

NEWTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended

December 31, 2014

NEWTON COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended December 31, 2014

TABLE OF CONTENTS

INTRODUCTORY SECTION

List of County Officials		i
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FINANCIAL SECTION

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

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

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Funding Progress of the Retirement Plan for Employees	K	35
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NON-MAJOR GOVERNMENTAL FUNDS

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

SINGLE AUDIT SECTION

Independent auditor's report on compliance with requirements that Could have a direct and material effect on each major program and on Internal control over compliance in accordance with OMB Circular A-133		45-46
Report on internal control over financial reporting and on compliance and Other matters based on an audit of financial statements performed in Accordance with Government Auditing Standards		47-48
Schedule of Expenditures of Federal Awards	Schedule I	49
Schedule of Expenditures of State of Texas Awards	Schedule II	50
Notes to the Schedule of Expenditures of Federal and State Awards	Schedule III	51
Schedule of Findings and Questioned Costs	Schedule IV	52-53

INTRODUCTORY
SECTION

**NEWTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2014
DIRECTORY OF OFFICIALS**

COMMISSIONERS' COURT:

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

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

OTHER COUNTY OFFICIALS:

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

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

JUSTICE OF PEACE:

Connie Smith
Brenda Smith
Michael Greer
Dana Ashmore

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

CONSTABLES:

Otis Lane
Les Amburn
Steven Lowe
Jimmy Lavergne

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

FINANCIAL
SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Newton, Texas as of and for the year ended December 31, 2014, 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, 2014, 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 August 21, 2015, 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, A.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
August 28, 2015

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, 2014. 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 2014 by \$20,627,608. Of this amount, \$8,732,490 is considered unrestricted. The unrestricted net position of the County's governmental activities are \$7,445,805 and may be used to meet the government's ongoing obligations.
- The County's total net position increased by \$3,200 in 2014.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$7,392,023. Of this balance, \$6,338,717 is considered unreserved at December 31, 2014.
- The General Fund reported a fund balance of \$3,494,718 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$2,441,412 or 49.18% of total general expenditures (including transfers out).
- The County's total debt increased by \$46,975 during the current fiscal year. Debt was issued in the current fiscal year in the amount of \$255,390.

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 35 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 \$20,627,608 at the close of the most recent fiscal year.

A portion of the County's net position, \$10,841,812 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.

	2014	2013	2014	2013
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
Current and other assets	\$ 8,770,432	\$ 8,206,043	\$ 1,299,045	\$ 1,814,996
Capital assets	10,624,009	10,660,157	10,346,188	10,346,188
Total assets	19,394,441	18,866,200	11,645,233	12,161,184
Long-term liabilities	428,014	386,865	8,351,200	7,030,000
Other liabilities	481,692	517,176	1,151,160	2,468,935
Total liabilities	909,706	904,041	9,502,360	9,498,935
Net position:				
Invested in capital assets, net of related debt	9,985,624	10,068,747	856,188	856,188
Restricted	1,053,306	467,908	-	-
Unrestricted	7,445,805	7,425,504	1,286,685	1,806,061
	<u>\$ 18,484,735</u>	<u>\$ 17,962,159</u>	<u>\$ 2,142,873</u>	<u>\$ 2,662,249</u>

An additional portion of the County's net position, \$1,053,306 represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position \$7,445,805, 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.

	2014	2013	2014	2013
	Governmental Activities	Governmental Activities	Proprietary Activities	Proprietary Activities
REVENUES				
Charges for services	\$ 1,068,395	\$ 1,108,358	\$ 37,276	\$ 105,730
Operating grants and contributions	57,629	45,280	-	-
Capital Grants	2,634,850	2,892,263	-	-
General revenues:				
Property taxes	6,846,476	6,209,867	-	-
Miscellaneous	115,830	233,777	-	-
Interest income	26,217	19,667	832	1,562
Other	254,447	249,949	-	-
Total Revenues	<u>11,003,844</u>	<u>10,759,161</u>	<u>38,108</u>	<u>107,292</u>
EXPENDITURES				
General government	3,210,549	3,215,129	-	-
Public safety & health	4,937,105	5,163,486	-	-
Public facilities	2,131,740	1,896,139	557,484	698,883
Conservation	13,307	28,123	-	-
Culture and Recreation	170,244	158,978	-	-
Interest on long-term debt	18,323	12,899	-	-
Total Expenditures	<u>10,481,268</u>	<u>10,474,754</u>	<u>557,484</u>	<u>698,883</u>
Excess of Revenues over Expenses	522,576	284,407	(519,376)	(591,591)
Transfers	-	-	-	-
Increase (decrease) in net position	<u>522,576</u>	<u>284,407</u>	<u>(519,376)</u>	<u>(591,591)</u>
Net position at beginning of year	<u>17,962,159</u>	<u>17,677,752</u>	<u>2,662,249</u>	<u>3,253,840</u>
Net Position End of Year	<u>\$ 18,484,735</u>	<u>\$ 17,962,159</u>	<u>2,142,873</u>	<u>2,662,249</u>

The government's total net position increased by \$3,200 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, 2014, the County's governmental funds reported combined ending fund balances of \$7,392,023 an increase of \$604,344 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, 2014 unreserved and total fund balance of the General Fund was \$3,494,718. 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 49.18% of total General Fund expenditures (including transfers out).

The fund balance of the General Fund increased by \$390,342 during 2014. It was budgeted at a decrease of \$(960,305) during this year. Therefore, this increase was a \$1,221,008 positive variance. Revenue had a positive variance of \$10,104 while expenditures had positive variance of \$875,783.

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2014, amounts to \$20,970,197 (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	9,573,154	10,046,188	19,619,342
	<u>\$ 10,624,009</u>	<u>\$ 10,346,188</u>	<u>\$ 20,970,197</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, 2014, the County had \$10,128,385 total long-term debt outstanding of which \$1,349,171 was due within one year.

