18,484,735	2,142,873	2,142,873	20,627,608	2,142,873	20,627,608
Prior Period Adjustment - See note 5		(551,968)	-	-	(551,968)	-	(551,968)
		17,932,767	2,142,873	2,142,873	20,075,640	2,142,873	20,075,640
Net Position at end of year		\$ 18,458,265	\$ 1,964,706	\$ 1,964,706	\$ 20,422,971	\$ 1,964,706	\$ 20,422,971

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

NEWTON COUNTY, TEXAS
 Balance Sheet
 Governmental Funds
 December 31, 2015

Exhibit C

	5,10,98,99	20	46	68	70		
	General Fund	Road & Bridge General	Newton Co Hartford Ins	Hazard Mitigation Grant	Courthouse Emergency Grant	Total Non-Major Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ 3,263,479	\$ 561,560	\$ -	\$ 311,624	\$ 266,137	\$ 3,157,164	\$ 7,559,964
Investments	342,026	-	-	-	-	-	342,026
Prepaid Expenses	50,986	900	-	-	-	-	51,886
Property Taxes Receivable	1,545,563	-	-	-	-	-	1,545,563
Allowance for Uncollectible Taxes	(60,000)	-	-	-	-	-	(60,000)
Accounts Receivable	16,141	4,380	-	-	9,346	40,128	69,995
Total Assets	\$ 5,158,195	\$ 566,840	\$ -	\$ 311,624	\$ 275,483	\$ 3,197,292	\$ 9,509,434
Liabilities							
Accounts Payable	26,027	30,091	-	-	-	145,993	202,111
Accrued Vacation/Comp Time	48,896	-	-	-	-	16,303	65,199
Unrealized Gain/Loss on Inv	(6,251)	-	-	-	-	-	(6,251)
Total Liabilities	68,672	30,091	-	-	-	162,296	261,059
Deferred Inflows of Resources							
Unavailable Revenue - Property Tax	1,105,731	-	-	-	-	-	-
Total Deferred Inflows of Resources	1,105,731	-	-	-	1,105,731	1,105,731	2,211,462
Fund Balances							
Unassigned	2,930,486	536,749	-	311,624	275,483	3,034,996	7,089,338
Committed	1,053,306	-	-	-	-	-	1,053,306
Total Fund Balance	3,983,792	536,749	-	311,624	275,483	3,034,996	8,142,644
Total Liabilities and Fund Balances	\$ 5,158,195	\$ 566,840	\$ -	\$ 311,624	\$ 275,483	\$ 3,197,292	\$ 6,036,659

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

Reconciliation of the Statement of Position to the
 Balance Sheet of Governmental Funds to the Statement of Net Position
 December 31, 2015

Total Fund Balances of Governmental Funds		\$ 8,142,644
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,804,789	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(845,239)	
Net Pension Liability	(537,202)	
Deferred Outflows and Inflows of Resources not available to pay for current-period expenditures	(206,207)	
Unrealized Gain/Loss on Investments for current period expenditures, and therefore, are deferred in the funds - Deferred Tax Revenue	(6,251)	
	<u>1,105,731</u>	
		<u>10,315,621</u>
Net Position of Governmental Activities- Exhibit A		<u><u>\$ 18,458,265</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, 2015

Exhibit D

	5,10,98,99	20	46	68	70		
	General Fund	Road & Bridge General	Newton Co Hartford Ins	Hazard Mitigation Grant	Courthouse Emergency Grant	Total Non-Major Funds	Total Governmental Funds
Revenue							
Taxes	\$ 5,215,007	\$ 921,171	\$ -	\$ -	\$ -	\$ 1,093,608	\$ 7,229,786
Intergovernmental	21,131	-	-	-	-	107,362	128,493
Fines and Fees	379,755	572,537	-	-	-	53,729	1,006,021
Licenses and Permits	1,818	-	-	-	-	-	1,818
Miscellaneous	46,972	-	-	-	-	13,404	60,376
Interest	22,158	223	-	-	78	2,171	24,630
Other Revenue	40,537	2,000	-	-	-	25,667	68,204
Time Warrant Revenue	-	-	-	-	-	-	-
Grants	-	-	-	498,084	-	1,006,437	1,504,521
Total Revenue	5,727,378	1,495,931	-	498,084	78	2,302,378	10,023,849
Expenditures							
Current							
General Administration	444,274	322,762	-	-	-	38,011	805,047
Judicial	860,355	-	-	-	-	-	860,355
Legal	324,725	-	-	-	-	135,640	460,365
Financial Administration	574,302	-	-	-	-	-	574,302
Public Facilities	390,809	-	-	-	360	1,810,589	2,201,758
Public Safety	1,473,754	-	-	470,123	-	886,835	2,830,712
Health and Welfare	536,095	-	-	-	-	116,772	652,867
Conservation	-	-	-	-	-	13,957	13,957
Culture and Recreation	-	-	-	-	-	161,701	161,701
Miscellaneous	37,906	-	-	-	-	-	37,906
Debt Service	-	-	-	-	-	-	-
Principal Payment	34,842	-	-	-	-	176,838	211,680
Interest Expense	7,342	-	-	-	-	15,170	22,512
Capital Outlay	162,950	28,980	-	-	-	467,004	658,934
Total Expenditures	4,847,354	351,742	-	470,123	360	3,822,517	9,492,096
Excess (Deficiency) of Revenues Over (Under) Expenditures	880,024	1,144,189	-	27,961	(282)	(1,520,139)	531,753
Other Financing Sources							
Transfers In	385,046	13,957	-	30,945	-	1,706,142	2,136,090
Transfers (Out)	(786,464)	(930,000)	-	-	-	(619,626)	(2,336,090)
Issuance of Debt	10,468	-	-	-	-	408,400	418,868
Total Other Financing Sources	(390,950)	(916,043)	-	30,945	-	1,494,916	218,868
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	489,074	228,146	-	58,906	(282)	(25,223)	750,621
Fund Balance - Beginning of Year	3,494,718	308,603	-	252,718	275,765	3,060,219	7,392,023
Fund Balance - End of Year	\$ 3,983,792	\$ 536,749	\$ -	\$ 311,624	\$ 275,483	\$ 3,034,996	\$ 8,142,644

