

NEWTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended

December 31, 2013

NEWTON COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended December 31, 2013

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**INTRODUCTORY
SECTION**

**NEWTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2013
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 Arnold
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:

A.J. Satterwhite
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
Billie Lewis
Holton "Bubba" Johnson
Billy Rowles

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, each major fund, and the aggregate remaining fund information of County of Newton, Texas as of and for the year ended December 31, 2013, 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, 2013, 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 3–8 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, 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
June 27, 2014

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, 2013. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which follow this section.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of 2013 by \$20,624,408. Of this amount, \$9,231,565 is considered unrestricted. The unrestricted net position of the County's governmental activities are \$7,425,504 and may be used to meet the government's ongoing obligations.
- The County's total net position decreased by \$389,516 in 2013.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$6,787,679. Of this balance, \$6,687,202 is considered unreserved at December 31, 2013.
- The General Fund reported a fund balance of \$3,234,015 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$3,133,538 or 55.50% of total general expenditures (including transfers out).
- The County's total debt increased by \$145,984 during the current fiscal year. Debt was issued in the current fiscal year in the amount of \$508,740.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Notes to the Financial Statements. Combining statements can be found beginning on page 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 exceeded liabilities by \$20,624,408 at the close of the most recent fiscal year.

A portion of the County's net position, \$10,924,935 reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, equipment, and infrastructure), less any related debt used to acquire those assets that remain outstanding. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

	Net Position			
	2013	2012	2013	2012
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
Current and other assets	\$ 8,206,043	\$ 8,062,389	\$ 1,814,996	\$ 3,843,471
Capital assets	10,660,157	10,402,862	10,346,188	11,059,184
Total assets	18,866,200	18,465,251	12,161,184	14,902,655
Long-term liabilities	386,865	125,088	7,030,000	9,490,000
Other liabilities	517,176	662,411	2,468,935	772,266
Total liabilities	904,041	787,499	9,498,935	10,262,266
Net position:				
Invested in capital assets, net of related debt	10,068,747	9,957,336	856,188	1,569,184
Restricted	467,908	4,509,212	-	-
Unrestricted	7,425,504	3,211,204	1,806,061	3,071,205
	<u>\$ 17,962,159</u>	<u>\$ 17,677,752</u>	<u>\$ 2,662,249</u>	<u>\$ 4,640,389</u>

An additional portion of the County's net position, \$467,908 represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position \$9,231,565, 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			
	2013	2012	2013	2012
	Governmental Activities	Governmental Activities	Proprietary Activities	Proprietary Activities
REVENUES				
Charges for services	\$ 1,108,358	\$ 1,091,970	\$ 105,730	\$ 460,236
Operating grants and contributions	45,280	207,333	-	-
Capital Grants	2,892,263	2,817,494	-	-
General revenues:				
Property taxes	6,209,867	5,127,683	-	-
Miscellaneous	233,777	111,651	-	-
Interest income	19,667	25,752	1,562	1,752
Other	249,949	619,225		
Total Revenues	<u>10,759,161</u>	<u>10,001,108</u>	<u>107,292</u>	<u>461,988</u>
EXPENDITURES				
General government	3,215,129	2,676,509	-	-
Public safety & health	5,163,486	4,218,311	-	-
Public facilities	1,896,139	2,716,262	698,883	1,700,560
Conservation	28,123	39,002	-	-
Culture and Recreation	158,978	162,873	-	-
Interest on long-term debt	12,899	21,283	-	-
Total Expenditures	<u>10,474,754</u>	<u>9,834,240</u>	<u>698,883</u>	<u>1,700,560</u>
Excess of Revenues over Expenses	284,407	166,868	(591,591)	(1,238,572)
Transfers	-	65,645	-	(65,645)
Increase (decrease) in net position	<u>284,407</u>	<u>232,513</u>	<u>(591,591)</u>	<u>(1,304,217)</u>
Net position at beginning of year	<u>17,677,752</u>	<u>17,445,239</u>	<u>3,253,840</u>	<u>4,640,389</u>
Net Position End of Year	<u>\$ 17,962,159</u>	<u>\$ 17,677,752</u>	<u>\$ 2,662,249</u>	<u>\$ 3,336,172</u>

The government's total net position decreased by \$389,916 during the current fiscal year. The County's governmental activities increased due primarily to the efficient management of expenses and increased revenue from charges, interest and other revenue.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds - The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2013, the County's governmental funds reported combined ending fund balances of \$6,787,679 an increase of \$126,927 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, 2013 unreserved and total fund balance of the General Fund was \$3,234,015. 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 55.50% of total General Fund expenditures (including transfers out).

The fund balance of the General Fund increased by \$390,342 during 2013. It was budgeted at an increase of \$21,156 during this year. Therefore, this increase was a \$369,186 positive variance. Revenue had a positive variance of \$228,158 while expenditures had positive variance of \$991,996.

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2013, amounts to \$21,006,345 (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	9,609,302	10,046,188	19,655,490
	<u>\$ 10,660,157</u>	<u>\$ 10,346,188</u>	<u>\$ 21,006,345</u>

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

Long-term debt - At December 31, 2013, the County had \$10,081,410 total long-term debt outstanding of which \$2,664,545 was due within one year.

	DEBT OUTSTANDING	
	Governmental Activities	Business-Type Activities
Bonds Payable	\$ -	\$ 9,490,000
Notes Payable	591,410	-
	\$ 591,410	\$ 9,490,000

The County's total liabilities outstanding at December 31, 2013 increased by \$145,985 from December 31, 2012 because new debt of \$508,741 was issued and outstanding debt was paid. Additional information on the County's debt can be found in Note 3E, beginning on page 30.

Economic Factors and Next Year's Budgets and Rates

Unemployment is at 11.9 %; the tax rate for 2012-2013 year is reduced to \$0.576837. 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 2013 is similar to 2012.
- 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, 2013

Exhibit A

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 5,657,871	\$ 1,814,996	\$ 7,472,867
Receivables:			
Accounts Receivable	472,571	-	472,571
Property Taxes Receivable	1,652,530	-	1,652,530
Allowance for Uncollectible Taxes	(60,000)	-	(60,000)
Restricted Cash and Investments	467,908	-	467,908
Prepaid Expenses	15,163	-	15,163
Capital Assets	-	-	-
Land	1,050,855	300,000	1,350,855
Construction in Progress	-	-	-
Capital Assets - Net	9,609,302	10,046,188	19,655,490
Total Assets	18,866,200	12,161,184	31,027,384
<u>Liabilities</u>			
Accounts Payable	229,627	8,935	238,562
Accrued Payables	83,004	-	83,004
Notes Payable			
Due Within One Year	204,545	2,460,000	2,664,545
Due After One Year	386,865	7,030,000	7,416,865
Total Liabilities	904,041	9,498,935	10,402,976
<u>Net Position</u>			
Investment in Capital Assets- Net of Debt	10,068,747	856,188	10,924,935
Restricted	467,908	-	467,908
Unrestricted	7,425,504	1,806,061	9,231,565
Total Net Position	\$ 17,962,159	\$ 2,662,249	\$ 20,624,408