	DEBT OUTSTANDING	
	Governmental Activities	Business-Type Activities
Bonds Payable	\$ -	\$ 9,490,000
Notes Payable	638,385	-
	<u>\$ 638,385</u>	<u>\$ 9,490,000</u>

The County's total liabilities outstanding at December 31, 2014 increased by \$9,090 from December 31, 2013 because new debt of \$255,390 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 2013-2014 year is increased to \$0.592091. 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 2014 is similar to 2013.
- 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, 2014

Exhibit A

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 6,081,661	\$ 1,299,045	\$ 7,380,706
Receivables:			
Accounts Receivable	85,205	-	85,205
Property Taxes Receivable	1,550,530	-	1,550,530
Allowance for Uncollectible Taxes	(60,000)	-	(60,000)
Restricted Cash and Investments	1,053,306	-	1,053,306
Prepaid Expenses	59,730	-	59,730
Capital Assets	-	-	-
Land	1,050,855	300,000	1,350,855
Construction in Progress	-	-	-
Capital Assets - Net	9,573,154	10,046,188	19,619,342
Total Assets	<u>19,394,441</u>	<u>11,645,233</u>	<u>31,039,674</u>
<u>Liabilities</u>			
Accounts Payable	195,531	12,360	207,891
Accrued Payables	75,790	-	75,790
Notes Payable	-	-	-
Due Within One Year	210,371	1,138,800	1,349,171
Due After One Year	428,014	8,351,200	8,779,214
Total Liabilities	<u>909,706</u>	<u>9,502,360</u>	<u>10,412,066</u>
<u>Net Position</u>			
Investment in Capital Assets- Net of Debt	9,985,624	856,188	10,841,812
Restricted	1,053,306	-	1,053,306
Unrestricted	7,445,805	1,286,685	8,732,490
Total Net Position	<u>\$ 18,484,735</u>	<u>\$ 2,142,873</u>	<u>\$ 20,627,608</u>

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

NEWTON COUNTY, TEXAS
Statement of Activities

For the year ended December 31, 2014

Exhibit B

Functions-Programs	Expenses	Charges for Services	Program Specific		Program Specific Capital Grants	Governmental Activities Total	Business-Type Activities	Total
			Operating Grants	Grants				
Governmental Activities:								
General Government	\$ 1,141,377	\$ -	\$ -	\$ -	\$ -	\$ (1,141,377)	\$ -	\$ (1,141,377)
Judicial	798,339	1,063,691	57,629	-	-	322,981	-	322,981
Legal	457,886	-	-	-	-	(457,886)	-	(457,886)
Financial Administration	798,247	-	-	-	-	(798,247)	-	(798,247)
Public Facilities	2,131,740	-	-	-	-	(2,131,740)	-	(2,131,740)
Public Safety	4,330,797	-	-	-	-	(4,330,797)	-	(4,330,797)
Health & Welfare	606,308	4,704	-	-	-	(601,604)	-	(601,604)
Conservation	13,307	-	-	-	-	(13,307)	-	(13,307)
Culture & Recreation	170,244	-	-	-	-	(170,244)	-	(170,244)
Miscellaneous	14,700	-	-	-	-	(14,700)	-	(14,700)
Interest on Long-term Debt	18,323	-	-	2,634,850	-	2,616,527	-	2,616,527
Total Governmental Activities	10,481,268	1,068,395	57,629	2,634,850	-	(6,720,394)	-	(6,720,394)
Business-type Activities:								
Prison Facilities	\$ 557,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (557,484)	\$ (557,484)
Total Business-type Activities	\$ 557,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (557,484)	\$ (557,484)

General Revenues:					
Property Taxes	\$ 6,846,476	\$ -	\$ -	\$ -	\$ 6,846,476
Intergovernmental	95,232	-	-	-	95,232
Miscellaneous	115,830	-	11,225	-	127,055
Interest	26,217	-	832	-	27,049
Other	159,215	-	26,051	-	185,266
Time Warrant Revenue	-	-	-	-	-
Transfers	-	-	-	-	-
Total General Revenues	7,242,970	38,108	-	-	7,281,078
Change in Net Position	522,576	(519,376)	-	-	3,200
Net Position at beginning of year	17,962,159	2,662,249	-	-	20,624,408
Net Position at end of year	\$ 18,484,735	\$ 2,142,873	\$ -	\$ -	\$ 20,627,608

	5,10,98,99	20	46	68	70	Total	Total
	General Fund	Road & Bridge General	Newton Co Hartford Ins	Hazard Mitigation Grant	Courthouse Emergency Grant	Non-Major Funds	Governmental Funds
<u>Assets</u>							
Cash and Cash Equivalents	\$ 2,447,550	\$ 304,198	\$ -	\$ 252,717	\$ 266,419	\$ 2,810,777	\$ 6,081,661
Investments	729,358	-	-	-	-	323,948	1,053,306
Prepaid Expenses	59,730	-	-	-	-	-	59,730
Property Taxes Receivable	1,550,530	-	-	-	-	-	1,550,530
Allowance for Uncollectible Taxes	(60,000)	-	-	-	-	-	(60,000)
Accounts Receivable	25,813	5,377	-	-	9,346	44,669	85,205
Total Assets	\$ 4,752,981	\$ 309,575	\$ -	\$ 252,717	\$ 275,765	\$ 3,179,394	\$ 8,770,432
<u>Liabilities</u>							
Accounts Payable	94,010	972	-	-	-	100,549	195,531
Accrued Vacation/Comp Time	57,165	-	-	-	-	18,625	75,790
Deferred Revenue	1,105,731	-	-	-	-	-	1,105,731
Unrealized Gain/Loss on Inv	1,357	-	-	-	-	-	1,357
Total Liabilities	1,258,263	972	-	-	-	119,174	1,378,409
<u>Fund Balances</u>							
Unassigned	2,441,412	308,603	-	252,718	275,765	3,060,219	6,338,717
Committed	1,053,306	-	-	-	-	-	1,053,306
Total Fund Balance	3,494,718	308,603	-	252,718	275,765	3,060,219	7,392,023
Total Liabilities and Fund Balances	\$ 4,752,981	\$ 309,575	\$ -	\$ 252,718	\$ 275,765	\$ 3,179,393	\$ 8,770,432

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, 2014

Total Fund Balances of Governmental Funds		\$ 7,392,023
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,624,009	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(638,385)	
Unrealized Gain/Loss on Investments for current period expenditures, and therefore, are deferred in the funds - Deferred Tax Revenue	1,357	
	<u>1,105,731</u>	
		<u>11,092,712</u>
Net Position of Governmental Activities- Exhibit A		<u><u>\$ 18,484,735</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, 2014