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, 2015

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 750,621
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period:	
Capital Outlay	658,934
Depreciation	<u>(478,154)</u>
	180,780
Actuarially calculated additional pension expense not using current-period financial resources	(198,715)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	
Issuance of Debt	(418,868)
Payment of Principal	<u>211,680</u>
	(207,188)
Change in Net Assets of Governmental Activities (Exhibit B)	<u><u>\$ 525,498</u></u>

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

NEWTON COUNTY, TEXAS

Exhibit E

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the year ended December 31, 2015

	Original Budget Original	Final Budget Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUE				
Taxes	\$ 5,346,010	\$ 5,346,010	\$ 5,215,007	\$ (131,003)
Intergovernmental	15,000	21,738	21,131	(607)
Fines and Fees	385,550	385,550	379,755	(5,795)
Licenses & Permits	5,000	5,000	1,818	(3,182)
Miscellaneous	35,810	35,810	46,972	11,162
Interest	13,700	13,700	22,158	8,458
Other Revenue	8,000	26,342	40,537	14,195
Total Revenue	5,809,070	5,834,150	5,727,378	(106,772)
EXPENDITURES				
Current				
General Administration	623,351	868,262	444,274	423,988
Judicial	926,703	938,523	860,355	78,168
Legal	384,443	384,156	324,725	59,431
Financial Administration	582,582	582,582	574,302	8,280
Public Facilities	371,418	376,798	390,809	(14,011)
Public Safety	1,536,358	1,535,343	1,473,754	61,589
Health and Welfare	815,686	813,021	536,095	276,926
Conservation	460	460	-	460
Miscellaneous	100,000	100,000	37,906	62,094
Principal Payment	31,673	34,842	34,842	-
Interest Expense	3,526	7,343	7,342	1
Capital Outlay	179,770	238,840	162,950	75,890
TOTAL EXPENDITURES	5,555,970	5,880,170	4,847,354	1,032,816
Excess(Deficiency) of Rev Over(Under) Expenditures	253,100	(46,020)	880,024	926,044
Other Finance Sources(Uses)				
Issuance of Debt	-	-	10,468	10,468
Transfers In	35,199	385,046	385,046	-
Transfers Out	(582,975)	(897,465)	(786,464)	111,000
Total Other Finance Sources(Uses)	(547,776)	(512,419)	(390,950)	121,468
Excess(Deficiency) of Rev Over(Under) Expenses & Other Fin Sources(Uses)	(294,676)	(558,439)	489,074	1,047,512
Fund Balance - Beginning of Period	3,494,718	3,494,718	3,494,718	-
Fund Balance - End of Period	\$ 3,200,042	\$ 2,936,279	\$ 3,983,792	\$ 1,047,512

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

NEWTON COUNTY, TEXAS
Statement of Net Position - Proprietary Funds
December 31, 2015

Exhibit F

	Business-Type Activities Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	Total
<u>Assets</u>			
Current Assets			
Cash and Cash Equivalents	\$ 437,551	\$ 692,420	\$ 1,129,971
Investments	-	-	-
Accounts Receivables - Net of Allowances for Uncollectibles	-	-	-
Total Current Assets	<u>437,551</u>	<u>692,420</u>	<u>1,129,971</u>
Non-Current Assets			
Restricted Cash and Investments	-	-	-
Original Issue Discount	-	-	-
Less: Accumulated Accretion	-	-	-
Total Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>10,346,188</u>	<u>10,346,188</u>
Total Non-Current Assets	<u>-</u>	<u>10,346,188</u>	<u>10,346,188</u>
Total Assets	<u>437,551</u>	<u>11,038,608</u>	<u>11,476,159</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts Payable	21,453	-	21,453
Bonds Payable - Current Portion	-	1,138,800	1,138,800
Total Current Liabilities	<u>21,453</u>	<u>1,138,800</u>	<u>1,160,253</u>
Long-Term Liabilities			
Bonds Payable - Noncurrent Portion	-	8,351,200	8,351,200
Total Long-term Liabilities	<u>-</u>	<u>8,351,200</u>	<u>8,351,200</u>
Total Liabilities	<u>21,453</u>	<u>9,490,000</u>	<u>9,511,453</u>
<u>Net Position</u>			
Invested in Capital Assets	-	856,188	856,188
Unrestricted	416,098	692,420	1,108,518
Total Net Position	<u>\$ 416,098</u>	<u>\$ 1,548,608</u>	<u>\$ 1,964,706</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, 2015

Exhibit G

	Business-Type Activities		Total
	Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	
<u>Operating Revenue</u>			
Project Revenues	\$ -	\$ -	\$ -
Total Operating Revenues	-	-	-
<u>Operating Expenses</u>			
Management Fees	-	30,000	30,000
Depreciation	-	-	-
Insurance	-	25,457	25,457
Trust Fees	-	-	-
Operating Expense	236,095	112,672	348,767
Bond Interest	-	-	-
Total Operating Expenses	236,095	168,129	404,224
Operating Income (Loss)	(236,095)	(168,129)	(404,224)
<u>Nonoperating Revenues (Expenses)</u>			
Interest Income	468	132	600
Miscellaneous Income (Expenses)	25,457	-	25,457
Total Nonoperating Revenues (Expenses)	25,925	132	26,057
Transfers	200,000	-	200,000
Change in Net Position	(10,170.00)	(167,997.00)	(178,167.00)
Total Net Position at Beginning of Year	426,268	1,716,605	2,142,873
Total Net Position at End of Year	\$ 416,098	\$ 1,548,608	\$ 1,964,706

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, 2015

Exhibit H

	Business-Type Activities		Total
	Enterprise Fund	Component Unit	
	Correctional Facility	Public Facility Corporation	
Cash Flows From Operating Activities			
Receipts from customers	\$ -	\$ -	\$ -
Payment for goods and services	(227,002)	(168,143)	(395,145)
Net cash provided (used) by operating activities	(227,002)	(168,143)	(395,145)
Cash Flows from Non-Capital Financing Sources (Uses)			
Miscellaneous	25,457	14	25,471
Transfers	200,000		200,000
Cash Flows from Capital and Related Financing Activities			
Interest payments	-	-	-
Principal payments	-	-	-
Cash Flows from Investing Activities			
Interest income	468	133	601
(Purchase)/Sale of capital assets	-	-	-
(Purchase)/Sale of investments	-	-	-
Net Increase(Decrease) in Cash and Cash Equivalents	(1,077)	(167,996)	(169,073)
Cash and Cash Equivalents at			
Beginning of Year			
Unrestricted cash and cash equivalents	438,628	860,417	1,299,045
Restricted cash	-	-	-
	438,628	860,417	1,299,045
Cash and Cash Equivalents at			
End of year			
Unrestricted cash and cash equivalents	437,551	692,421	1,129,972
Restricted cash	-	-	-
	437,551	692,421	1,129,972
Reconciliation of Operating Income (Loss) to Net Cash			
Provided (Used) by Operating Activities			
Operating income (loss) adjustments	(236,095)	(168,129)	(404,224)
Depreciation	-	-	-
Bond discount accretion	-	-	-
(Increase) decrease in payables	-	-	-
Increase (decrease) in other miscellaneous items	9,093	(14)	9,079
	\$ (227,002)	\$ (168,143)	\$ (395,145)
Interest paid	-	\$ -	\$ -