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

NEWTON COUNTY, TEXAS
 Statement of Activities
 For the year ended December 31, 2013

Functions-Programs	Expenses	Program Specific		Program Specific Capital Grants	Governmental		Business-Type Activities	Total
		Charges for Services	Operating Grants		Activities Total	Activities Total		
Governmental Activities:								
General Government	\$ 963,655	\$ -	\$ -	\$ -	\$ (963,655)	\$ -	\$ -	\$ (963,655)
Judicial	843,988	-	45,280	-	(798,708)	-	-	(798,708)
Legal	362,584	-	-	-	(362,584)	-	-	(362,584)
Financial Administration	529,039	-	-	-	(529,039)	-	-	(529,039)
Public Facilities	1,896,139	-	-	-	(1,896,139)	-	-	(1,896,139)
Public Safety	5,163,486	1,105,599	-	2,892,263	(1,165,624)	-	-	(1,165,624)
Health & Welfare	467,308	-	-	-	(467,308)	-	-	(467,308)
Conservation	28,123	2,759	-	-	(25,364)	-	-	(25,364)
Culture & Recreation	158,978	-	-	-	(158,978)	-	-	(158,978)
Miscellaneous	48,555	-	-	-	(48,555)	-	-	(48,555)
Interest on Long-term Debt	12,899	-	-	-	(12,899)	-	-	(12,899)
Total Governmental Activities:	10,474,754	1,108,358	45,280	2,892,263	(6,428,853)	-	-	(6,428,853)
Business-type Activities:								
Prison Facilities	\$ 698,883	\$ -	\$ -	\$ -	\$ -	\$ (698,883)	\$ (698,883)	\$ (698,883)
Total Business-type Activities	\$ 698,883	\$ -	\$ -	\$ -	\$ -	\$ (698,883)	\$ (698,883)	\$ (698,883)
General Revenues:								
Property Taxes		\$ 6,209,867	\$ -	\$ -	\$ 6,209,867	\$ -	\$ -	\$ 6,209,867
Intergovernmental		129,502	-	-	129,502	-	-	129,502
Miscellaneous		104,275	-	-	104,275	-	-	104,275
Interest		19,667	-	-	19,667	1,562	-	21,229
Other		249,949	-	-	249,949	105,730	-	355,679
Time Warrant Revenue		-	-	-	-	-	-	-
Transfers		-	-	-	-	-	-	-
Total General Revenues		6,713,260	107,292	-	6,820,552	-	-	6,820,552
Change in Net Position								
		284,407	(591,591)	-	(307,184)	-	-	(307,184)
Net Position at beginning of year		17,677,752	3,336,172	-	21,013,924	-	-	21,013,924
Prior Period Adjustment (See Note 5 - Exhibit J)		-	(82,332)	-	(82,332)	-	-	(82,332)
Net Position at end of year		17,962,159	2,662,249	-	20,624,408	-	-	20,624,408

NEWTON COUNTY, TEXAS
 Balance Sheet
 Governmental Funds
 December 31, 2013

Exhibit C

	5,10,98,99	20	46	68	70		
	General Fund	Road & Bridge General	Newton Co Hartford Ins	Hazard Mitigation Grant	Courthouse Emergency Grant	Total Non-Major Funds	Total Governmental Funds
<u>Assets</u>							
Cash and Cash Equivalents	\$ 2,745,059	\$ 96,897	\$ 1,149	\$ 359,883	\$ -	\$ 2,454,883	\$ 5,657,871
Investments	145,245	-	-	-	-	322,663	467,908
Prepaid Expenses	15,163	-	-	-	-	-	15,163
Property Taxes Receivable	1,652,530	-	-	-	-	-	1,652,530
Allowance for Uncollectible Taxes	(60,000)	-	-	-	-	-	(60,000)
Accounts Receivable	10,333	3,579	-	-	413,231	45,428	472,571
Total Assets	\$ 4,508,330	\$ 100,476	\$ 1,149	\$ 359,883	\$ 413,231	\$ 2,822,974	\$ 8,206,043
<u>Liabilities</u>							
Accounts Payable	100,477	1,108	-	-	-	128,042	229,627
Accrued Vacation/Comp Time	68,107	-	-	-	-	14,897	83,004
Deferred Revenue	1,105,731	-	-	-	-	-	1,105,731
Total Liabilities	1,274,315	1,108	-	-	-	142,939	1,418,362
<u>Fund Balances</u>							
Unassigned	3,133,538	99,369	1,149	359,883	413,231	2,680,032	6,687,202
Committed	100,477	-	-	-	-	-	100,477
Total Fund Balance	3,234,015	99,369	1,149	359,883	413,231	2,680,032	6,787,679
Total Liabilities and Fund Balances	\$ 4,508,330	\$ 100,477	\$ 1,149	\$ 359,883	\$ 413,231	\$ 2,822,971	\$ 8,206,041

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, 2013

Total Fund Balances of Governmental Funds		\$ 6,787,679
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,660,159	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(591,410)	
Other long term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds - Deferred Tax Revenue	<u>1,105,731</u>	
		<u>11,174,480</u>
Net Position of Governmental Activities- Exhibit A		<u><u>\$17,962,159</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, 2013

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	\$ 4,437,419	\$ 783,161	\$ -	\$ -	\$ -	\$ 989,287	\$ 6,209,867
Intergovernmental	14,839	-	-	-	-	114,663	129,502
Fines and Fees	489,062	543,510	-	-	-	73,027	1,105,599
Licenses and Permits	2,759	-	-	-	-	-	2,759
Miscellaneous	76,949	-	-	-	-	27,326	104,275
Interest	15,813	207	1	-	-	3,646	19,667
Other Revenue	67,778	2,558	-	-	-	179,613	249,949
Time Warrant Revenue	-	-	-	-	-	-	-
Grants	-	-	-	1,795,194	-	1,142,349	2,937,543
Total Revenue	5,104,619	1,329,436	1	1,795,194	-	2,529,911	10,759,161
Expenditures							
Current							
General Administration	398,331	317,705	-	-	-	50,105	766,141
Judicial	843,988	-	-	-	-	-	843,988
Legal	267,227	-	-	-	-	95,357	362,584
Financial Administration	529,039	-	-	-	-	-	529,039
Public Facilities	337,589	-	-	-	31,105	1,465,997	1,834,691
Public Safety	1,504,022	-	-	2,448,389	-	1,031,119	4,983,530
Health and Welfare	349,653	-	-	-	-	117,655	467,308
Conservation	158	-	-	-	-	27,965	28,123
Culture and Recreation	-	-	-	-	-	158,978	158,978
Miscellaneous	48,556	-	-	-	-	-	48,556
Debt Service	-	-	-	-	-	-	-
Principal Payment	6,065	-	-	-	-	153,630	159,695
Interest Expense	3,465	-	-	-	-	9,434	12,899
Capital Outlay	300,813	24,712	-	-	-	619,919	945,444
Total Expenditures	4,588,906	342,417	-	2,448,389	31,105	3,730,159	11,140,976
Excess (Deficiency) of Revenues Over (Under) Expenditures	515,713	987,019	1	(653,195)	(31,105)	(1,200,248)	(381,815)
Other Financing Sources							
Transfers In	1,012,207	12,239	-	-	63,402	1,356,538	2,444,386
Transfers (Out)	(1,239,685)	(930,000)	-	-	-	(274,701)	(2,444,386)
Issuance of Debt	102,107	-	-	-	-	406,634	508,741
Total Other Financing Sources	(125,371)	(917,761)	-	-	63,402	1,488,471	508,741
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	390,342	69,258	1	(653,195)	32,297	288,223	126,926
Fund Balance - Beginning of Year	2,843,673	30,111	1,149	1,013,077	380,934	2,391,809	6,660,753
Fund Balance - End of Year	\$ 3,234,015	\$ 99,369	\$ 1,150	\$ 359,882	\$ 413,231	\$ 2,680,032	\$ 6,787,679