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	\$ 4,860,644	\$ 876,937	\$ -	\$ -	\$ -	\$ 1,108,895	\$ 6,846,476
Intergovernmental	15,417	-	-	-	-	79,815	95,232
Fines and Fees	438,801	568,675	-	-	-	56,215	1,063,691
Licenses and Permits	4,704	-	-	-	-	-	4,704
Miscellaneous	73,450	-	-	-	-	38,694	112,144
Interest	23,506	217	1	-	34	2,459	26,217
Other Revenue	108,171	-	-	-	-	51,044	159,215
Time Warrant Revenue	-	-	-	-	-	-	-
Grants	-	-	-	1,120,262	-	1,572,217	2,692,479
Total Revenue	5,524,693	1,445,829	1	1,120,262	34	2,909,339	11,000,158
Expenditures							
Current							
General Administration	574,373	319,780	-	-	-	41,868	936,021
Judicial	798,339	-	-	-	-	-	798,339
Legal	327,775	-	-	-	-	130,111	457,886
Financial Administration	798,247	-	-	-	-	-	798,247
Public Facilities	325,114	-	-	-	137,500	1,482,024	1,944,638
Public Safety	1,481,893	-	1,151	1,227,426	-	1,556,438	4,266,908
Health and Welfare	512,201	-	-	-	-	94,107	606,308
Conservation	121	-	-	-	-	13,186	13,307
Culture and Recreation	-	-	-	-	-	170,244	170,244
Miscellaneous	14,700	-	-	-	-	-	14,700
Debt Service	-	-	-	-	-	-	-
Principal Payment	30,907	-	-	-	-	175,176	206,083
Interest Expense	4,776	-	-	-	-	13,548	18,324
Capital Outlay	96,365	-	-	-	-	323,834	420,199
Total Expenditures	4,964,811	319,780	1,151	1,227,426	137,500	4,000,536	10,651,204
Excess (Deficiency) of Revenues Over (Under) Expenditures	559,882	1,126,049	(1,150)	(107,164)	(137,466)	(1,091,197)	348,954
Other Financing Sources							
Transfers In	1,191,186	13,185	-	-	-	1,478,998	2,683,369
Transfers (Out)	(1,514,485)	(930,000)	-	-	-	(238,884)	(2,683,369)
Issuance of Debt	24,120	-	-	-	-	231,270	255,390
Total Other Financing Sources	(299,179)	(916,815)	-	-	-	1,471,384	255,390
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	260,703	209,234	(1,150)	(107,164)	(137,466)	380,187	604,344
Fund Balance - Beginning of Year	3,234,015	99,369	1,150	359,882	413,231	2,680,032	6,787,679
Fund Balance - End of Year	\$ 3,494,718	\$ 308,603	\$ -	\$ 252,718	\$ 275,765	\$ 3,060,219	\$ 7,392,023

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, 2014

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 604,344
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period:</p>	
Capital Outlay	420,199
Depreciation	(456,347)
	(36,148)
Other deferred liabilities	3,681
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>	
Issuance of Debt	(255,390)
Payment of Principal	206,089
	(49,301)
Change in Net Assets of Governmental Activities (Exhibit B)	\$ 522,576

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

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the year ended December 31, 2014

	Original Budget Original	Final Budget Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUE				
Taxes	\$ 4,852,856	\$ 4,852,856	\$ 4,860,644	\$ 7,788
Intergovernmental	15,000	15,000	15,417	417
Fines and Fees	464,800	464,800	438,801	(25,999)
Licenses & Permits	5,000	5,000	4,704	(296)
Miscellaneous	35,400	64,897	73,450	8,553
Interest	14,500	14,500	23,506	9,006
Other Revenue	8,000	97,536	108,171	10,635
Total Revenue	5,395,556	5,514,589	5,524,693	10,104
EXPENDITURES				
Current				
General Administration	903,538	801,285	574,373	226,912
Judicial	914,746	914,746	798,339	116,407
Legal	383,407	383,406	327,775	55,631
Financial Administration	576,532	577,473	798,247	(220,774)
Public Facilities	357,615	375,997	325,114	50,883
Public Safety	1,517,738	1,545,732	1,481,893	63,839
Health and Welfare	763,142	791,699	512,201	279,498
Conservation	460	460	121	339
Miscellaneous	100,000	90,000	14,700	75,300
Principal Payment	5,500	31,294	30,907	387
Interest Expense	2,719	4,964	4,776	188
Capital Outlay	182,770	323,538	96,365	227,173
TOTAL EXPENDITURES	5,708,167	5,840,594	4,964,811	875,783
Excess(Deficiency) of Rev Over(Under) Expenditures	(312,611)	(326,005)	559,882	885,887
Other Finance Sources(Uses)				
Issuance of Debt	-	-	24,120	24,120
Transfers In	8,220	35,722	1,191,186	1,155,464
Transfers Out	(580,785)	(670,022)	(1,514,485)	(844,463)
Total Other Finance Sources(Uses)	(572,565)	(634,300)	(299,179)	335,121
Excess(Deficiency) of Rev Over(Under) Expenses & Other Fin Sources(Uses)	(885,176)	(960,305)	260,703	1,221,008
Fund Balance - Beginning of Period	3,234,015	3,234,015	3,234,015	-
Fund Balance - End of Period	\$ 2,348,839	\$ 2,273,710	\$ 3,494,718	\$ 1,221,008

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

NEWTON COUNTY, TEXAS
Statement of Net Position - Proprietary Funds
December 31, 2014

Exhibit F

	Business-Type Activities		Total
	Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	
<u>Assets</u>			
Current Assets			
Cash and Cash Equivalents	\$ 438,628	\$ 860,417	\$ 1,299,045
Investments	-	-	-
Accounts Receivables - Net of Allowances for Uncollectibles	-	-	-
Total Current Assets	<u>438,628</u>	<u>860,417</u>	<u>1,299,045</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>438,628</u>	<u>11,206,605</u>	<u>11,645,233</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts Payable	12,360	-	12,360
Bonds Payable - Current Portion	-	1,138,800	1,138,800
Total Current Liabilities	<u>12,360</u>	<u>1,138,800</u>	<u>1,151,160</u>
Long-Term Liabilities			
Bonds Payable - Noncurrent Portion	-	8,351,200	8,351,200
Total Long-term Liabilities	<u>-</u>	<u>8,351,200</u>	<u>8,351,200</u>
Total Liabilities	<u>12,360</u>	<u>9,490,000</u>	<u>9,502,360</u>
<u>Net Position</u>			
Invested in Capital Assets	-	856,188	856,188
Unrestricted	426,268	860,417	1,286,685
Total Net Position	<u>\$ 426,268</u>	<u>\$ 1,716,605</u>	<u>\$ 2,142,873</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, 2014

Exhibit G

	Business-Type Activities		Total
	Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	
<u>Operating Revenue</u>			
Project Revenues	\$ 26,051.00	\$ -	\$ 26,051.00
Total Operating Revenues	<u>26,051.00</u>	<u>-</u>	<u>26,051.00</u>
<u>Operating Expenses</u>			
Management Fees	-	60,000	60,000
Depreciation	-	-	-
Insurance	-	25,241	25,241
Trust Fees	-	-	-
Operating Expense	192,654	89,789	282,443
Bond Interest	-	189,800	189,800
Total Operating Expenses	<u>192,654</u>	<u>364,830</u>	<u>557,484</u>
Operating Income (Loss)	<u>(166,603)</u>	<u>(364,830)</u>	<u>(531,433)</u>
<u>Nonoperating Revenues (Expenditures)</u>			
Interest Income	624	208	832
Miscellaneous Income (Expenses)	525	10,700	11,225
Total Nonoperating Revenues (Expenses)	<u>1,149</u>	<u>10,908</u>	<u>12,057</u>
Change in Net Position	(165,454)	(353,922)	(519,376)
Total Net Position at Beginning of Year	<u>591,722</u>	<u>2,070,527</u>	<u>2,662,249</u>
Total Net Position at End of Year	<u>\$ 426,268</u>	<u>\$ 1,716,605</u>	<u>\$ 2,142,873</u>