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

NEWTON COUNTY, TEXAS
Statement of Net Position
Fiduciary Funds
December 31, 2015

Exhibit I

	Sheriff Office	Criminal District Attorney	District Clerk Fee Fund	District Clerk Trust Funds	County Clerk Fee Fund	County Clerk Trust Fund	Tax Assessor Collector	Total
<u>Assets</u>								
Cash	\$ 734	\$31,990	\$235,221	\$ 76,730	\$ 12,377	\$124,657	\$1,074,467	\$1,556,176
Total Assets	<u>734</u>	<u>31,990</u>	<u>235,221</u>	<u>76,730</u>	<u>12,377</u>	<u>124,657</u>	<u>1,074,467</u>	<u>1,556,176</u>
<u>Liabilities</u>								
Liabilities								
Payable to Newton County Beneficiaries	734	31,990	235,221	76,730	12,377	124,657	1,074,467	-
Total Liabilities	<u>734</u>	<u>31,990</u>	<u>235,221</u>	<u>76,730</u>	<u>12,377</u>	<u>124,657</u>	<u>1,074,467</u>	<u>1,556,176</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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

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

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

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

The County negotiated a contract with Community Education Centers, Inc. (CEC) on November 9, 2009 to assume the operations and management of the facility. The facility continued to house inmates until November, 2011 and CEC continued to manage the facility until March, 2012 at which time the facility was depopulated. The County is currently seeking other management services specializing in prison management. The Newton County Public Facilities Corporation defaulted on its principal payments to Bond Holders and is currently servicing the interest due to the Bondholders from money that remains in the reserve fund. 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.

Component unit financial statements are not available separately. The County's legal consultation indicates these component unit revenue bonds are not liability of Newton County.

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.

The component unit financial statement is not published separately.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The County has the following major governmental funds:

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

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

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

Deposits and Investments

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

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

Investments are stated at fair value.

Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased. The cost of inventory on hand at December 31, 2015 was minimal.

Receivables and Payables

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

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

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

Capital Assets

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

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

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

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

Use of Estimates

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

Compensated Absences

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

Long-term Obligations

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

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

Government-Wide Net Assets / Fund Balances – Governmental Funds

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

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

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

Fund Deficit

As of December 31, 2015 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.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits

The carrying amount of the County's deposits as of December 31, 2015 were \$9,031,961, and the bank balances were \$9,144,172. Of the bank balance, \$ 250,000 was covered by FDIC insurance and up to \$18,191,012 was covered by collateral held in the County's name by the agent bank which is the County's depository bank.

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

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

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

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

Category 3: Deposits that are not collateralized.

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

A portion of the County's investments, \$925,718 are in certificates of deposits and money market accounts with Investment Center of America and Orange Savings Bank and \$72618. is invested in Government Bonds with Investment Center of America. Investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

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

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

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

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

In accordance with GASB Statement No. 31, the County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the cost-basis of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at cost unless a

legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of less than one year or less at time of purchase. The term “non-participating” means that the investment’s value does not vary with market interest rate changes.

Receivables

Receivables and related allowances for uncollectible accounts were as follows as of December 31, 2015 for the governmental funds of the County:

	General	Road & Bridge	Other	Total
Property taxes	\$ 1,545,563	\$ -	\$ -	\$ 1,545,563
Accounts	16,141	4,380	49,474	69,995
	1,561,704	4,380	49,474	1,615,558
Allowance for Uncollectibles	(60,000)	-	-	(60,000)
	<u>\$ 1,501,704</u>	<u>\$ 4,380</u>	<u>\$ 49,474</u>	<u>\$ 1,555,558</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.

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

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

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

Property Tax Levy - the County's maximum legal rate is \$.592091 per \$100.00 valuation. The 2014-2015 tax rate was \$.643721 per \$100.00 valuation assessed at 100% of market value.

Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

Governmental Activities:

Asset	Balance	Additions	Deletions	Balance	Life
Land	\$ 1,050,855	\$ -	\$ -	\$ 1,050,855	N/A
Buildings	16,921,383	59,739	-	16,981,122	50
Equipment	5,109,084	599,195	18,312	5,689,967	7
Infrastructure	17,562,021	-	-	17,562,021	40
	\$ 40,643,343	\$ 658,934	\$ 18,312	\$ 41,283,965	
Accumulated Depreciation	Prior	Additions	Deletions	Ending A/D	Book Value
Land	\$ -	\$ -	\$ -	\$ -	\$ 1,050,855
Buildings	10,463,398	41,517	-	10,504,915	6,476,207
Equipment	3,160,052	405,949	18,312	3,547,689	2,142,278
Infrastructure	16,395,884	30,688	-	16,426,572	1135449
	\$ 30,019,334	\$ 478,154	\$ 18,312	\$ 30,479,176	10,804,789

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

General Government	\$ 205,356
Public Safety	187,102
Public Facilities	<u>63,889</u>
Total Depreciation Expense	<u>\$ 456,347</u>

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

Enterprise Fund:

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets being depreciated:				
Equipment	\$ -	\$ -	\$ -	-
Less Accumulated depreciation	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -

Component Unit:

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

Land	\$ 300,000	\$ -	\$ -	\$ 300,000
Building	12,591,481	-	-	12,591,481
Total Assets	12,891,481	-	-	12,891,481
Less: Accumulated Depreciation	2,545,287	-	-	2,545,287
Total	\$ 10,346,194	\$ -	\$ -	\$ 10,346,194

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, 2015.