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, 2013

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

Net change in fund balances - total governmental funds (Exhibit D) \$ 126,926

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	945,444	
Depreciation	(438,917)	
		506,527

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	(508,741)	
Payment of Principal	<u>159,695</u>	
		(349,046)

Change in Net Assets of Governmental Activities (Exhibit B)	<u><u>\$ 284,407</u></u>
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Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the year ended December 31, 2013

	Original Budget Original	Final Budget Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUE				
Taxes	\$ 4,280,974	\$ 4,280,974	\$ 4,437,419	\$ 156,445
Intergovernmental	15,000	15,000	14,839	(161)
Fines and Fees	476,000	476,000	489,062	13,062
Licenses & Permits	5,000	5,000	2,759	(2,241)
Miscellaneous	34,950	35,950	76,950	41,000
Interest	15,600	15,600	15,813	213
Other Revenue	8,000	47,937	67,777	19,840
Total Revenue	4,835,524	4,876,461	5,104,619	228,158
EXPENDITURES				
Current				
General Administration	889,953	851,548	398,331	453,217
Judicial	905,743	911,648	843,988	67,660
Legal	375,068	369,068	267,227	101,841
Financial Administration	560,770	560,770	529,039	31,731
Public Facilities	357,364	357,364	337,589	19,775
Public Safety	1,480,550	1,498,050	1,504,022	(5,972)
Health and Welfare	686,138	706,138	349,654	356,484
Conservation	460	460	158	302
Miscellaneous	100,000	100,000	48,556	51,444
Principal Payment	1,919	6,065	6,065	-
Interest Expense	567	3,465	3,465	-
Capital Outlay	162,770	216,327	300,813	(84,486)
TOTAL EXPENDITURES	5,521,302	5,580,903	4,588,907	991,996
Excess(Deficiency) of Rev Over(Under) Expenditures	(685,778)	(704,442)	515,712	1,220,154
Other Finance Sources(Uses)				
Issuance of Debt	-	-	102,107	102,107
Transfers In	2,486	37,346	1,012,207	974,861
Transfers Out	(580,785)	(575,825)	(1,239,685)	(663,860)
Total Other Finance Sources(Uses)	(578,299)	(538,479)	(125,371)	413,108
Excess(Deficiency) of Rev Over(Under) Expenses & Other Fin Sources(Uses)	(1,264,077)	(1,242,921)	390,341	1,633,262
Fund Balance - Beginning of Period	2,843,674	2,843,674	2,843,674	-
Fund Balance - End of Period	\$ 1,579,597	\$ 1,600,753	\$ 3,234,015	\$ 1,633,262

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

NEWTON COUNTY, TEXAS
Statement of Net Position - Proprietary Funds
December 31, 2013

Exhibit F

	Business-Type Activities Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	Total
<u>Assets</u>			
Current Assets			
Cash and Cash Equivalents	\$ 600,657	\$ 1,214,339	\$ 1,814,996
Investments	-	-	-
Accounts Receivables - Net of Allowances for Uncollectibles	-	-	-
Total Current Assets	<u>600,657</u>	<u>1,214,339</u>	<u>1,814,996</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>600,657</u>	<u>11,560,527</u>	<u>12,161,184</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts Payable	8,935	-	8,935
Bonds Payable - Current Portion	-	2,460,000	2,460,000
Total Current Liabilities	<u>8,935</u>	<u>2,460,000</u>	<u>2,468,935</u>
Long-Term Liabilities			
Bonds Payable - Noncurrent Portion	-	7,030,000	7,030,000
Total Long-term Liabilities	<u>-</u>	<u>7,030,000</u>	<u>7,030,000</u>
Total Liabilities	<u>8,935</u>	<u>9,490,000</u>	<u>9,498,935</u>
<u>Net Position</u>			
Invested in Capital Assets	-	856,188	856,188
Unrestricted	591,722	1,214,339	1,806,061
Total Net Position	<u>\$ 591,722</u>	<u>\$ 2,070,527</u>	<u>\$ 2,662,249</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, 2013

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	-	60,000	60,000
Depreciation	-	23,979	23,979
Insurance	-	25,171	25,171
Trust Fees	-	10,800	10,800
Operating Expense	132,394	66,939	199,333
Bond Interest	-	379,600	379,600
Total Operating Expenses	132,394	566,489	698,883
Operating Income (Loss)	(132,394)	(566,489)	(698,883)
<u>Nonoperating Revenues (Expenditures)</u>			
Interest Income	1,089	473	1,562
Miscellaneous Income (Expenses)	105,730	-	105,730
Total Nonoperating Revenues (Expenses)	106,819	473	107,292
Change in Net Position	(25,575)	(566,016)	(591,591)
Total Net Position at Beginning of Year	617,297	2,718,875	3,336,172
Prior Period Adjustment (See Note 5 - Exhibit J)	-	(82,332)	(82,332)
Total Net Position at End of Year	\$ 591,722	\$ 2,070,527	\$ 2,662,249

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, 2013

Exhibit H

	Business-Type Activities		Total
	Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	
Cash Flows From Operating Activities			
Receipts from customers	\$ 371,565	\$ -	\$ 371,565
Payment for goods and services	(899,121)	(542,510)	(1,441,631)
Net cash provided (used) by operating activities	(527,556)	(542,510)	(1,070,066)
Cash Flows from Non-Capital Financing Sources (Uses)			
Miscellaneous	-	-	-
Transfers	-	-	-
Cash Flows from Capital and Related Financing Activities			
Interest payments	-	-	-
Principal payments	-	-	-
Cash Flows from Investing Activities			
Interest income	1,089	473	1,562
(Purchase)/Sale of capital assets	429,552	-	429,552
(Purchase)/Sale of investments	231,799	-	231,799
Net Increase(Decrease) in Cash and Cash Equivalents	134,884	(542,037)	(836,705)
Cash and Cash Equivalents at			
Beginning of Year	465,773	1,756,376	
Unrestricted cash and cash equivalents	-	-	-
Restricted cash	-	-	-
	465,773	1,756,376	-
Cash and Cash Equivalents at			
End of year			
Unrestricted cash and cash equivalents	600,657	1,214,339	1,814,996
Restricted cash	-	-	-
	600,657	1,214,339	1,814,996
Reconciliation of Operating Income (Loss) to Net Cash			
Provided (Used) by Operating Activities			
Operating income (loss) adjustments	(132,394)	(566,489)	(698,883)
Depreciation	-	23,979	23,979
Bond discount accretion	-	-	-
(Increase) decrease in receivable	371,565	-	371,565
Increase (decrease) in payables	(766,727)	-	(766,727)
	\$ (527,556)	\$ (542,510)	\$ (1,070,066)
Interest paid	-	\$ 379,600	\$ 379,600