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

NEWTON COUNTY, TEXAS
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2014

Exhibit H

	Business-Type Activities		Total
	Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	
Cash Flows From Operating Activities			
Receipts from customers	\$ 26,051	\$ -	\$ 26,051
Payment for goods and services	(189,229)	(364,830)	(554,059)
Net cash provided (used) by operating activities	(163,178)	(364,830)	(528,008)
Cash Flows from Non-Capital Financing Sources (Uses)			
Miscellaneous	525	10,700	11,225
Transfers	-	-	-
Cash Flows from Capital and Related Financing Activities			
Interest payments	-	-	-
Principal payments	-	-	-
Cash Flows from Investing Activities			
Interest income	624	208	832
(Purchase)/Sale of capital assets	-	-	-
(Purchase)/Sale of investments	-	-	-
Net Increase(Decrease) in Cash and Cash Equivalents	(162,029)	(353,922)	(515,951)
Cash and Cash Equivalents at Beginning 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
Cash and Cash Equivalents at End of year			
Unrestricted cash and cash equivalents	438,628	860,417	1,299,045
Restricted cash	-	-	-
	438,628	860,417	1,299,045
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss) adjustments	(166,603)	(364,830)	(531,433)
Depreciation	-	-	-
Bond discount accretion	-	-	-
(Increase) decrease in receivable	-	-	-
Increase (decrease) in payables	3,425	-	3,425
	\$ (163,178)	\$ (364,830)	\$ (528,008)
Interest paid	-	\$ 189,810	\$ 189,810

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

NEWTON COUNTY, TEXAS
Statement of Net Position
Fiduciary Funds
December 31, 2014

Exhibit I

	Sheriff Office	Criminal District Attorney	District Clerk Fee Fund	District Clerk Trust Funds	County Clerk Fee Fund	County Clerk Trust Fund	Tax Assessor Collector	Total
<u>Assets</u>								
Cash	\$ 734	\$29,055	\$247,677	\$ 115,609	\$ 11,552	\$128,433	\$1,361,163	\$1,894,223
Total Assets	<u>734</u>	<u>29,055</u>	<u>247,677</u>	<u>115,609</u>	<u>11,552</u>	<u>128,433</u>	<u>1,361,163</u>	<u>1,894,223</u>
<u>Liabilities</u>								
Liabilities								
Payable to Newton County Beneficiaries	734	29,055	247,677	115,609	11,552	128,433	1,361,163	1,894,223
Total Liabilities	<u>734</u>	<u>29,055</u>	<u>247,677</u>	<u>115,609</u>	<u>11,552</u>	<u>128,433</u>	<u>1,361,163</u>	<u>1,894,223</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, 2014

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 2015. 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, 2014 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, 2014 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, 2014 were \$7,380,706, and the bank balances were \$7,647,029. Of the bank balance, \$ 250,000 was covered by FDIC insurance and up to \$31,605,953 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, \$666,736 are in certificates of deposits and money market accounts with Investment Center of America and Orange Savings Bank and \$626,985 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, 2014 for the governmental funds of the County:

	<u>General</u>	<u>Road & Bridge</u>	<u>Other</u>	<u>Total</u>
Property taxes	\$ 1,550,530	\$ -	\$ -	\$ 1,550,530
Accounts	25,813	5,377	54,015	85,205
	<u>1,576,343</u>	<u>5,377</u>	<u>54,015</u>	<u>1,635,735</u>
Allowance for Uncollectibles	(60,000)	-	-	(60,000)
	<u>\$ 1,516,343</u>	<u>\$ 5,377</u>	<u>\$ 54,015</u>	<u>\$ 1,575,735</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.

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

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

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

Property Tax Levy - the County's maximum legal rate is \$.699220 per \$100.00 valuation. The 2013-2014 tax rate was \$.592091 per \$100.00 valuation assessed at 100% of market value.

Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

Governmental Activities:

Asset	Balance	Additions	Deletions	Balance	Life
Land	\$ 1,050,855	\$ -	\$ -	\$ 1,050,855	N/A
Buildings	16,921,383	-	-	16,921,383	50
Equipment	5,096,826	420,199	407,941	5,109,084	7
Infrastructure	17,562,021	-	-	17,562,021	40
	<u>\$ 40,631,085</u>	<u>\$ 420,199</u>	<u>\$ 407,941</u>	<u>\$ 40,643,343</u>	

Accumulated Depreciation	Prior	Additions	Deletions	Ending A/D	Book Value
Land	\$ -	\$ -	\$ -	\$ -	\$ 1,050,855
Buildings	10,416,082	47,316	-	10,463,398	6,457,985
Equipment	3,189,650	378,343	407,941	3,160,052	1,949,032
Infrastructure	16,365,196	30,688	-	16,395,884	1166137
	<u>\$ 29,970,928</u>	<u>\$ 456,347</u>	<u>\$ 407,941</u>	<u>\$ 30,019,334</u>	<u>10,624,009</u>

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

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

Enterprise Fund:

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

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

Component Unit:

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

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

Long-term Debt

The County is obligated for notes payable to provide funds for the acquisition and construction of major capital facilities. No bonds are outstanding at December 31, 2014.