Description	Interest Rate	Beginning Balance 1/1/2015	Debt Issuance	Principal Payments	Interest Payments	Other Adjustments	Ending Balance 12/31/2015
Sharp Copier	6.10%	2,893	-	569	332	-	2,324
Sharp Copier	6.10%	6,542	-	1,129	831	-	5,413
Sharp Copier	6.10%	3,917	-	1,156	465	-	2,761
Sharp Copier	6.10%	7,475	-	1,989	892	-	5,486
Extension - Small Copier	6.10%	2,586	-	399	321	-	2,187
Sheriff - Deweyville	6.10%	3,879	-	598	482	-	3,281
Tax Assessor - Copier	6.10%	4,310	-	665	536	-	3,645
Extension - Big Copier	6.10%	4,056	-	618	499	-	3,438
Motor Vehicle - Dewey	6.10%	2,617	-	394	326	-	2,223
Indigent - Copier	6.10%	-	3,926	487	413	-	3,439
Treasurer - Copier	6.10%	-	6,542	559	491	-	5,983
TAX Software	3.32%	53,427	-	26,282	1,756	-	27,145
Sharp Copier - Dist Clk	6.10%	5,678	-	988	767	-	4,690
Sharp Copier - Co Clk	6.10%	4,602	-	1,273	527	-	3,329
Sharp Copier - History	6.10%	6,552	-	1,231	796	-	5,321
Sharp Copier - Library	6.10%	4,737	-	1,222	578	-	3,515
Sharp Copier - JP 4	6.10%	2,102	-	339	260	-	1,763
Sharp Copier - JP 4	6.10%	2,102	-	339	260	-	1,763
Sharp Copier - JP 1	6.10%	4,245	-	729	531	-	3,516
Sharp Copier - JP 3	6.10%	2,617	-	394	298	-	2,223
Sharp Copier - JP 2	6.10%	1,650	-	11	50	-	1,639
Kubota tractor/blade	4.24%	30,457	-	14,874	1,449	-	15,583
Motor - Grader	3.20%	214,866	-	25,939	2,571	-	188,927
John Deere Grader	2.47%	-	204,200	-	-	-	204,200
Mack Truck	2.85%	38,122	-	38,122	1,086	-	-
Volvo Motor Grader	2.62%	108,046	-	35,086	2,841	-	72,960
Volvo Motor Grader	2.61%	25,375	-	25,375	653	-	-
John Deere Grader	2.58%	-	204,200	-	-	-	204,200
Volvo Motor Grader	2.62%	95,200	-	30,915	2,503	-	64,285
		\$ 638,053	\$ 418,868	\$ 211,682	\$ 22,514	\$ -	\$ 845,239

Debt services requirements to maturity are as follows:

Debt services requirements to maturity are as follows:

Year	Principal	Interest	Total
2016	\$ 287,550	\$ 25,802	\$ 313,352
2017	253,413	15,575	268,988
2018	155,639	6,862	162,501
2019	13,036	1,257	14,293
2020	1,540	136	1,676
2021 to maturity	134,061	1,821	135,882
	<u>\$ 845,239</u>	<u>\$ 51,453</u>	<u>\$ 896,692</u>

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

Debt Service Requirements on the Series 2002 Bond:

Year	Principal	Interest	Total
2016	\$ 4,445,000	\$ 2,961,800	\$ 7,406,800
2017	1,115,000	359,000	1,474,000
2018	1,200,000	266,400	1,466,400
2019	2,730,000	109,200	2,839,200
	<u>\$ 9,490,000</u>	<u>\$ 3,696,400</u>	<u>\$ 13,186,400</u>

Individual Interfund Transactions

Transfers are as follows:

Fund	Transfers In	Transfers Out
General	\$ 385,046	\$ 786,465
Indigent Defense	460	
NCCC Accrual	200,000	
Road & Bridge - General	13,957	930,000
Road & Bridge Pct. 1	248,418	8,757
Road & Bridge Pct.2	241,029	-
Road & Bridge Pct. 3	292,135	-
Road & Bridge Pct. 4	287,678	-
VAW Grant	18,450	-
Commissioners Special Pct. 1	25,000	768
Commissioners Special Pct. 2	25,000	6,140
Commissioners Special Pct. 3	25,000	9,498
Commissioners Special Pct. 4	25,000	9,152
Dedicated Road Pct 1	768	
Road Preservation	3,555	-
Solid Waste Disposal	70,000	-
Voter Registration	40,690	-
Law Library	-	-
Library	100,350	-
Historical Operating	11,277	-
Homeland Security Grant	19,825	7,393
Hazard Mitigation Grant	30,945	-
FEMA		27,846
TDRA Grant	8,399	-
Technology Fund	3,212	-
Civic Center	12,000	-
Federal Forest Fund	-	13,957
CERTZ Grant	247,897	301,921
Debt Service	-	234,194
	\$ 2,336,091	\$ 2,336,091

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

NOTE 4 - Other Information

Risk Management and Litigation

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

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

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

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

Commitments and Contingencies

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

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

NOTE 5 – Prior Period Adjustment

Net Position -

Net position as of December 31, 2014 has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71 and revenue timing difference.

Net position as previously reported at December 30, 2014	<u>\$ 20,627,608</u>
Prior period adjustment:	
Net pension liability (measurement date as of December 31, 2015)	(544,694)
Prior period revenue timing difference	<u>(7,274)</u>
Total prior period adjustment	<u>(551,968)</u>
Net position as restated, December 31, 2014	<u>\$ 20,075,640</u>

NOTE 6 – Retirement Plan

Plan Description -

The District provides retirement, disability, and survivor benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 677 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR can be found at the following link, www.tcdrs.org.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefits Provided

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. The plan provides retirement, disability and survivor benefits. TCDRS is a savings based plan. For the county’s plan, 7% of each employees 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. There are no automatic COLA’s. 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. Benefit terms are established under the TCDRS Act. They must be amended as of Jan. 1 each year. The county’s contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Newton County contribution is based on TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with TCRRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2015 were \$243,170.