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

NEWTON COUNTY, TEXAS
Statement of Net Position
Fiduciary Funds
December 31, 2013

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
Assets								
Cash	\$ 734	\$34,011	\$243,338	\$ 62,061	\$ 9,952	\$169,995	\$ 774,765	\$1,294,856
Total Assets	<u>734</u>	<u>34,011</u>	<u>243,338</u>	<u>62,061</u>	<u>9,952</u>	<u>169,995</u>	<u>774,765</u>	<u>1,294,856</u>
Liabilities								
Liabilities								
Payable to Newton County Beneficiaries	734	34,011	243,338	62,061	9,952	169,995	774,765	-
Total Liabilities	<u>734</u>	<u>34,011</u>	<u>243,338</u>	<u>62,061</u>	<u>9,952</u>	<u>169,995</u>	<u>774,765</u>	<u>1,294,856</u>
Fiduciary Net Position	<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, 2013

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. It is expected that the Newton County Facilities Corporation will not be able to service the principal payments to the Bondholders and will not have the funds to continue to service the interest past the early part of 2014. The remaining amount of bonds outstanding is \$9,490,000.

Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The fiduciary fund types are used to account for assets held by a government unit in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

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, 2013 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 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, 2013 no funds had deficit fund balances.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits

The carrying amount of the County's deposits as of December 31, 2013 were \$6,258,528, and the bank balances were \$6,718,338. Of the bank balance, \$ 250,000 was covered by FDIC insurance and up to \$30,314,615 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, \$1,130,535 are in certificates of deposits and money market accounts with Investment Center of America and Orange Savings Bank and \$161,321 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, 2013 for the governmental funds of the County:

		<u>General</u>		<u>Road & Bridge</u>		<u>Other</u>		<u>Total</u>
Property taxes	\$	1,652,530	\$	-	\$	-	\$	1,652,530
Accounts		10,333		3,579		458,659		472,571
		<u>1,662,863</u>		<u>3,579</u>		<u>458,659</u>		<u>2,125,101</u>
Allowance for Uncollectibles		(60,000)		-		-		(60,000)
	\$	<u><u>1,602,863</u></u>	\$	<u><u>3,579</u></u>	\$	<u><u>458,659</u></u>	\$	<u><u>2,065,101</u></u>

Receivables for the Business-Type Enterprise Funds:

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

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

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

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

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

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

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

Property Tax Levy - the County's maximum legal rate is \$.699220 per \$100.00 valuation. The 2012-2013 tax rate was \$.591349 per \$100.00 valuation assessed at 100% of market value.

Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

Governmental Activities:

<u>Asset</u>	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Life</u>
Land	\$ 1,050,855	\$ -	\$ -	\$ 1,050,855	N/A
Buildings	16,896,833	24,550	-	16,921,383	50
Equipment	4,782,076	680,982	366,232	5,096,826	7
Infrastructure	17,562,021	-	-	17,562,021	40
	<u>\$ 40,291,785</u>	<u>\$ 705,532</u>	<u>\$ 366,232</u>	<u>\$ 40,631,085</u>	
<u>Accumulated Depreciation</u>				<u>Ending</u>	<u>Book</u>
	<u>Prior</u>	<u>Additions</u>	<u>Deletions</u>	<u>A/D</u>	<u>Value</u>
Land	\$ -	\$ -	\$ -	\$ -	\$ 1,050,855
Buildings	10,372,473	43,609	-	10,416,082	6,505,301
Equipment	3,181,942	364,321	356,913	3,189,350	1,907,476
Infrastructure	16,334,508	30,688	-	16,365,196	11,968,25
	<u>\$ 29,888,923</u>	<u>\$ 438,618</u>	<u>\$ 356,913</u>	<u>\$ 29,970,628</u>	<u>10,660,457</u>

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

General Government	\$ 218,763
Public Safety	197,965
Public Facilities	<u>53,113</u>
Total Depreciation Expense	<u>\$ 482,843</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	\$ 1,079,416	\$ -	\$ 1,079,416	\$ -
Less Accumulated depreciation	647,652	-	647,652	-
Total	\$ 431,764	\$ -	\$ 431,764	\$ -

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	2,521,308	23,985	-	2,545,293
Total	\$ 10,370,173	\$ (23,985)	\$ -	\$ 10,346,188

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, 2013.

Description	Interest Rate	Beginning		Principal Payments	Interest Payments	Other Adjustments	Ending Balance 12/31/2013
		Balance 1/1/2013	Debt Issuance				
Grader	3.75%	\$ 93,014	\$ -	\$ -	\$ -	\$ 93,014	\$ -
Grader	4.50%	110,000	-	-	-	110,000	-
Sharp Copier	6.10%	1,502	-	1,008	200	-	494
Sharp Copier	6.10%	2,335	-	1,617	382	-	718
Sharp Copier	6.10%	1,859	-	553	280	-	1,306
Sharp Copier	6.10%	2,603	-	809	413	-	1,794
Tractor/Mower	4.50%	22,420	-	22,420	976	-	-
Tractor/Mower	4.24%	47,676	-	23,316	2,134	-	24,360
Tractor/Mower	4.24%	47,676	-	23,316	2,134	-	24,360
Sharp Copier	6.10%	4,866	-	1,215	321	-	3,651
John Deere Tractor	2.50%	37,227	-	18,377	960	-	18,850
Volvo Grader	2.61%	74,200	-	24,097	1,943	-	50,103
Sharp Copier - Judge	6.10%	-	5,885	965	790	-	4,920
Sharp Copier - Clerk	6.10%	-	6,539	822	678	-	5,717
Sharp Copier - Sherriff	6.10%	-	10,462	1,246	1,064	-	9,216
Sharp Copier - Library	6.10%	-	6,538	725	625	-	5,813
Kubota tractor/blade	4.24%	-	45,700	-	-	-	45,700
Motor - Grader	3.20%	-	240,000	-	-	-	240,000
Mack Trucj	2.85%	-	114,395	39,208	-	-	75,187
TAC - Software	3.23%	-	79,221	-	-	-	79,221
		\$ 445,378	\$ 508,740	\$ 159,694	\$ 12,900	\$ 203,014	\$ 591,410

Debt services requirements to maturity are as follows:

Year	Principal	Interest	Total
2014	\$ 25,134	\$ 3,375	\$ 28,509
2015	25,939	2,571	28,510
2016	26,768	1,741	28,509
2016 to maturity	513,569	26,100	539,669
	<u>\$ 591,410</u>	<u>\$ 33,787</u>	<u>\$ 625,197</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
2013	\$ 1,575,000	\$ 1,395,000	\$ 2,970,000
2014	885,000	597,800	1,482,800
2015	955,000	524,200	1,479,200
2016	1,030,000	444,800	1,474,800
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	\$ 1,012,207	\$ 1,239,686
Road & Bridge - General	12,239	930,000
Road & Bridge Pct. 1	259,787	-
Road & Bridge Pct.2	241,040	-
Road & Bridge Pct. 3	279,658	-
Road & Bridge Pct. 4	215,000	-
VAW Grant	5,500	-
Commissioners Special Pct. 1	25,000	-
Commissioners Special Pct. 2	25,000	-
Commissioners Special Pct. 3	25,000	-
Commissioners Special Pct. 4	48,396	-
Courthouse Rest Fund	-	63,402
Solid Waste Disposal	70,000	-
Voter Registration	38,500	-
Law Library	1,025	-
Library	98,550	-
Historical Operating	11,249	-
Homeland Security Grant	-	27,290
Courthouse Emergency Grant	63,402	-
TDRA Grant	-	525
Technology Fund	833	-
Civic Center	12,000	-
Federal Forest Fund	-	12,239
Debt Service	-	171,244
	\$ 2,444,386	\$ 2,444,386

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

NOTE 4 - Other Information

Risk Management and Litigation

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

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

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

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

Commitments and Contingencies

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

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

Pension Plans

Plan Description:

The County provides retirement, disability, and death benefits for all of its full time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of statewide agent multiple-employer public employee retirement system consisting of 574 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

Funding Policy:

The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (or) 8.0% investment rate of return (net of administrative expense), and (b) projected salary increase of 4.9%. Both (a) and (b) include an inflation rate of 3%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over ten year period. The intended actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 20 years.

Funded Status and Funding Progress:

As of December 31, 2013, the most recent actuarial date, the plan was 91.47% funded. The actuarial accrued liability for benefits was \$6,575,093, and the actuarial value of assets was \$6,014,178 resulting in an unfunded actuarial liability (UAAL) of \$560,915. The covered payroll (annual payroll of active employees covered by the plan) was \$2,695,144, and the ratios of the UAAL to the covered payroll was 20.81%.

County of Newton		
Schedule of Actuarial Liabilities and Funding Progress		
		12/31/2013
Actuarial Valuation Date		12/31/2013
Actuarial Value of Assets (A)	\$ 6,014,178	
Actuarial Accrued Liability (B)	\$ 6,575,093	
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL) (D) = (B)-(A)	\$ 560,915	
Percentage Funded (C) = (A)/(B)		91.47%
Annual Covered Payroll (E)	\$ 2,695,144	
UAAL as a Percentage of Covered Payroll (D)/(E)		20.81%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	
Annual Pension Cost:		
Annual Required Contribution (ARC) (F)	\$ 184,896	
Contributions Made (F)	\$ 184,896	
NPO at the end of the period	\$ -	

Actuarial Assumptions		
Actuarial Cost Method		Entry Age Actuarial Cost Method
Amortization Method		Level Percent of Payroll
Remaining Amortization Period		20 Years
Asset Valuation Method		10-year Smoothed Value
(to accurately reflect the requirements of GASB statement, No. 25, paragraphs 36e and 138)		
Investment Rate of Return		8%
Projected Salary Increases		4.90%
Includes Inflation At		3.50%
Cost-of-Living Adjustments	None	

NOTE 5 – Restatement of Net Position from Prior Year

The County adopted GASB 65, which required that debt issuance costs be expensed rather than capitalized. Accordingly, the net position has been lowered by the (\$82,332) unamortized portion of debt issuance costs at December 31, 2013.

The result is as follows:

Net Position at June 30, 2012	\$ 3,336,172
Less prior period adjustment	<u>(82,332)</u>
Net Position at June 30, 2012, restated	<u>\$ 3,253,840</u>

NOTE 6 – Subsequent Events

Events occurring subsequent to December 31, 2013 were evaluated by management and reviewed through June 27, 2014, the date of report issuance, with one significant item reported.

A Claim was asserted by a former employee of the County, resulting in mediation. A settlement was reached and an amount not material to these financial statements was paid in January, 2014.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

NEWTON COUNTY, TEXAS
 Required Supplemental Information
 Schedule of Funding Progress of the Retirement Plan for Employees
 For the year ended December 31, 2013

Exhibit K

(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2003	\$ 3,123,173	\$ 3,115,879	\$ (7,294)	100.23%	\$ 1,578,843	-0.46%
12/31/2004	\$ 2,977,949	\$ 3,031,834	\$ 53,885	98.22%	\$ 1,851,964	2.91%
12/31/2005	\$ 3,358,385	\$ 3,385,421	\$ 27,036	99.20%	\$ 1,914,684	1.41%
12/31/2006	\$ 3,869,824	\$ 3,850,415	\$ (19,409)	100.50%	\$ 2,046,300	-0.95%
12/31/2007	\$ 4,341,919	\$ 4,317,249	\$ (24,670)	100.57%	\$ 2,091,900	-1.18%
12/31/2008	\$ 4,136,726	\$ 4,508,268	\$ 371,542	91.76%	\$ 2,312,322	16.07%
12/31/2009	\$ 4,785,761	\$ 5,171,412	\$ 385,651	92.54%	\$ 2,451,383	15.73%
12/31/2010	\$ 5,262,536	\$ 5,695,451	\$ 432,915	92.40%	\$ 2,641,403	16.39%
12/31/2011	\$ 5,419,527	\$ 5,986,216	\$ 566,689	90.53%	\$ 2,684,362	21.11%
12/31/2012	\$ 5,660,408	\$ 6,283,733	\$ 623,325	90.08%	\$ 2,751,126	22.66%
12/31/2013	\$ 6,014,178	\$ 6,575,093	\$ 560,915	91.47%	\$ 2,695,144	20.81%

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

NON-MAJOR GOVERNMENTAL
FUNDS

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2013

Exhibit L

	14	15	19	21	22	23	24	25	29	30	31	32
	Prison Guard Detail	Indigent Defense Grant	District Attorney State Fund	Road & Bridge Pct 1	Road & Bridge Pct 2	Road & Bridge Pct 3	Road & Bridge Pct 4	Courthouse Security	VAW Grant	Right Of Way	Commissioner Spec Pct 1	Commissioner Spec Pct 2
Assets												
Cash and Cash Equivalents	\$ 4,660	\$ 9,725	\$ 16,063	\$ 327,417	\$ 82,084	\$ 107,853	\$ 278,647	\$ 58,428	\$ 1,488	\$ 39,131	\$ 221,194	\$ 66,725
Investments	15,120	-	-	33,058	-	-	-	51,749	-	170,988	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	354	296
Total Assets	\$ 19,780	\$ 9,725	\$ 16,063	\$ 360,475	\$ 82,084	\$ 107,853	\$ 278,647	\$ 110,177	\$ 1,488	\$ 210,119	\$ 221,548	\$ 67,021
Liabilities												
Accounts Payable	-	-	13	769	1,183	1,094	1,499	21	149	-	12,611	10,444
Accrued Vacation/Comp Time	-	-	-	570	4,652	1,499	7,395	-	-	-	-	-
Total Liabilities	-	-	13	1,339	5,835	2,593	8,894	21	149	-	12,611	10,444
Fund Balance												
Unassigned	19,780	9,725	16,050	359,136	76,249	105,260	269,753	110,156	1,339	210,119	208,937	56,577
Total Fund Balance	19,780	9,725	16,050	359,136	76,249	105,260	269,753	110,156	1,339	210,119	208,937	56,577
Total Liabilities and Fund Balance	\$ 19,780	\$ 9,725	\$ 16,063	\$ 360,475	\$ 82,084	\$ 107,853	\$ 278,647	\$ 110,177	\$ 1,488	\$ 210,119	\$ 221,548	\$ 67,021