Description	Interest Rate	Beginning Balance 1/1/2014	Debt Issuance	Principal Payments	Interest Payments	Other Adjustments	Ending Balance 12/31/2014
Sharp Copier	6.10%	494	-	35	40	459	-
Sharp Copier	6.10%	-	3,314	421	328	-	2,893
Sharp Copier	6.10%	718	-	718	33	-	-
Sharp Copier	6.10%	1,306	-	532	129	774	-
Sharp Copier	6.10%	1,794	-	700	181	1,094	-
Sharp Copier	6.10%	-	5,887	209	196	-	5,678
Sharp Copier	6.10%	-	6,542	-	-	-	6,542
Sharp Copier - JP 4	6.10%	-	2,180	78	72	-	2,102
Sharp Printer - JP 4	6.10%	-	2,180	78	72	-	2,102
Sharp Copier - JP 1	6.10%	-	4,579	334	296	-	4,245
Sharp Copier - History	6.10%	-	7,266	714	619	-	6,552
Extension - Small Copier	6.10%	-	2,617	31	29	-	2,586
Sheriff - Dewyville	6.10%	-	3,926	46	44	-	3,880
Tax Assessor - Copier	6.10%	-	4,362	53	49	-	4,309
Extension - Big Copier	6.10%	-	4,057	-	-	-	4,057
Copier - JP 3	6.10%	-	2,617	-	-	-	2,617
Motor Vehicle - Dewey	6.10%	-	2,617	-	-	-	2,617
Volvo Motor Grader	3.20%	-	95,200	-	-	-	95,200
Volvo Motor Grader	3.20%	-	108,046	-	-	-	108,046
Tractor/Mower	4.24%	24,360	-	24,360	1,090	-	-
Tractor/Mower	4.24%	24,360	-	24,360	1,090	-	-
Sharp Copier	6.10%	3,651	-	1,670	250	-	1,981
John Deere Tractor	2.50%	18,850	-	18,850	486	-	-
Volvo Grader	2.61%	50,103	-	24,728	1,312	-	25,375
Sharp Copier - Judge	6.10%	4,920	-	1,003	617	-	3,917
Sharp Copier - Clerk	6.10%	5,717	-	1,115	685	-	4,602
Sharp Copier - Sherriff	6.10%	9,216	-	1,741	1,139	-	7,475
Sharp Copier - Library	6.10%	5,813	-	1,076	724	-	4,737

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

Kubota tractor/blade	4.24%	45,700	-	15,243	1,081	-	30,457
Motor - Grader	3.20%	240,000	-	25,134	3,375	-	214,866
Mack Truck	2.85%	75,187	-	37,065	2,143	-	38,122
TAC - Software	3.23%	79,221	-	25,794	2,244	-	53,427
		\$ 591,410	\$ 255,390	\$ 206,088	\$ 18,324	\$ 2,327	\$ 638,385

Debt services requirements to maturity are as follows:

Debt services requirements to maturity are as follows:

Year	Principal	Interest	Total
2015	\$ 210,371	\$ 21,529	\$ 231,900
2016	152,953	13,699	166,652
2017	115,116	7,171	122,287
2018 to maturity	159,945	10,477	170,422
	\$ 638,385	\$ 52,876	\$ 691,261

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
	\$ 9,490,000	\$ 3,696,400	\$ 13,186,400

Individual Interfund Transactions

Transfers are as follows:

Fund	Transfers In	Transfers Out
General	\$ 35,722	\$ 359,022
Road & Bridge - General	13,186	930,000
Road & Bridge Pct. 1	259,787	-
Road & Bridge Pct.2	241,040	-
Road & Bridge Pct. 3	279,658	-
Road & Bridge Pct. 4	259,833	-
VAW Grant	13,000	-
Commissioners Special Pct. 1	25,000	-
Commissioners Special Pct. 2	25,000	-
Commissioners Special Pct. 3	25,000	-
Commissioners Special Pct. 4	25,000	-
Road Preservation	2,336	-
Solid Waste Disposal	70,000	-
Voter Registration	38,650	-
Law Library	-	-
Library	100,350	-
Historical Operating	12,581	-
Homeland Security Grant	-	-
Courthouse Emergency Grant	-	-
TDRA Grant	-	39
Technology Fund	2,191	-
Civic Center	12,000	-
Federal Forest Fund	-	13,185
CERTZ Grant	87,572	-
Debt Service	-	225,660
	\$ 1,527,906	\$ 1,527,906

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, 2014 included (a) 8.0% investment rate of return (net of administrative expense), and (b) projected salary increase of 3.5%. 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, 2014 was 20 years.

Funded Status and Funding Progress:

As of December 31, 2014, the most recent actuarial date, the plan was 92.1% funded. The actuarial accrued liability for benefits was \$6,889,980, and the actuarial value of assets was \$6,345,286 resulting in an unfunded actuarial liability (UAAL) of \$544,694. The covered payroll (annual payroll of active employees covered by the plan) was \$2,943,210, and the ratios of the UAAL to the covered payroll was 18.50%.

County of Newton		
Schedule of Actuarial Liabilities and Funding Progress		
		12/31/2014
Actuarial Valuation Date		12/31/2014
Actuarial Value of Assets (A)	\$ 6,345,286	
Actuarial Accrued Liability (B)	\$ 6,889,980	
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL) (D) = (B)-(A)	\$ 544,694	
Percentage Funded (C) = (A)/(B)		92.10%
Annual Covered Payroll (E)	\$ 2,943,210	
UAAL as a Percentage of Covered Payroll (D)/(E)		18.50%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	
Annual Pension Cost:		
Annual Required Contribution (ARC) (F)	\$ 241,137	
Contributions Made (G)	\$ 241,137	
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 – Subsequent Events

Events occurring subsequent to December 31, 2014 were evaluated by management and reviewed through August 28, 2015, the date of report issuance, with one significant item reported.

REQUIRED
SUPPLEMENTAL
INFORMATION

Required Supplemental Information

Schedule of Funding Progress of the Retirement Plan for Employees

For the year ended December 31, 2014

(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)
12/31/2004	\$ 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%
12/31/2014	\$ 6,345,286	\$ 6,889,980	\$ 544,694	92.09%	\$ 2,943,210	18.51%

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

	14	15	19	21	22	23	24	25	29	30	31	32
	Prison	Indigent	District	Road &	Road &	Road &	Road &	Courthouse	VAW	Right Of	Commissioner	Commissioner
	Guard	Defense	Attorney	Bridge	Bridge	Bridge	Bridge	Security	Grant	Way	Spec Pet 1	Spec Pet 2
	Detail	Grant	State Fund	Pet 1	Pet 2	Pet 3	Pet 4					
Cash and Cash Equivalents	\$ 4,662	\$ 3,107	\$ 18,227	\$ 384,068	\$ 77,936	\$ 120,914	\$ 305,142	\$ 61,259	\$ 16,990	\$ 30,409	\$ 284,805	\$ 109,968
Investments	15,145	-	-	33,211	-	-	-	51,861	-	171,869	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	630	630
Total Assets	\$ 19,807	\$ 3,107	\$ 18,227	\$ 417,279	\$ 77,936	\$ 120,914	\$ 305,142	\$ 113,120	\$ 16,990	\$ 202,278	\$ 285,435	\$ 110,598
Liabilities												
Accounts Payable	-	-	49	1,902	2,436	2,821	2,328	86	60	-	5,777	19,265
Accrued Vacation/Comp Time	-	-	-	2,600	6,508	3,208	4,999	-	-	-	-	-
Total Liabilities	-	-	49	4,502	8,944	6,029	7,327	86	60	-	5,777	19,265
Fund Balance												
Unassigned	19,807	3,107	18,178	412,777	68,992	114,885	297,815	113,034	16,930	202,278	279,658	91,334
Total Fund Balance	19,807	3,107	18,178	412,777	68,992	114,885	297,815	113,034	16,930	202,278	279,658	91,334
Total Liabilities and Fund Balance	\$ 19,807	\$ 3,107	\$ 18,227	\$ 417,279	\$ 77,936	\$ 120,914	\$ 305,142	\$ 113,120	\$ 16,990	\$ 202,278	\$ 285,435	\$ 110,599