Membership Information

<u>Members</u>	<u>December 31, 2104</u>	<u>December 31, 2015</u>
Number of inactive employees entitled to but not yet receiving benefits	87	95
Number of active employees	106	112
Average monthly salary*	\$2,181	\$2,140
<u>Average length of service</u>	<u>7.39</u>	<u>7.29</u>
<u>Inactive Employees (or their Beneficiaries) Receiving Benefits</u>		

Number of benefit recipients:	52	51
Average monthly benefit:	\$681	\$654

**Averages reported for all active and inactive employees. Average service includes all proportionate service.*

Contributions

The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute 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 contribution rates are set by the county and are currently 7%. For the year ended December 31, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions by Employer - \$243,170

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

As of December 31, 2015, Newton County reported a net pension liability of \$537,202. The net pension liability was determined by an actuarial valuation as of December 31, 2015. 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, 2015, Newton County recognized pension expense of \$198,715. At December 31, 2015, Newton County reported deferred outflows and inflows of resources as follows:

Deferred Outflows - \$36,753
Deferred Inflows – 242,780

Actuarial Assumptions

Valuation Timing – Actuarially determined contribution rates are calculated on a calendar year bases as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Actuarial Cost Method – Entry Age Normal (I)

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-asymptotic
- Corridor – None

Inflation – Same as funding valuation

Salary Increases – Same as funding valuation

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 assumption for future cost-of-living adjustments included in the GASB calculations. No assumption for future cost-of-living adjustments in included in the funding valuation.

Retirement Age – Same as funding valuation

Turnover – Same as funding valuation

Mortality – Same as funding valuation

(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.

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.

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 benefit 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.
- 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	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses***	Projected Investment Earnings	Projected Ending Fiduciary Net Position
	(a)	(b)	(c)	(d)	(e)	(a)+(b)-(c)-(d)+(e)
2016	\$ 9,320,792	\$ 442,471	\$ 695,024	\$ 9,321	\$ 744,585	\$ 9,803,503
2017	9,803,503	415,552	562,714	9,804	787,580	10,434,117.00
2018	10,434,387	392,031	615,809	10,434	835,884	11,036,059.00
2019	11,036,059	380,564	664,553	11,036	882,205	11,623,239.00
2020	11,623,239	371,903	693,906	11,623	928,234	12,217,847.00
2021	12,217,846	370,646	728,639	12,218	974,944	12,822,579.00
2022	12,822,579	362,222	761,936	12,823	1,022,247	13,432,289.00
2023	13,432,290	351,491	821,986	13,432	1,068,798	14,017,161.00
2024	14,017,161	344,104	872,494	14,017	1,113,850	14,588,604.00
2025	14,588,604	336,029	921,488	14,589	1,157,848	15,146,404.00
2035	19,068,313	274,749	1,443,424	19,068	1,497,366	19,377,936.00
2045	21,520,411	260,996	1,699,795	21,520	1,685,162	21,745,254.00
2055	25,889,811	326,735	1,467,139	25,890	2,050,759	26,774,276.00
2065	42,585,346	455,165	894,569	42,585	3,430,273	45,533,630.00
2075	89,594,131	641,773	369,558	89,594	7,264,377	97,041,129.00
2085	200,759,552	905,284	102,279	200,760	16,285,440	217,647,237.00
2085	447,965,646	1,276,992	22,287	447,966	36,317,254	485,089,639.00

* 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	\$ 11,103,213	\$ 9,857,994	\$ 8,823,623
Fiduciary net position	9,320,792	9,320,792	9,320,792
Net pension liability/asset	\$ 1,782,421	\$ 537,202	\$ (497,169)

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, 2014	\$ 9,455,572	\$ 9,478,243
Changes for the year:			
Service Cost	366,497	-	366,497
Interest on pension liability	764,382	-	764,382
Effect of plan changes (2)	(45,725)	-	(45,725)
Effect of economic/demographic gains or losses	(323,707)	-	(323,707)
Effect of assumptions changes or inputs	112,075	-	112,075
Refund of Contributions	(56,510)	(56,510)	-
Benefit Payments	(414,591)	(414,591)	-
Administrative expenses	-	(6,762)	6,762
Member contributions	-	201,439	(201,439)
Net investment income	-	(8,658)	8,658
Employer contributions	-	243,170	(243,170)
Other (3)	-	(115,540)	115,540
	\$ 9,857,993	\$ 9,320,791	\$ 537,202

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

(2) Reflect new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018.

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

NOTE 7 – Subsequent Events

Events occurring subsequent to December 31, 2015 were evaluated by management and reviewed through August 30, 2016, the date of report issuance.

REQUIRED
SUPPLEMENTAL
INFORMATION

Schedule of Changes in Net Position Liability and Related Ratios

	Year ended December 31									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service Cost	\$ 366,497	\$ 356,677	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	754,382	705,683	N/A	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	N/A
Effect on assumption changes or inputs	125,075	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(323,707)	63,562	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(471,101)	(407,319)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	402,422	718,603	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability - beginning	9,455,572	8,736,969	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability - ending (a)	\$ 9,857,994	\$ 9,455,572	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer Contributions	\$ 243,170	\$ 241,137	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member Contributions	201,439	199,756	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(8,658)	607,206	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(471,101)	(407,319)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(6,762)	(7,053)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	(115,540)	9,979	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net pension	(157,451)	643,705	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net pension - beginning	9,478,243	8,834,537	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net pension - ending	\$ 9,320,792	\$ 9,478,243	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability/asset = (a) - (b)	\$ 537,202	\$ (22,671)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	94.55%	100.24%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$ 2,877,707	\$ 2,853,654	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	18.67%	-0.79%	N/A	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.

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
2006	\$ 105,259	\$ 143,070	\$ (37,811)	\$ 2,043,863	7.00%
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%

(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, 2015

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	\$ 19,834	\$ -	\$ 18,796	\$ 321,517	\$ 57,703	\$ 138,683	\$ 261,875	\$ 109,725	\$ 497	\$ 203,126	\$ 330,961	\$ 147,297
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	368	368
Total Assets	\$ 19,834	\$ -	\$ 18,796	\$ 321,517	\$ 57,703	\$ 138,683	\$ 261,875	\$ 109,725	\$ 497	\$ 203,126	\$ 331,329	\$ 147,665
<u>Liabilities</u>												
Accounts Payable	-	-	45	1,912	1,822	1,830	1,538	180	89	-	10,254	17,026
Accrued Vacation/Comp Time	-	-	-	1,225	5,363	1,901	7,232	-	-	-	-	-
Total Liabilities	-	-	45	3,137	7,185	3,731	8,770	180	89	-	10,254	17,026
<u>Fund Balance</u>												
Unassigned	19,834	-	18,751	318,380	50,517	134,952	253,105	109,545	408	203,126	321,075	130,639
Total Fund Balance	19,834	-	18,751	318,380	50,517	134,952	253,105	109,545	408	203,126	321,075	130,639
Total Liabilities and Fund Balance	\$ 19,834	\$ -	\$ 18,796	\$ 321,517	\$ 57,702	\$ 138,683	\$ 261,875	\$ 109,725	\$ 497	\$ 203,126	\$ 331,329	\$ 147,665