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2013

Exhibit L

	33	34	35	36	37	38	39	40	41	42	43	44
	Commissioner Spec Pct 3	Commissioner Spec Pct 4	TCDP Grant	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4
Assets												
Cash and Cash Equivalents	\$ 107,882	\$ 244,827	\$ -	\$ 37,451	\$ 46,890	\$ 35,147	\$ 100,180	\$ 93,542	\$ 10,969	\$ 19,158	\$ 15,522	\$ 46,128
Investments	-	-	-	-	-	-	-	51,748	-	-	-	-
Accounts Receivable	296	296	-	42	42	42	42	-	-	-	-	-
Total Assets	\$ 108,178	\$ 245,123	\$ -	\$ 37,493	\$ 46,932	\$ 35,189	\$ 100,222	\$ 145,290	\$ 10,969	\$ 19,158	\$ 15,522	\$ 46,128
Liabilities												
Accounts Payable	5,279	26,739	-	483	-	-	-	18,444	-	-	-	-
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	5,279	26,739	-	483	-	-	-	18,444	-	-	-	-
Fund Balance												
Unassigned	102,898	218,384	-	37,010	46,932	35,189	100,222	126,846	10,969	19,158	15,522	46,128
Total Fund Balance	102,898	218,384	-	37,010	46,932	35,189	100,222	126,846	10,969	19,158	15,522	46,128
Total Liabilities and Fund Balance	\$ 108,177	\$ 245,123	\$ -	\$ 37,493	\$ 46,932	\$ 35,189	\$ 100,222	\$ 145,290	\$ 10,969	\$ 19,158	\$ 15,522	\$ 46,128

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2013

Exhibit L

	45	47	48	49	50	51	52	53	55	56	58	59
	Courthouse Restoration	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
Assets												
Cash and Cash Equivalents	\$ 1,392	\$ 1,119	\$ 51,342	\$ 4,666	\$ 156,037	\$ 1,222	\$ 1,506	\$ 26,602	\$ 2,956	\$ 19,991	\$ 2,097	\$ 19,995
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	3,228	75	-	83	-	-	403	-
Total Assets	\$ 1,392	\$ 1,119	\$ 51,342	\$ 4,666	\$ 159,265	\$ 1,297	\$ 1,506	\$ 26,685	\$ 2,956	\$ 19,991	\$ 2,500	\$ 19,995
Liabilities												
Accounts Payable	-	-	-	-	2,049	63	204	943	191	14	143	-
Accrued Vacation/Comp Time	-	-	-	-	-	781	-	-	-	-	-	-
Total Liabilities	-	-	-	-	2,049	844	204	943	191	14	143	-
Fund Balance												
Unassigned	1,392	1,119	51,342	4,666	157,216	453	1,302	25,742	2,765	19,977	2,357	19,995
Total Fund Balance	1,392	1,119	51,342	4,666	157,216	453	1,302	25,742	2,765	19,977	2,357	19,995
Total Liabilities and Fund Balance	\$ 1,392	\$ 1,119	\$ 51,342	\$ 4,666	\$ 159,265	\$ 1,297	\$ 1,506	\$ 26,685	\$ 2,956	\$ 19,991	\$ 2,500	\$ 19,995

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2013

Exhibit L

	60	64	66	67	77	80	88	92	93	97	Total
	Hotel Fund	Homeland Security	Records Management	Pretrial Diversion	Tx/SAVNS/Vine Grant	Civic Center Operations	State Fee Account	Justice Court Technology	Federal Forest Fund	Debt Service	Nonmajor Governmental Funds
Assets											
Cash and Cash Equivalents	\$ 16,201	\$ -	\$ 4,991	\$ 4,002	\$ -	\$ 7,770	\$ 44,102	\$ 24,554	\$ -	\$ 93,227	\$ 2,454,883
Investments	-	-	-	-	-	-	-	-	-	-	322,663
Accounts Receivable	-	-	-	-	-	407	-	-	15,719	24,103	45,428
Total Assets	\$ 16,201	\$ -	\$ 4,991	\$ 4,002	\$ -	\$ 8,177	\$ 44,102	\$ 24,554	\$ 15,719	\$ 117,330	\$ 2,822,974
Liabilities											
Accounts Payable	650	-	18	-	-	937	44,102	-	-	-	128,042
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-	14,897
Total Liabilities	650	-	18	-	-	937	44,102	-	-	-	142,939
Fund Balance											
Unassigned	15,551	-	4,973	4,002	-	7,240	-	24,554	15,719	117,330	2,680,034
Total Fund Balance	15,551	-	4,973	4,002	-	7,240	-	24,554	15,719	117,330	2,680,034
Total Liabilities and Fund Balance	\$ 16,201	\$ -	\$ 4,991	\$ 4,002	\$ -	\$ 8,177	\$ 44,102	\$ 24,554	\$ 15,719	\$ 117,330	\$ 2,822,973