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

	33	34	36	37	38	39	40	41	42	43	44	45
	Commissioner Spec Pet 3	Commissioner Spec Pet 4	Dedicated Road Pet 1	Dedicated Road Pet 2	Dedicated Road Pet 3	Dedicated Road Pet 4	Record Preservation	Lateral Road Pet 1	Lateral Road Pet 2	Lateral Road Pet 3	Lateral Road Pet 4	Courthouse Restoration
<u>Assets</u>												
Cash and Cash Equivalents	\$ 134,933	\$ 353,211	\$ 44,896	\$ 41,767	\$ 50,863	\$ 125,971	\$ 48,258	\$ 8,534	\$ 22,328	\$ 22,279	\$ 52,897	\$ -
Investments	-	-	-	-	-	-	51,862	-	-	-	-	-
Accounts Receivable	630	630	90	90	90	90	-	-	-	-	-	-
Total Assets	\$ 135,563	\$ 353,841	\$ 44,986	\$ 41,857	\$ 50,953	\$ 126,061	\$ 100,120	\$ 8,534	\$ 22,328	\$ 22,279	\$ 52,897	\$ -
<u>Liabilities</u>												
Accounts Payable	1,148	10,901	1,294	-	4,544	-	96	-	-	-	-	-
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1,148	10,901	1,294	-	4,544	-	96	-	-	-	-	-
<u>Fund Balance</u>												
Unassigned	134,415	342,940	43,692	41,857	46,409	126,061	100,024	8,534	22,328	22,279	52,897	-
Total Fund Balance	134,415	342,940	43,692	41,857	46,409	126,061	100,024	8,534	22,328	22,279	52,897	-
Total Liabilities and Fund Balance	\$ 135,563	\$ 353,841	\$ 44,986	\$ 41,857	\$ 50,953	\$ 126,061	\$ 100,120	\$ 8,534	\$ 22,328	\$ 22,279	\$ 52,897	\$ -

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

	47	48	49	50	51	52	53	55	56	58	59	60
	Victims Impact Panel	Sheriff Contraband	Library Tocker Grant	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library	Historical Operating	Historical Book Fund	Dist Attny Hot Check	Dist Attny Contraband	Powell Hotel Fund
<u>Assets</u>												
Cash and Cash Equivalents	\$ 1,119	\$ 32,689	\$ -	\$ 168,489	\$ 102	\$ 2,476	\$ 37,603	\$ 2,838	\$ 20,005	\$ 2,880	\$ 15,801	\$ 9,814
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	9,194	-	-	-	1,248	-	-	-	-
Total Assets	\$ 1,119	\$ 32,689	\$ -	\$ 177,683	\$ 102	\$ 2,476	\$ 37,602	\$ 4,086	\$ 20,005	\$ 2,880	\$ 15,801	\$ 9,814
<u>Liabilities</u>												
Accounts Payable	-	5,180	-	1,290	64	346	393	44	-	-	-	512
Accrued Vacation/Comp Time	-	-	-	-	1,310	-	-	-	-	-	-	-
Total Liabilities	-	5,180	-	1,290	1,374	346	393	44	-	-	-	512
<u>Fund Balance</u>												
Unassigned	1,119	27,509	-	176,393	(1,272)	2,130	37,209	4,042	20,005	2,880	15,801	9,302
Total Fund Balance	1,119	27,509	-	176,393	(1,272)	2,130	37,209	4,042	20,005	2,880	15,801	9,302
Total Liabilities and Fund Balance	\$ 1,119	\$ 32,689	\$ -	\$ 177,683	\$ 102	\$ 2,476	\$ 37,602	\$ 4,086	\$ 20,005	\$ 2,880	\$ 15,801	\$ 9,814

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

	64	66	67	77	80	88	92	93	97	Total
	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
<u>Assets</u>										
Cash and Cash Equivalents	\$ -	\$ 5,517	\$ 8,942	\$ -	\$ 2,959	\$ 36,566	\$ 21,716	\$ -	\$ 117,837	\$ 2,810,777
Investments	-	-	-	-	-	-	-	-	-	323,948
Accounts Receivable	-	-	-	-	639	195	-	-	30,512	44,668
Total Assets	\$ -	\$ 5,517	\$ 8,942	\$ -	\$ 3,598	\$ 36,761	\$ 21,716	\$ -	\$ 148,349	\$ 3,179,393
<u>Liabilities</u>										
Accounts Payable	-	-	-	-	1,127	36,761	2,125	-	-	100,549
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	18,625
Total Liabilities	-	-	-	-	1,127	36,761	2,125	-	-	119,174
<u>Fund Balance</u>										
Unassigned	-	5,517	8,942	-	2,471	-	19,591	-	148,349	3,060,219
Total Fund Balance	-	5,517	8,942	-	2,471	-	19,591	-	148,349	3,060,219
Total Liabilities and Fund Balance	\$ -	\$ 5,517	\$ 8,942	\$ -	\$ 3,598	\$ 36,761	\$ 21,716	\$ -	\$ 148,349	\$ 3,179,393