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2015

Exhibit L

	33	34	36	37	38	39	40	41	42	43	44	45
	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	Courthouse Restoration
<u>Assets</u>												
Cash and Cash Equivalents	\$ 146,980	\$ 362,058	\$ 51,817	\$ 41,540	\$ 72,188	\$ 151,815	\$ 86,570	\$ 12,167	\$ 29,084	\$ 29,035	\$ 59,662	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	368	368	52	52	52	52	-	-	-	-	-	-
Total Assets	\$ 147,348	\$ 362,426	\$ 51,869	\$ 41,592	\$ 72,240	\$ 151,867	\$ 86,570	\$ 12,167	\$ 29,084	\$ 29,035	\$ 59,662	\$ -
<u>Liabilities</u>												
Accounts Payable	14,223	37,378	-	-	-	-	-	-	-	-	-	-
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	14,223	37,378	-	-	-	-	-	-	-	-	-	-
<u>Fund Balance</u>												
Unassigned	133,125	325,048	51,869	41,592	72,240	151,867	86,570	12,167	29,084	29,035	59,662	-
Total Fund Balance	133,125	325,048	51,869	41,592	72,240	151,867	86,570	12,167	29,084	29,035	59,662	-
Total Liabilities and Fund Balance	\$ 147,348	\$ 362,426	\$ 51,869	\$ 41,592	\$ 72,240	\$ 151,867	\$ 86,570	\$ 12,167	\$ 29,084	\$ 29,035	\$ 59,662	\$ -

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2015

Exhibit L

	47	48	49	50	51	52	53	55	56	58	59	60
	Victims Impact Panel	Sheriff Contraband	Library Tocker Grant	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library	Historical Operating	Historical Book Fund	Dist Attny Hot Check	Dist Attny Contraband	Powell Hotel Fund
<u>Assets</u>												
Cash and Cash Equivalents	\$ 1,119	\$ 23,240	\$ -	\$ 203,161	\$ 3,680	\$ 3,567	\$ 30,068	\$ 1,684	\$ 19,567	\$ 3,327	\$ 9,019	\$ 7,355
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	103	40	-	1	1,248	-	-	-	36
Total Assets	\$ 1,119	\$ 23,240	\$ -	\$ 203,264	\$ 3,720	\$ 3,567	\$ 30,069	\$ 2,932	\$ 19,567	\$ 3,327	\$ 9,019	\$ 7,391
<u>Liabilities</u>												
Accounts Payable	-	-	-	22,118	66	1,059	285	126	2,874	-	-	506
Accrued Vacation/Comp Time	-	-	-	-	581	-	-	-	-	-	-	-
Total Liabilities	-	-	-	22,118	647	1,059	285	126	2,874	-	-	506
<u>Fund Balance</u>												
Unassigned	1,119	23,240	-	181,146	3,073	2,508	29,784	2,806	16,693	3,327	9,019	6,885
Total Fund Balance	1,119	23,240	-	181,146	3,073	2,508	29,784	2,806	16,693	3,327	9,019	6,885
Total Liabilities and Fund Balance	\$ 1,119	\$ 23,240	\$ -	\$ 203,264	\$ 3,720	\$ 3,567	\$ 30,069	\$ 2,932	\$ 19,567	\$ 3,327	\$ 9,019	\$ 7,391

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2015

	64	66	67	72	80	88	92	93	97	Total
	Homeland Security	Records Management	Pretrial Diversion	FEMA Grant	Civic Center Operations	State Fee Account	Justice Court Technology	Federal Forest Fund	Debt Service	Nonmajor Governmental Funds
<u>Assets</u>										
Cash and Cash Equivalents	\$ -	\$ 6,801	\$ 12,845	\$ -	\$ 6,243	\$ 31,687	\$ 22,566	\$ 49	\$ 118,256	\$ 3,157,164
Investments	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	262	110	-	-	36,648	40,128
Total Assets	\$ -	\$ 6,801	\$ 12,845	\$ -	\$ 6,505	\$ 31,797	\$ 22,566	\$ 49	\$ 154,904	\$ 3,197,292
<u>Liabilities</u>										
Accounts Payable	-	-	-	-	865	31,797	-	-	-	145,993
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	16,302
Total Liabilities	-	-	-	-	865	31,797	-	-	-	162,295
<u>Fund Balance</u>										
Unassigned	-	6,801	12,845	-	5,640	-	22,566	49	154,904	3,034,996
Total Fund Balance	-	6,801	12,845	-	5,640	-	22,566	49	154,904	3,034,996
Total Liabilities and Fund Balance	\$ -	\$ 6,801	\$ 12,845	\$ -	\$ 6,505	\$ 31,797	\$ 22,566	\$ 49	\$ 154,904	\$ 3,197,291

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2015

Exhibit M

	14	15	19	21	22	23	24	25	29	30
Prison Guard Detail	Indigent Defense Grant	Dist. Attry State Fund	Road & Bridge Pct 1	Road & Bridge Pct 2	Road & Bridge Pct 3	Road & Bridge Pct 4	Courthouse Security	VAW Grant	Right of Way	
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Taxes	-	-	29,142	-	-	-	-	-	-	
Intergovernmental	-	-	-	-	-	-	8,042	-	-	
Fines and Fees	-	-	-	-	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	-	-	-	-	
Interest	27	6	280	26	45	79	107	2	848	
Other Revenue	-	-	-	-	-	700	-	-	-	
Grants	-	16,406	-	-	-	-	-	34,214	-	
Total Revenue	27	16,406	29,148	280	26	45	779	8,149	34,216	848
Expenditures										
Current										
General Administration	-	-	-	-	-	-	-	-	-	
Judicial	-	-	-	-	-	-	-	-	-	
Legal	-	19,973	28,575	-	-	-	-	69,188	-	
Public Facilities	-	-	-	233,702	288,534	11,638	-	-	-	
Public Safety	-	-	266,921	-	181,003	-	-	-	-	
Health and Welfare	-	-	-	-	-	-	-	-	-	
Conservation	-	-	-	-	-	-	-	-	-	
Culture and Recreation	-	-	-	-	-	-	-	-	-	
Debt Service	-	-	-	-	-	-	-	-	-	
Principle Payment	-	-	30,915	25,375	73,208	40,813	-	-	-	
Interest Expense	-	-	2,503	653	3,927	4,020	-	-	-	
Capital Outlay	-	-	34,000	204,000	13,975	204,000	-	-	-	
Total Expenditures	-	19,973	28,575	334,339	463,730	272,113	537,367	11,638	69,188	
Excess (Deficiency) of Revenues Over (Under) Expenditures	27	(3,567)	573	(334,059)	(463,704)	(272,068)	(536,588)	(3,489)	(34,972)	848
Other Financing Sources (Uses)										
Transfers In (Out)	-	460	248,418	241,029	292,135	287,678	-	18,450	-	
Transfers In (Out)	-	-	(8,757)	-	-	-	-	-	-	
Issuance of Debt	-	-	-	204,200	-	204,200	-	-	-	
Total Other Financing Sources (Uses)	-	460	239,661	445,229	292,135	491,878	-	18,450	-	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	27	(3,107)	573	(94,398)	(18,475)	20,067	(44,710)	(3,489)	(16,522)	848
Fund Balance beginning of year	19,807	3,107	18,178	412,778	68,992	114,885	297,815	113,034	16,930	202,278
Fund Balance end of year	\$ 19,834	\$ -	\$ 18,751	\$ 318,380	\$ 50,517	\$ 134,952	\$ 253,105	\$ 109,545	\$ 408	\$ 203,126

