

NEWTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2016

NEWTON COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended December 31, 2016

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INTRODUCTORY
SECTION

**NEWTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016
DIRECTORY OF OFFICIALS**

COMMISSIONERS' COURT:

Paul Price
William L. "Bill" Fuller
Thomas Gill
Gary Fomby
Wesley (Gene) Thompson

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

OTHER COUNTY OFFICIALS:

Courtney Tracy Ponthier
Bree Allen
Sandra K. Duckworth
Melissa Burks
Ginger Siau
Elizabeth Holloway
Billy Rowles
Stephanie Ducote
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
Holton Johnson
Jimmy Lavergne

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

FINANCIAL
SECTION



Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

Member

American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

AICPA Private
Companies Practice Section

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Newton, Texas as of and for the year ended December 31, 2016, 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, 2016, 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 introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2017, on our consideration of the County of Newton, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Newton, Texas' internal control over financial reporting and compliance.

Charles E. Reed & Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
July 31, 2017

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, 2016. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows and resources of the County exceeded its liabilities and deferred inflows and resources at the close of 2016 by \$21,111,326. Of this amount, \$10,204,709 is considered unrestricted. The unrestricted net position of the County's governmental activities are \$9,223,224 and may be used to meet the government's ongoing obligations.
- The County's total net position decreased by (\$82,664) in 2016.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$8,563,827. Of this balance, \$7,510,521 is considered unassigned at December 31, 2016.
- The General Fund reported a fund balance of \$3,592,365 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$2,539,059 or 40.2% of total general expenditures (including transfers out).
- The County's total debt decreased by \$69,502 during the current fiscal year. Debt was issued in the current fiscal year in the amount of \$218,900.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused sick leave).

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

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

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

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

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

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 11-16 of this report.

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

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

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 21 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 40 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Notes to the Financial Statements. Combining statements can be found beginning on page 42 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The County's assets and deferred outflows and resources exceeded liabilities by \$21,111,326 at the close of the most recent fiscal year.

A portion of the County's net position, \$10,605,726 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.

	2016	2015	2016	2015
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
Current and other assets	\$ 9,883,293	\$ 9,509,434	\$ 995,138	\$ 1,129,971
Capital assets	10,776,425	10,804,789	10,095,038	10,346,188
Total assets	20,659,718	20,314,223	11,090,176	11,476,159
Deferred outflows and resources	634,666	36,753	-	-
Long-term liabilities	932,369	1,094,891	7,396,200	8,351,200
Other liabilities	604,207	554,860	2,107,453	1,160,253
Total liabilities	1,536,576	1,649,751	9,503,653	9,511,453
Deferred Inflows and resources	233,085	242,780	-	-
Net position:				
Invested in capital assets, net of related debt	10,000,688	9,959,550	605,038	856,188
Restricted	300,891	342,026	-	-
Unrestricted	9,223,224	8,156,689	981,485	1,108,518
	<u>\$ 19,524,803</u>	<u>\$ 18,458,265</u>	<u>\$ 1,586,523</u>	<u>\$ 1,964,706</u>

An additional portion of the County's net position, \$300,891 represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net position \$10,204,709, may be utilized to meet the government's on-going obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate government activities. The same situation held true for the prior fiscal year.

	CHANGES IN NET POSITION			
	2016	2015	2016	2015
	Governmental Activities	Governmental Activities	Proprietary Activities	Proprietary Activities
REVENUES				
Charges for services	\$ 964,474	\$ 1,007,839	\$ -	\$ 25,457
Operating grants and contributions	-	498,084	-	-
Capital Grants	1,056,514	1,006,437	-	-
General revenues:				
Property taxes	7,464,644	7,229,786	-	-
Miscellaneous	84,997	60,376	-	-
Interest income	58,503	24,630	27,800	600
Other	950,090	196,697	519	-
Total Revenues	10,579,222	10,023,849	28,319	26,057
EXPENDITURES				
General government	1,059,320	1,218,931	-	-
Judicial	901,148	860,355	-	-
Legal	457,470	460,365	-	404,224
Financial administration	601,204	574,302	-	-
Public facilities	2,642,103	2,243,275	606,502	-
Public safety	3,604,942	3,052,180	-	-
Health and welfare	539,301	652,867	-	-
Conservation	11,657	13,957	-	-
Culture and recreation	157,568	161,701	-	-
Miscellaneous	83,722	37,906	-	-
Interest on long-term debt	25,268	22,512	-	-
Total Expenditures	10,083,703	9,298,351	606,502	404,224
Excess of Revenues over Expenses	495,519	725,498	(578,183)	(378,167)
Transfers	(200,000)	(200,000)	200,000	200,000
Increase (decrease) in net position	295,519	525,498	(378,183)	(178,167)
Net position at beginning of year	18,458,265	17,932,767	1,964,706	2,142,873
Prior period adjustment	771,019	-	-	-
Net Position End of Year	\$ 19,524,803	\$ 18,458,265	1,586,523	1,964,706

The government's total net position decreased by (\$82,664) during the current fiscal year. The County's governmental activities increased due primarily to the management of expenses and increased revenue from charges, interest and other revenue.