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2013

	14	15	19	21	22	23	24	25	29	30
Prison Guard Detail	Indigent Defense Grant	Dist. Attny State Fund	Road & Bridge Pct 1	Road & Bridge Pct 2	Road & Bridge Pct 3	Road & Bridge Pct 4	Courthouse Security	VAW Grant	Right of Way	
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Taxes	-	-	27,500	-	-	-	-	-	-	
Intergovernmental	-	-	-	-	-	-	12,292	-	-	
Fines and Fees	-	-	-	-	-	-	-	-	-	
Miscellaneous	-	-	7,545	-	-	-	-	-	-	
Interest	17	-	8	58	57	133	217	4	1,472	
Other Revenue	-	-	-	40,000	-	107,585	-	-	-	
Grants	-	14,294	-	-	-	-	-	44,094	-	
Total Revenue	17	14,294	27,508	7,906	40,058	57	107,718	12,509	44,098	1,472
Expenditures										
Current										
General Administration	-	-	-	-	-	-	-	-	-	
Judicial	-	-	-	-	-	-	-	-	-	
Legal	-	8,386	19,771	-	-	-	-	48,371	-	
Public Facilities	-	-	-	135,606	250,718	168,329	172,130	1,961	-	
Public Safety	-	-	-	-	-	-	-	-	-	
Health and Welfare	-	-	-	-	-	-	-	-	-	
Conservation	-	-	-	-	-	-	-	-	-	
Culture and Recreation	-	-	-	-	-	-	-	-	-	
Debt Service	-	-	-	-	-	-	-	-	-	
Principle Payment	-	-	-	41,693	24,097	62,525	-	-	-	
Interest Expense	-	-	-	3,094	1,943	2,134	-	-	-	
Capital Outlay	-	-	-	8,550	-	35,391	66,989	-	-	
Total Expenditures	-	8,386	19,771	188,943	276,758	268,379	239,119	1,961	48,371	
Excess (Deficiency) of Revenues Over (Under) Expenditures	17	5,908	7,737	(181,037)	(236,700)	(268,322)	(131,401)	10,548	(4,273)	1,472
Other Financing Sources (Uses)										
Transfers In (Out)	-	-	-	259,787	241,040	279,658	215,000	-	5,500	
Transfers In (Out)	-	-	-	-	-	-	-	-	-	
Issuance of Debt	-	-	-	-	-	114,395	-	-	-	
Total Other Financing Sources (Uses)	-	-	-	259,787	241,040	279,658	215,000	-	5,500	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	17	5,908	7,737	78,750	4,340	11,336	83,599	10,548	1,227	1,472
Fund Balance beginning of year	19,763	3,817	8,313	280,386	71,909	93,923	186,145	99,607	111	208,646
Fund Balance end of year	\$ 19,780	\$ 9,725	\$ 16,050	\$ 359,136	\$ 76,249	\$ 105,259	\$ 269,744	\$ 110,155	\$ 1,338	\$ 210,118

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2013

	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	\$ 161,159	\$ 161,159	\$ 161,159	\$ 161,159	\$ -	\$ 23,023	\$ 23,023	\$ 23,023	\$ 23,023	\$ -	\$ 6,969
Taxes	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	-	-	32,202	-
Miscellaneous	6,600	-	-	-	-	-	-	-	-	-	-
Interest	160	63	109	162	-	24	30	27	68	230	6
Other Revenue	1,110	-	-	114	-	-	-	-	-	-	-
Grants	-	-	-	-	2,540	-	-	-	-	-	-
Total Revenue	169,029	161,222	161,268	161,435	2,540	23,047	23,053	23,050	23,091	32,432	6,975
Expenditures											
Current											
General Administration	-	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	167,061	154,946	180,404	144,504	2,540	16,689	19,791	15,996	23,260	-	10,055
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	15,726	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	22,420	-	-	-	-	-	-	-
Interest Expense	-	-	-	976	-	-	-	-	-	-	-
Capital Outlay	7,000	14,271	10,688	18,614	-	-	-	-	-	18,444	-
Total Expenditures	174,061	169,217	191,092	186,514	2,540	16,689	19,791	15,996	23,260	34,170	10,055
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,032)	(7,995)	(29,824)	(25,079)	-	6,358	3,262	7,054	(169)	(1,738)	(3,080)
Other Financing Sources (Uses)											
Transfers In (Out)	25,000	25,000	25,000	48,396	-	-	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	285,700	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	25,000	25,000	25,000	48,396	-	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	19,968	17,005	(4,824)	23,317	-	6,358	3,262	7,054	(169)	(1,738)	(3,080)
Fund Balance beginning of year	188,969	39,573	107,723	195,067	-	30,652	43,670	28,135	100,391	128,585	14,048
Fund Balance end of year	\$ 208,937	\$ 56,578	\$ 102,899	\$ 218,384	\$ -	\$ 37,010	\$ 46,932	\$ 35,189	\$ 100,222	\$ 126,847	\$ 10,968

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2013

	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 Tooker Grant	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library
Revenue	\$ 6,969	\$ 6,969	\$ 6,969	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	57,098	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	8,199	-	-	-	4,420	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	8,319
Interest	9	6	24	3	1	29	-	86	13	1	44
Other Revenue	-	-	-	-	-	-	-	2,831	250	-	7,322
Grants	-	-	-	-	-	-	5,000	15,465	-	-	7,500
Total Revenue	6,978	6,975	6,993	3	1	8,228	5,000	75,480	263	4,421	23,185
Expenditures											
Current											
General Administration	-	-	-	-	-	-	-	-	38,293	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	5,812	-
Public Facilities	2,007	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	5,475	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	117,655	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	2,612	-	-	-	112,407
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	-	-	-	725
Interest Expense	-	-	-	-	-	-	-	-	-	-	625
Capital Outlay	-	-	-	-	-	-	-	11,520	-	-	500
Total Expenditures	2,007	-	-	-	-	5,475	2,612	129,175	38,293	5,812	114,257
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,971	6,975	6,993	3	1	2,753	2,388	(53,695)	(38,030)	(1,391)	(91,072)
Other Financing Sources (Uses)											
Transfers In (Out)	-	-	-	-	-	-	-	70,000	38,500	1,025	98,550
Transfers In (Out)	-	-	-	(63,402)	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	(63,402)	-	-	-	-	-	-	6,539
Total Other Financing Sources (Uses)	-	-	-	(63,402)	-	-	-	70,000	38,500	1,025	98,550
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	4,971	6,975	6,993	(63,399)	1	2,753	2,388	16,305	470	(366)	7,478
Fund Balance beginning of year	14,186	8,547	39,135	64,791	1,118	48,589	2,278	140,910	(16)	1,667	18,264
Fund Balance end of year	\$ 19,157	\$ 15,522	\$ 46,128	\$ 1,392	\$ 1,119	\$ 51,342	\$ 4,666	\$ 157,215	\$ 454	\$ 1,301	\$ 25,742

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2013

	55	56	58	59	60	63	64	66	67	75	76
Historical Operating	Historical Book Fund	Historical Book Fund	Dist Attny Hot Ck Fund	Dist Attny Contraband	Powell Hotel Fund	Victims Coord. Grant	Homeland Security Grant	Records Management	Pretrial Diversion	HAVA Grant	TDRA Grant
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	1,644	3,000	-	-
Miscellaneous	228	-	-	4,634	-	-	-	-	-	-	-
Interest	17	81	1	12	-	-	1	6	2	-	-
Other Revenue	2,603	7,655	1,352	-	4,640	-	-	-	-	-	-
Grants	-	-	-	-	-	-	27,286	-	-	-	1,026,170
Total Revenue	2,848	7,736	1,353	4,646	4,640	-	27,287	1,650	3,002	-	1,026,170
Expenditures											
Current											
General Administration	-	-	-	-	-	-	-	11,812	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	264	4,000	-	-	-	-	-	-	-
Public Facilities	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	1,025,644
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	14,145	10,995	-	-	5,092	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	1,617	-	-	-	-	-	-	-	-	-	-
Interest Expense	382	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	21,318	-	-	-	-	-	-	-
Total Expenditures	16,144	10,995	264	25,318	5,092	-	-	11,812	-	-	1,025,644
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,296)	(3,259)	1,089	(20,672)	(452)	-	27,287	(10,162)	3,002	-	526
Other Financing Sources (Uses)											
Transfers In (Out)	11,249	-	-	-	-	-	-	-	-	-	-
Transfers In (Out)	-	-	-	-	(27,290)	-	-	-	-	-	(526)
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	11,249	-	-	-	(27,290)	-	-	-	-	-	(526)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,047)	(3,259)	1,089	(20,672)	(452)	-	(3)	(10,162)	3,002	-	-
Fund Balance beginning of year	4,812	23,236	1,269	40,666	16,003	-	3	15,135	1,000	-	-
Fund Balance end of year	\$ 2,765	\$ 19,977	\$ 2,358	\$ 19,994	\$ 15,551	\$ -	\$ -	\$ 4,973	\$ 4,002	\$ -	\$ -