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, 2015

	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
Revenue	\$ 180,671	\$ 180,671	\$ 180,671	\$ 180,671	\$ -	\$ 25,810	\$ 25,810	\$ 25,810	\$ 25,810	\$ -	\$ 6,748
Taxes	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	768	-	-	2,600	-	-	-	-	-	26,040	-
Miscellaneous	110	52	55	120	-	16	15	21	46	97	3
Interest	-	1,014	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	12,250	-	-	-	-	-	-
Grants	-	-	-	-	12,250	-	-	-	-	-	-
Total Revenue	181,549	181,737	180,726	183,391	12,250	25,826	25,825	25,831	25,856	26,137	6,751
Expenditures											
Current											
General Administration	-	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	164,365	161,292	197,518	217,131	12,250	18,416	26,090	-	50	28,561	3,118
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	-	-	2,261	-
Interest Expense	-	-	-	-	-	-	-	-	-	1,294	-
Capital Outlay	-	-	-	-	-	-	-	-	-	11,029	-
Total Expenditures	164,365	161,292	197,518	217,131	12,250	18,416	26,090	-	50	43,145	3,118
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,184	20,445	(16,792)	(33,740)	-	7,410	(265)	25,831	25,806	(17,008)	3,633
Other Financing Sources (Uses)											
Transfers In (Out)	25,000	25,000	25,000	25,000	-	768	-	-	-	3,555	-
Transfers In (Out)	(768)	(6,140)	(9,498)	(9,152)	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	24,232	18,860	15,502	15,848	-	768	-	-	-	3,555	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	41,416	39,305	(1,290)	(17,892)	-	8,178	(265)	25,831	25,806	(13,453)	3,633
Fund Balance beginning of year	279,659	91,334	134,415	342,940	-	43,691	41,857	46,409	126,061	100,023	8,534
Fund Balance end of year	\$ 321,075	\$ 130,639	\$ 133,125	\$ 325,048	\$ -	\$ 51,869	\$ 41,592	\$ 72,240	\$ 151,867	\$ 86,570	\$ 12,167

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2015

	42	43	44	45	47	48	49	50	51	52	53
	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4	Courthouse Restoration	Victims Impact Panel	Sheriff Contraband	Library Tocker Grant	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library
Revenue											
Taxes	\$ 6,749	\$ 6,748	\$ 6,748	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	50,258	-	-	-
Fines and Fees	-	-	-	-	-	-	-	-	-	4,940	-
Miscellaneous	-	-	-	-	-	31	-	-	-	-	6,883
Interest	7	8	17	-	1	8	-	59	7	1	23
Other Revenue	-	-	-	-	-	-	-	1,208	1,660	-	12,769
Grants	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	6,756	6,756	6,765	-	1	39	-	51,525	1,667	4,941	19,675
Expenditures											
Current											
General Administration	-	-	-	-	-	-	-	-	38,011	-	-
Judicial	-	-	-	-	-	-	-	-	-	4,563	-
Legal	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	4,308	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	116,772	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	125,650
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	-	-	-	1,222
Interest Expense	-	-	-	-	-	-	-	-	-	-	578
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	4,308	-	116,772	38,011	4,563	127,450
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,756	6,756	6,765	-	1	(4,269)	-	(65,247)	(36,344)	378	(107,775)
Other Financing Sources (Uses)											
Transfers In (Out)	-	-	-	-	-	-	-	70,000	40,690	-	100,350
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	70,000	40,690	-	100,350
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	6,756	6,756	6,765	-	1	(4,269)	-	4,753	4,346	378	(7,425)
Fund Balance beginning of year	22,328	22,279	52,897	-	1,119	27,509	-	176,393	(1,273)	2,130	37,209
Fund Balance end of year	\$ 29,084	\$ 29,035	\$ 59,662	\$ -	\$ 1,120	\$ 23,240	\$ -	\$ 181,146	\$ 3,073	\$ 2,508	\$ 29,784

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, 2015

	55	56	58	59	60	63	64	66	67	72	76
	Historical Operating	Historical Book Fund	Dist Attny Hot Ck Fund	Dist Attny Contraband	Powell Hotel Fund	Victims Coord. Grant	Homeland Security Grant	Records Management	Pretrial Diversion	FEMA Grant	TDRA Grant
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	1,282	3,900	-	-
Miscellaneous	997	-	-	-	-	-	-	-	-	-	-
Interest	10	-	1	3	-	-	-	2	3	-	-
Other Revenue	-	700	446	-	2,804	-	-	-	-	-	-
Grants	-	-	-	-	-	-	7,392	-	-	27,846	606,407
Total Revenue	1,007	700	447	3	2,804	-	7,392	1,284	3,903	27,846	606,407
Expenditures											
Current											
General Administration	-	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	6,785	-	-	-	-	-	-	-
Public Facilities	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	19,824	-	-	-	614,806
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-
Debt Service	11,493	4,012	-	-	5,221	-	-	-	-	-	-
Principle Payment	1,231	-	-	-	-	-	-	-	-	-	-
Interest Expense	796	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	13,520	4,012	-	6,785	5,221	-	19,824	-	-	-	614,806
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,513)	(3,312)	447	(6,782)	(2,417)	-	(12,432)	1,284	3,903	27,846	(8,399)
Other Financing Sources (Uses)											
Transfers In (Out)	11,277	-	-	-	-	-	19,824	-	-	-	8,399
Transfers In (Out)	-	-	-	-	-	-	(7,392)	-	-	(27,846)	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	11,277	-	-	-	-	-	12,432	-	-	(27,846)	8,399
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,236)	(3,312)	447	(6,782)	(2,417)	-	-	1,284	3,903	-	-
Fund Balance beginning of year	4,042	20,005	2,880	15,801	9,302	-	-	5,517	8,942	-	-
Fund Balance end of year	\$ 2,806	\$ 16,693	\$ 3,327	\$ 9,019	\$ 6,885	\$ -	\$ -	\$ 6,801	\$ 12,845	\$ -	\$ -