Financial Analysis of the Government's Funds

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

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

As of December 31, 2016, the County's governmental funds reported combined ending fund balances of \$8,563,827 an increase of \$421,183 in comparison with the prior year of this, \$7,510,521 amount unassigned fund balance, which is available for spending at the government's discretion, and \$1,053,306 is committed to fund balance.

The General Fund is the chief operating fund of the County. At December 31, 2016 unrestricted and total fund balance of the General Fund was \$3,526,365. As a measure of liquidity of the General Fund, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures (including transfers out). Fund balance represents 55.9% of total General Fund expenditures (including transfers out).

The fund balance of the General Fund decreased by (\$391,427) during 2016. It was budgeted at a decrease of \$(674,853) during this year. Therefore, comparison to budget shows positive variance. Revenue had a negative variance of \$(10,784) while expenditures had positive variance of \$1,191,511 and transfers a negative variance of \$(897,301).

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

The budget for the general fund was amended; the change was an increase in expenditure budget by \$71,835. The comparison between and the actual results significant variations were: general administration spent less than budget by \$410,780; and the health and welfare spent less than budget by \$431,796.

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2016, amounts to \$20,871,464 (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	9,725,570	9,795,038	19,520,608
	<u>\$ 10,776,425</u>	<u>\$ 10,095,038</u>	<u>\$20,871,463</u>

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

Long-term debt - At December 31, 2016, the County had \$10,265,737 total long-term debt outstanding of which \$2,418,154 was due within one year. Bonds payable are revenue bonds that the Newton County Facilities Corporation is not able to service the debt as this time.

DEBT OUTSTANDING		
	Governmental Activities	Business-Type Activities
Bonds Payable	\$ -	\$ 9,490,000
Notes Payable	775,737	-
	<u>\$ 775,737</u>	<u>\$ 9,490,000</u>

The County's total liabilities and deferred inflows of resources outstanding at December 31, 2016 decreased by \$130,670 from December 31, 2015 because new debt of \$218,900 was issued, and outstanding debt was paid. Additional information on the County's debt can be found in Note 3, beginning on page 31.

Economic Factors and Next Year's Budgets and Rates

Unemployment remained at 11.9%; the tax rate for 2015-2016 year remained at \$0.643721. As always in times of limited resources and consideration of the burden to rate and tax payers, the following items may be considered in balancing future budgets.

- Budget for 2016 is similar to 2015.
- 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, 2016

Exhibit A

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 8,043,957	\$ 995,138	\$ 9,039,095
Receivables:			
Accounts Receivable	98,588	-	98,588
Property Taxes Receivable	1,441,536	-	1,441,536
Allowance for Uncollectible Taxes	(60,000)	-	(60,000)
Restricted Cash and Investments	300,891	-	300,891
Prepaid Expenses	58,401	-	58,401
Capital Assets	-	-	-
Land	1,050,855	300,000	1,350,855
Construction in Progress	-	-	-
Capital Assets - Net	9,725,570	9,795,038	19,520,608
Total Assets	20,659,798	11,090,176	31,749,974
<u>Deferred Outflows and Resources</u>			
Deferred Outflows on Pensions	634,666	-	634,666
Total Deferred Outflows of Resources	634,666	-	634,666
<u>Liabilities</u>			
Accounts Payable	197,846	13,653	211,499
Accrued Payables	82,007	-	82,007
Notes Payable/Revenue Bonds Payable	-	-	-
Due Within One Year	324,354	4,445,000	4,769,354
Due After One Year	451,383	5,045,000	5,496,383
Net Pension Liabilities	480,986	-	480,986
Total Liabilities	1,536,576	9,503,653	11,040,229
<u>Deferred Inflows of Resources</u>			
Deferred Inflows on Pensions	233,085	-	233,085
Total Deferred Inflows of Resources	233,085	-	233,085
<u>Net Position</u>			
Investment in Capital Assets- Net of Debt	10,000,688	605,038	10,605,726
Restricted	300,891	-	300,891
Unrestricted	9,223,224	981,485	10,204,709
Total Net Position	\$ 19,524,803	\$ 1,586,523	\$ 21,111,326