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2013

	77	72	80	92	93	97	Total
	TxSAVNS/ Vine Grant	FEMA Grants	Civic Center Operations	Justice Court Technology	Federal Forest Fund	Debt Service	Nonmajor Governmental Fund
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224,683	\$ 989,287
Taxes	-	-	-	-	30,065	-	114,663
Intergovernmental	-	-	-	11,270	-	-	73,027
Fines and Fees	-	-	-	-	-	-	27,326
Miscellaneous	-	-	8	11	-	85	3,646
Interest	-	-	4,151	-	-	-	179,613
Other Revenue	-	-	-	-	-	-	1,142,349
Grants	-	-	4,159	11,281	30,065	224,768	2,529,911
Total Revenue	-	-	4,159	11,281	30,065	224,768	2,529,911
Expenditures							
Current							
General Administration	-	-	-	-	-	-	50,105
Judicial	-	-	-	-	-	-	-
Legal	-	-	-	8,753	-	-	95,357
Public Facilities	-	-	-	-	-	-	1,465,997
Public Safety	-	-	-	-	-	-	1,031,119
Health and Welfare	-	-	-	-	-	-	117,655
Conservation	-	-	-	-	12,239	-	27,965
Culture and Recreation	-	-	13,737	-	-	-	158,988
Debt Service	-	-	-	-	-	-	-
Principle Payment	-	-	-	553	-	-	153,630
Interest Expense	-	-	-	280	-	-	9,434
Capital Outlay	-	-	-	-	-	-	213,285
Total Expenditures	-	-	13,737	9,586	12,239	-	3,323,535
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(9,578)	1,695	17,826	224,768	(793,624)
Other Financing Sources (Uses)							
Transfers In (Out)	-	-	12,000	833	-	-	1,356,538
Transfers In (Out)	-	-	-	-	(12,239)	(171,244)	(274,701)
Issuance of Debt	-	-	-	-	-	-	406,634
Total Other Financing Sources (Uses)	-	-	12,000	833	(12,239)	(171,244)	1,488,471
Excess (Deficiency) of Revenues and Other Financial Sources Over (Under) Expenditures and Other Financing Uses	-	-	2,422	2,528	5,587	53,524	694,847
Fund Balance beginning of year	-	-	4,819	22,025	10,133	63,805	2,391,808
Fund Balance end of year	\$ -	\$ -	\$ 7,241	\$ 24,553	\$ 15,720	\$ 117,329	\$ 3,086,655

SINGLE AUDIT SECTION



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Newton, Texas's major federal programs for the year ended December 31, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2013.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, A.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
June 27, 2014



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, each major fund, and the aggregate remaining fund information of County of Newton, Texas, as of and for the year ended December 31, 2013, 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 June 27, 2014.

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
June 27, 2014

COUNTY OF NEWTON, TEXAS
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2013

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	\$ 2,763,662	\$ -
Governors Department of Emergency Management	97.039	883,662	831,706
Governors Department of Emergency Management	97.039	2,064,635	1,066,067
Governors Department of Emergency Management	97.039	1,347,029	550,616
Texas Dept. of Public Safety-DETCOG - SHSP	97.073	135,967	-
Texas Dept. of Public Safety-DETCOG - LETPA	97.073	40,937	-
		<u>7,235,892</u>	<u>2,448,389</u>
<u>Department of Housing and Urban Development</u>			
Texas Department of Rural Affairs	14.228	<u>250,000</u>	<u>2,540</u>
<u>Department of Criminal Justice</u>			
Pass-Through Agency: Office of the Governor			
Violence Against Women WF-12-V30-25592-01	16.588	26,000	24,914
Violence Against Women WF-12-V30-25592-02	16.588	45,000	20,366
		<u>71,000</u>	<u>45,280</u>
<u>General Land Office</u>			
CDBG Disaster Recovery	14.218	2,043,005	526
CDBG Disaster Recovery	14.218	565,715	-
CDBG Disaster Recovery	14.218	3,665,448	1,025,644
		<u>6,274,168</u>	<u>1,026,170</u>
Total Federal Money Expended			<u><u>\$ 3,522,379</u></u>

COUNTY OF NEWTON, TEXAS
 Schedule of State of Texas Expenditures
 For the Year Ended December 31, 2013

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	\$ 14,294	\$ 7,393
Texas Comptroller	Texas Task Force on Indigent Defense	212-14-176	22,628	-
Texas Comptroller	Texas Task Force on Indigent Defense	212-12-176	11,163	368
Texas Historical Commissioner	Newton County Courthouse Restorati	3-2002	4,038,848	-
Texas Department of Agriculture	East Texas Support Services		15,000	15,000
Office of Attorney General	Texas SAVNS/VINE Program	1337328	7,905	5,633
Office of Attorney General	Texas SAVNS/VINE Program	1446152	7,133	1,783
TX Comm on Environmental Quality	Solid Waste Project	582-12-10149	15,465	15,465
Sabine River Authority	Floodplain Administration		10,000	10,000
Tocker Foundation	Library	12232	5,000	2,278
Tocker Foundation	Library	13222	5,000	334
Texas Dept of Transportation	Routine Airport Maint (RAMP)	M320NEWTN	50,000	48,651
Texas Dept of Transportation	Bridge Replacement	0920-06-029	211,500	-
Texas Dept of Transportation	Bridge Replacement	0920-06-030	282,000	-
Texas Dept of Transportation	Bridge Replacement	0920-06-032	352,500	-
			<u>5,048,436</u>	<u>106,905</u>
			Total State Money Expended	<u>\$ 106,905</u>

Notes to the Schedule of Expenditures of Federal and State Awards
For the year ended December 31, 2013

NOTE 1 – GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

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

NOTE 3 – BASIS OF PRESENTATION

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

COUNTY OF NEWTON, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2013

Section I-Summary of Auditor's Results

Financial Statements

Type if auditor's report issued: Unqualified

Internal Control over financial reporting:

Material weakness identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Material weakness identified? Yes No

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

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

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

Identification of major programs:

<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 \$ 300,000.

Auditee qualified as low-risk auditee? Yes No

Section II-Financial Statements Findings

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

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

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

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

MATERIAL WEAKNESSES

NONE

SIGNIFICANT DEFICENCIES

NONE

Section III - Federal Award Findings and Questioned Costs

NONE

Section IV-Status of Prior Year Findings

MATERIAL WEAKNESSES

NONE