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2015

	80	83	92	93	97	Total
	Civic Center Operations	CERTZ Grant	Justice Court Technology	Federal Forest Fund	Debt Service	Nonmajor Governmental Funds
Revenue						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 240,691	\$ 1,093,608
Intergovernmental	-	-	-	27,962	-	107,362
Fines and Fees	-	-	9,525	-	-	53,729
Miscellaneous	2,125	-	-	-	-	13,404
Interest	3	-	5	-	58	2,171
Other Revenue	4,366	-	-	-	-	25,667
Grants	-	301,922	-	-	-	1,006,437
Total Revenue	6,494	301,922	9,530	27,963	240,749	2,302,378
Expenditures						
Current						
General Administration	-	-	-	-	-	38,011
Judicial	-	-	-	-	-	-
Legal	-	-	6,556	-	-	135,640
Public Facilities	-	-	-	-	-	1,810,589
Public Safety	-	247,897	-	-	-	886,835
Health and Welfare	-	-	-	-	-	116,772
Conservation	-	-	-	13,957	-	13,957
Culture and Recreation	-	-	-	-	-	161,701
Debt Service	15,325	-	-	-	-	-
Principle Payment	-	-	1,813	-	-	176,838
Interest Expense	-	-	1,399	-	-	15,170
Capital Outlay	-	-	-	-	-	467,004
Total Expenditures	15,325	247,897	9,768	13,957	-	3,822,517
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,831)	54,025	(238)	14,006	240,749	(1,520,139)
Other Financing Sources (Uses)						
Transfers In (Out)	12,000	247,897	3,212	-	-	1,706,142
Transfers In (Out)	-	(301,922)	-	(13,957)	(234,194)	(619,626)
Issuance of Debt	-	-	-	-	-	408,400
Total Other Financing Sources (Uses)	12,000	(54,025)	3,212	(13,957)	(234,194)	1,494,916
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,169	-	2,974	49	6,555	(25,223)
Fund Balance beginning of year	2,471	-	19,592	-	148,349	3,060,219
Fund Balance end of year	\$ 5,640	\$ -	\$ 22,566	\$ 49	\$ 154,904	\$ 3,034,996

SINGLE AUDIT 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 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 County of Newton, Texas's major federal programs for the year ended December 31, 2015. 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 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 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 County of Newton, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2015.

Report on Internal Control Over Compliance

Management of 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 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Charles E. Reed & Associates, PC.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
August 30, 2016



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 County of Newton, Texas, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise County of Newton, Texas's basic financial statements, and have issued our report thereon dated August 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 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 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, 2016

COUNTY OF NEWTON, TEXAS
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2015

Schedule I

	<u>Federal CFDA Number</u>	<u>Amount of Award</u>	<u>Amount Expended</u>
<u>Department of Homeland Security</u>			
Governors Department of Emergency Management	97.039	\$ 883,662	\$ 133,379
Governors Department of Emergency Management	97.039	2,064,635	223,710
Governors Department of Emergency Management	97.039	1,347,029	82,089
Governors Department of Emergency Management	97.039	209,185	21,945
Governors Department of Emergency Management DR422	97.036	27,846	27,846
Governors Department of Emergency Management DR424	97.036	-	-
Texas Dept. of Public Safety-DETCOG - SHSP/LETPA	97.067	19,824	19,824
		<u>4,552,181</u>	<u>508,793</u>
<u>Department of Housing and Urban Development</u>			
Texas Department of Rural Affairs	14.228	275,000	12,250
			<u>12,250</u>
<u>Department of Criminal Justice</u>			
Pass-Through Agency: Office of the Governor			
Violence Against Women WF-12-V30-25592-03	16.588	46,000	56,532
Violence Against Women WF-12-V30-25592-04	16.588	45,000	12,716
		<u>91,000</u>	<u>69,248</u>
<u>General Land Office</u>			
CDBG Disaster Recovery	14.218	1,184,949	-
CDBG Disaster Recovery	14.218	3,104,000	606,407
CDBG Disaster Recovery	14.218	50,000	9,000
		<u>3,154,000</u>	<u>615,407</u>
<u>Bereau of Justice Assistance</u>			
	16.607	4,021	-
			-
		Total Federal Money Expended	<u>\$ 1,205,698</u>

COUNTY OF NEWTON, TEXAS
 Schedule of State of Texas Expenditures
 For the Year Ended December 31, 2015

Schedule II

		<u>Grant I.D.</u>	<u>Amount of Award</u>	<u>Amount Expended</u>
Texas Comptroller	Texas Task Force on Indigent Defense	212-13-176	\$ 22,628	\$ 3,107
Texas Comptroller	Texas Task Force on Indigent Defense	212-14-176	16,406	16,406
Texas Comptroller	Texas Task Force on Indigent Defense	212-15-176	16,113	-
Texas Department of Agriculture	East Texas Support Services		15,000	15,000
Office of Attorney General	Texas SAVNS/VINE Program	1555309	7,133	5,350
Office of Attorney General	Texas SAVNS/VINE Program	1660281	7,133	1,783
Texas Dept of Transportation	County Transportation Infrastructure	CTIF-01-176	341,933	247,897
			<u>426,346</u>	<u>289,543</u>
			Total State Money Expended	<u>\$ 289,543</u>

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.

COUNTY OF NEWTON, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2015

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>
14.228	Department of Housing and Urban Development Texas General Land Office - CDBG
97.039	Department of Homeland Security Hazard Mitigation Grant

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

Auditee qualified as low-risk auditee? Yes No

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