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

NEWTON COUNTY, TEXAS

Statement of Activities

For the year ended December 31, 2016

Functions-Programs	Expenses	Charges for Services	Program Specific Operating Grants		Program Specific Capital Grants	Governmental Activities Total	Business-type Activities		Total
			Operating Grants	Capital Grants			Business-type Activities	Total	
Governmental Activities:									
General Government	\$ 1,059,320	\$ 963,961	-	-	\$ -	\$ (95,359)	\$ -	\$ -	\$ (95,359)
Judicial	901,148	-	-	-	-	(901,148)	-	-	(901,148)
Legal	457,470	-	-	-	-	(457,470)	-	-	(457,470)
Financial Administration	601,204	-	-	-	-	(601,204)	-	-	(601,204)
Public Facilities	2,642,103	-	-	1,056,514	(1,585,589)	(1,585,589)	-	-	(1,585,589)
Public Safety	3,604,942	513	-	-	(3,604,429)	(3,604,429)	-	-	(3,604,429)
Health & Welfare	539,301	-	-	-	(539,301)	(539,301)	-	-	(539,301)
Conservation	11,657	-	-	-	(11,657)	(11,657)	-	-	(11,657)
Culture & Recreation	157,568	-	-	-	(157,568)	(157,568)	-	-	(157,568)
Miscellaneous	83,722	-	-	-	(83,722)	(83,722)	-	-	(83,722)
Interest on Long-term Debt	25,268	-	-	-	(25,268)	(25,268)	-	-	(25,268)
Total Governmental Activities:	10,083,703	964,474	-	1,056,514	(8,062,715)	(8,062,715)	-	-	(8,062,715)
Business-type Activities:									
Prison Facilities	\$ 606,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (606,502)	\$ -	\$ (606,502)
Total Business-type Activities	\$ 606,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (606,502)	\$ -	\$ (606,502)
General Revenues:									
Property Taxes					\$ 7,464,644	\$ 7,464,644	\$ -	\$ -	\$ 7,464,644
Intergovernmental					135,293	135,293	-	-	135,293
Miscellaneous					84,997	84,997	27,800	27,800	112,797
Interest					58,503	58,503	519	519	59,022
Other					814,797	814,797	-	-	814,797
Transfers					(200,000)	(200,000)	200,000	200,000	-
Total General Revenues					8,358,234	8,358,234	228,319	228,319	8,586,553
Change in Net Position					295,519	295,519	(378,183)	(378,183)	(82,664)
Net Position at beginning of year					18,458,265	18,458,265	1,964,706	1,964,706	20,422,971
Prior Period Adjustment - See note 5					771,019	771,019	-	-	771,019
					19,229,284	19,229,284	1,964,706	1,964,706	21,193,990
Net Position at end of year					\$ 19,524,803	\$ 19,524,803	\$ 1,586,523	\$ 1,586,523	\$ 21,111,326

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

NEWTON COUNTY, TEXAS
 Balance Sheet
 Governmental Funds
 December 31, 2016

Exhibit C

	5,10,98,99	20	68	70		
	General Fund	Road & Bridge General	Hazard Mitigation Grant	Courthouse Emergency Grant	Total Non-Major Funds	Total Governmental Funds
<u>Assets</u>						
Cash and Cash Equivalents	\$ 3,000,115	\$ 815,927	\$ 355,267	\$ 266,983	\$ 3,605,665	\$ 8,043,957
Investments	300,891	-	-	-	-	300,891
Prepaid Expenses	58,401	-	-	-	-	58,401
Property Taxes Receivable	1,441,536	-	-	-	-	1,441,536
Allowance for Uncollectible Taxes	(60,000)	-	-	-	-	(60,000)
Accounts Receivable	42,284	5,024	-	9,346	41,934	98,588
Total Assets	\$ 4,783,227	\$ 820,951	\$ 355,267	\$ 276,329	\$ 3,647,599	\$ 9,883,373
<u>Liabilities</u>						
Accounts Payable	89,585	1,364	-	-	106,897	197,846
Accrued Vacation/Comp Time	61,584	-	-	-	20,423	82,007
Total Liabilities	151,169	1,364	-	-	127,320	279,853
<u>Deferred Inflows of Resources</u>						
Unavailable Revenue - Property Tax	1,039,693	-	-	-	-	1,039,693
Total Deferred Inflows of Resources	1,039,693	-	-	-	-	1,039,693
<u>Fund Balances</u>						
Unassigned	2,539,059	819,587	355,267	276,329	3,520,279	7,510,521
Committed	1,053,306	-	-	-	-	1,053,306
Total Fund Balance	3,592,365	819,587	355,267	276,329	3,520,279	8,563,827
Total Liabilities and Fund Balances	\$ 4,783,227	\$ 820,951	\$ 355,267	\$ 276,329	\$ 3,647,599	\$ 9,883,373