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2014

	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	-	-	-	-	-	-	9,367	-	-	
Fines and Fees	-	-	-	-	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	-	-	-	-	
Interest	27	5	286	36	40	108	136	2	896	
Other Revenue	-	-	-	21,070	-	-	-	-	-	
Grants	-	22,628	-	-	-	-	-	60,277	-	
Total Revenue	27	22,628	27,505	286	21,106	40	108	9,503	60,279	896
Expenditures										
Current										
General Administration	-	-	-	-	-	-	-	-	-	
Judicial	-	-	-	-	-	-	-	-	-	
Legal	-	29,246	25,377	-	-	-	-	57,688	-	
Public Facilities	-	-	-	-	-	185,795	6,625	-	-	
Public Safety	-	-	138,794	220,368	204,165	-	-	-	8,737	
Health and Welfare	-	-	-	-	-	-	-	-	-	
Conservation	-	-	-	-	-	-	-	-	-	
Culture and Recreation	-	-	-	-	-	-	-	-	-	
Debt Service	-	-	-	-	-	-	-	-	-	
Principle Payment	-	-	43,211	24,723	61,425	40,377	-	-	-	
Interest Expense	-	-	1,312	1,312	3,233	4,456	-	-	-	
Capital Outlay	-	-	118,050	23,000	109,296	1,250	-	-	-	
Total Expenditures	-	29,246	25,377	301,631	269,403	378,119	231,878	6,625	57,688	8,737
Excess (Deficiency) of Revenues Over (Under) Expenditures	27	(6,618)	2,128	(301,345)	(248,297)	(378,079)	(231,770)	2,878	2,591	(7,841)
Other Financing Sources (Uses)										
Transfers In (Out)	-	-	259,787	241,040	279,658	259,832	-	13,000	-	
Transfers In (Out)	-	-	-	-	-	-	-	-	-	
Issuance of Debt	-	-	95,200	-	108,046	-	-	-	-	
Total Other Financing Sources (Uses)	-	-	354,987	241,040	387,704	259,832	-	13,000	-	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	27	(6,618)	2,128	53,642	(7,257)	9,625	28,062	2,878	15,591	(7,841)
Fund Balance beginning of year	19,780	9,725	16,050	359,136	76,249	105,260	269,753	110,156	1,339	210,119
Fund Balance end of year	\$ 19,807	\$ 3,107	\$ 18,178	\$ 412,778	\$ 68,992	\$ 114,885	\$ 297,815	\$ 113,034	\$ 16,930	\$ 202,278

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2014

	31	32	33	34	35	36	37	38	39	40	41
Commissioner Spec Pct 1	\$ 180,543	\$ 180,543	\$ 180,543	\$ 180,543	\$ -	\$ 25,791	\$ 25,791	\$ 25,791	\$ 25,791	\$ -	\$ 6,751
Commissioner Spec Pct 2	-	-	-	-	-	-	-	-	-	-	-
Commissioner Spec Pct 3	-	-	-	-	-	-	-	-	-	-	-
Commissioner Spec Pct 4	-	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	-	-	25,948	-
Miscellaneous	526	-	-	28,000	-	-	-	-	-	-	-
Interest	120	56	73	137	-	19	21	22	48	134	3
Other Revenue	1,120	5,000	-	815	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	182,309	185,599	180,616	209,495	-	25,810	25,812	25,813	25,839	26,082	6,754
Expenditures											
Current											
General Administration	-	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	136,587	173,967	174,100	109,939	-	19,129	30,887	14,593	-	52,906	9,188
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-	1,577	-
Capital Outlay	28,024	1,875	-	-	-	-	-	-	-	759	-
Total Expenditures	164,611	175,842	174,100	109,939	-	19,129	30,887	14,593	-	55,242	9,188
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,698	9,757	6,516	99,556	-	6,681	(5,075)	11,220	25,839	(29,160)	(2,434)
Other Financing Sources (Uses)											
Transfers In (Out)	25,000	25,000	25,000	25,000	-	-	-	-	-	2,336	-
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	28,024	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	53,024	25,000	25,000	25,000	-	-	-	-	-	2,336	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	70,722	34,757	31,516	124,556	-	6,681	(5,075)	11,220	25,839	(26,824)	(2,434)
Fund Balance beginning of year	208,937	56,577	102,899	218,384	-	37,010	46,932	35,189	100,222	126,847	10,968
Fund Balance end of year	\$ 279,659	\$ 91,334	\$ 134,415	\$ 342,940	\$ -	\$ 43,691	\$ 41,857	\$ 46,409	\$ 126,061	\$ 100,023	\$ 8,534

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2014

	42	43	44	45	47	48	49	50	51	52	53
	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4	Courthouse Restoration	Victims Impact Panel	Sheriff Contraband	Library Tocker Grant	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library
Revenue											
Taxes	6,751	6,751	6,751	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	41,663	-	-	-
Fines and Fees	-	-	-	-	-	-	-	-	-	4,218	-
Miscellaneous	-	-	-	-	-	-	-	-	-	200	7,745
Interest	8	6	18	1	1	19	-	62	9	1	33
Other Revenue	-	-	-	-	-	-	-	1,560	185	-	8,665
Grants	-	-	-	-	-	-	-	-	-	-	17,488
Total Revenue	6,759	6,757	6,769	1	1	19	-	43,285	194	4,419	33,931
Expenditures											
Current											
General Administration	-	-	-	-	-	-	-	-	40,571	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	3,590	-
Public Facilities	3,588	-	-	1,393	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	6,422	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	94,107	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	4,666	-	-	-	120,514
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	-	-	-	1,076
Interest Expense	-	-	-	-	-	-	-	-	-	-	724
Capital Outlay	-	-	-	-	-	17,430	-	-	-	-	500
Total Expenditures	3,588	-	-	1,393	-	23,852	4,666	94,107	40,571	3,590	122,814
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,171	6,757	6,769	(1,392)	1	(23,833)	(4,666)	(50,822)	(40,377)	829	(88,883)
Other Financing Sources (Uses)											
Transfers In (Out)	-	-	-	-	-	-	-	70,000	38,650	-	100,350
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	70,000	38,650	-	100,350
Excess (Deficiency) of Revenues and Other Financir Sources Over (Under) Expenditures and Other Financing Uses	3,171	6,757	6,769	(1,392)	1	(23,833)	(4,666)	19,178	(1,727)	829	11,467
Fund Balance beginning of year	19,157	15,522	46,128	1,392	1,118	51,342	4,666	157,215	454	1,301	25,742
Fund Balance end of year	\$ 22,328	\$ 22,279	\$ 52,897	\$ -	\$ 1,119	\$ 27,509	\$ -	\$ 176,393	\$ (1,273)	\$ 2,130	\$ 37,209

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2014

	55	56	58	59	60	63	64	66	67	75	76
	Historical Operating	Historical Book Fund	Dist Attny Hot Ck Fund	Dist Attny Contraband	Powell Hotel Fund	Victims Coord. Grant	Homeland Security Grant	Records Management	Pretrial Diversion	HAVA Grant	TDRA Grant
<u>Revenue</u>											
Taxes	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	1,839	4,938	-	-
Miscellaneous	1,073	-	-	-	-	-	-	-	-	-	-
Interest	16	-	1	7	-	-	-	2	2	-	-
Other Revenue	2,987	2,635	521	-	2,566	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	1,471,824
Total Revenue	4,076	2,635	522	7	2,566	-	-	1,841	4,940	-	1,471,824
<u>Expenditures</u>											
<u>Current</u>											
General Administration	-	-	-	-	-	-	-	1,297	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	4,200	-	-	-	-	-	-	-
Public Facilities	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	1,453,707
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	11,830	2,607	-	-	8,815	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	1,432	-	-	-	-	-	-	-	-	-	-
Interest Expense	652	-	-	-	-	-	-	-	-	-	-
Capital Outlay	1,467	-	-	-	-	-	-	-	-	-	18,078
Total Expenditures	15,381	2,607	-	4,200	8,815	-	-	1,297	-	-	1,471,785
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,305)	28	522	(4,193)	(6,249)	-	-	544	4,940	-	39
<u>Other Financing Sources (Uses)</u>											
Transfers In (Out)	12,582	-	-	-	-	-	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-	(39)
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	12,582	-	-	-	-	-	-	-	-	-	(39)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,277	28	522	(4,193)	(6,249)	-	-	544	4,940	-	-
Fund Balance beginning of year	2,765	19,977	2,358	19,994	15,551	-	-	4,973	4,002	-	-
Fund Balance end of year	\$ 4,042	\$ 20,005	\$ 2,880	\$ 15,801	\$ 9,302	\$ -	\$ -	\$ 5,517	\$ 8,942	\$ -	\$ -

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2014

	77	72	80	83	92	93	97	Total
	TxSAVNS/ Vine Grant	FEMA Grants	Civic Center Operations	CERTZ Grant	Justice Court Technology	Federal Forest Fund	Debt Service	Nonmajor Governmental Fund
<u>Revenue</u>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,555	\$ 1,108,895
Intergovernmental	-	-	-	-	-	10,652	-	79,815
Fines and Fees	-	-	-	-	9,905	-	-	56,215
Miscellaneous	-	-	1,150	-	-	-	-	38,694
Interest	-	-	6	-	8	-	90	2,459
Other Revenue	-	-	3,886	-	-	-	34	51,044
Grants	-	-	-	-	-	-	-	1,572,217
Total Revenue	-	-	5,042	-	9,913	10,652	256,679	2,909,339
<u>Expenditures</u>								
Current								
General Administration	-	-	-	-	-	-	-	41,868
Judicial	-	-	-	-	-	-	-	-
Legal	-	-	-	-	10,010	-	-	130,111
Public Facilities	-	-	-	-	-	-	-	1,482,024
Public Safety	-	-	-	87,572	-	-	-	1,556,438
Health and Welfare	-	-	-	-	-	-	-	94,107
Conservation	-	-	-	-	-	13,186	-	13,186
Culture and Recreation	-	-	21,812	-	-	-	-	170,244
Debt Service	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	1,355	-	-	175,176
Interest Expense	-	-	-	-	836	-	-	13,548
Capital Outlay	-	-	-	-	4,864	-	-	323,834
Total Expenditures	-	-	21,812	87,572	17,065	13,186	-	4,000,536
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(16,770)	(87,572)	(7,152)	(2,534)	256,679	(1,091,197)
<u>Other Financing Sources (Uses)</u>								
Transfers In (Out)	-	-	12,000	87,572	2,191	-	-	1,478,998
Transfers In (Out)	-	-	-	-	-	(13,186)	(225,659)	(238,884)
Issuance of Debt	-	-	-	-	-	-	-	231,270
Total Other Financing Sources (Uses)	-	-	12,000	87,572	2,191	(13,186)	(225,659)	1,471,384
Excess (Deficiency) of Revenues and Other Financir Sources Over (Under) Expenditures and Other Financing Uses	-	-	(4,770)	-	(4,961)	(15,720)	31,020	380,187
Fund Balance beginning of year	-	-	7,241	-	24,553	15,720	117,329	2,680,032
Fund Balance end of year	\$ -	\$ -	2,471	\$ -	19,592	\$ -	148,349	\$ 3,060,219

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, 2014.

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
August 28, 2015



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, 2014, and the related notes to the financial statements, which collectively comprise County of Newton, Texas's basic financial statements, and have issued our report thereon dated August 28, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles E. Reed & Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
August 28, 2015

COUNTY OF NEWTON, TEXAS
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2014

Schedule I

	<u>Federal CFDA Number</u>	<u>Amount of Award</u>	<u>Amount Expended</u>
<u>Department of Homeland Security</u>			
Governors Department of Emergency Management	97.039	\$ 883,662	\$ 346,866
Governors Department of Emergency Management	97.039	2,064,635	716,209
Governors Department of Emergency Management	97.039	1,347,029	164,353
Texas Dept. of Public Safety-DETCOG - SHSP/LETPA	97.067	19,824	-
		<u>4,315,150</u>	<u>1,227,428</u>
<u>Department of Housing and Urban Development</u>			
Texas Department of Rural Affairs	14.228	275,000	-
<u>Department of Criminal Justice</u>			
Pass-Through Agency: Office of the Governor			
Violence Against Women WF-12-V30-25592-02	16.588	45,000	45,012
Violence Against Women WF-12-V30-25592-03	16.588	46,000	12,617
		<u>91,000</u>	<u>57,629</u>
<u>General Land Office</u>			
CDBG Disaster Recovery	14.218	1,184,949	1,006,854
CDBG Disaster Recovery	14.218	3,104,000	464,970
		<u>4,288,949</u>	<u>1,471,824</u>
<u>Bereau of Justice Assistance</u>			
	16.607	4,021	4,021
<u>National Endowment for Humanities</u>			
Inter-Library Loan Reimbursement	45.310	60	60
Edge Implementation Reimbursement Program	45.310	5,000	4,987
			<u>5,047</u>
		Total Federal Money Expended	<u>\$ 2,765,949</u>

COUNTY OF NEWTON, TEXAS
 Schedule of State of Texas Expenditures
 For the Year Ended December 31, 2014

Schedule II

		Grant I.D.	Amount of Award	Amount Expended
Texas Comptroller	Texas Task Force on Indigent Defense	212-13-176	\$ 14,294	\$ 9,725
Texas Comptroller	Texas Task Force on Indigent Defense	212-14-176	22,628	19,521
Texas Comptroller	Texas Task Force on Indigent Defense	212-15-176	16,406	-
Texas Department of Agriculture	East Texas Support Services		15,000	-
Office of Attorney General	Texas SAVNS/VINE Program	1555309	7,133	1,783
Office of Attorney General	Texas SAVNS/VINE Program	1446152	7,133	5,350
Sabine River Authority	Floodplain Administration		10,000	10,000
Tocker Foundation	Library	13222	5,000	4,666
Texas Dept of Transportation	Routine Airport Maint (RAMP)	N1420NEWT	50,000	26,000
Texas Dept of Transportation	County Transportation Infrastructure	CTIF-01-176	341,933	87,572
			<u>489,527</u>	<u>164,617</u>
			Total State Money Expended	<u>\$ 164,617</u>

Notes to the Schedule of Expenditures of Federal and State Awards
For the year ended December 31, 2014

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, 2014

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