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

NEWTON COUNTY, TEXAS

Exhibit C-1

Reconciliation of the Statement of Position to the
Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2016

Total Fund Balances of Governmental Funds		\$ 8,563,827
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,776,425	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(775,737)	
Net Pension Liability	(480,986)	
Deferred Outflows and Inflows of Resources not available to pay for current-period expenditures	401,581	
Other Long Term Assets not available to pay for current period expenditures, and therefore, are deferred in the funds - Unavailable Revenue - Property Tax	<u>1,039,693</u>	<u>10,960,976</u>
Net Position of Governmental Activities- Exhibit A		<u><u>\$19,524,803</u></u>

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

NEWTON COUNTY, TEXAS

Exhibit D

Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds
For the year ended December 31, 2016

	5,10,98,99	20	68	70		
	General Fund	Road & Bridge General	Hazard Mitigation Grant	Courthouse Emergency Grant	Total Non-Major Funds	Total Governmental Funds
<u>Revenue</u>						
Taxes	\$ 5,381,721	\$ 978,296	\$ -	\$ -	\$ 1,170,664	\$ 7,530,681
Intergovernmental	29,617	-	-	-	105,676	135,293
Fines and Fees	341,943	549,784	-	-	72,234	963,961
Licenses and Permits	513	-	-	-	-	513
Miscellaneous	74,580	-	-	-	10,417	84,997
Interest	43,569	3,189	-	846	10,899	58,503
Other Revenue	49,532	-	213,928	-	552,925	816,385
Time Warrant Revenue	-	-	-	-	-	-
Grants	-	-	256,615	-	799,899	1,056,514
Total Revenue	5,921,475	1,531,269	470,543	846	2,722,714	10,646,847
<u>Expenditures</u>						
Current						
General Administration	433,921	329,018	-	-	46,136	809,075
Judicial	890,428	-	-	-	-	890,428
Legal	330,773	-	-	-	120,265	451,038
Financial Administration	588,341	-	-	-	-	588,341
Public Facilities	352,781	-	-	-	2,184,121	2,536,902
Public Safety	1,531,751	-	609,454	-	1,212,462	3,353,667
Health and Welfare	437,133	-	-	-	98,952	536,085
Conservation	-	-	-	-	10,586	10,586
Culture and Recreation	-	-	-	-	154,352	154,352
Miscellaneous	83,722	-	-	-	-	83,722
Debt Service	-	-	-	-	-	-
Principal Payment	37,839	-	-	-	250,437	288,276
Interest Expense	4,997	-	-	-	20,271	25,268
Capital Outlay	211,496	-	-	-	305,327	516,823
Total Expenditures	4,903,182	329,018	609,454	-	4,402,909	10,244,563
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,018,293	1,202,251	(138,911)	846	(1,680,195)	402,284
<u>Other Financing Sources</u>						
Transfers In	114,929	10,587	182,554	-	2,648,557	2,956,627
Transfers (Out)	(1,524,649)	(930,000)	-	-	(701,979)	(3,156,628)
Issuance of Debt	-	-	-	-	218,900	218,900
Total Other Financing Sources	(1,409,720)	(919,413)	182,554	-	2,165,478	18,899
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(391,427)	282,838	43,643	846	485,283	421,183
Fund Balance - Beginning of Year	3,983,792	536,749	311,624	275,483	3,034,996	8,142,644
Fund Balance - End of Year	\$ 3,592,365	\$ 819,587	\$ 355,267	\$ 276,329	\$ 3,520,279	\$ 8,563,827

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

NEWTON COUNTY, TEXAS

Exhibit D-1

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended December 31, 2016

Amounts reported for governmental activities in the Statement of Activities are
different because: 421,183

Net change in fund balances - total governmental funds (Exhibit D)

Governmental funds report capital outlay as expenditures. However, in the statement of
activities, the cost of those assets are allocated over their estimated useful lives and reported
as depreciation expense. The amount by which capital outlays exceeded depreciation in the
current period:

Capital Outlay	516,823	
Depreciation	<u>(537,043)</u>	(20,220)
Capital Asset Disposition		(1,587)

Actuarially calculated additional pension expense not using current-period financial resources (107,196)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt consumes the
current financial resources of governmental funds. Neither transaction, however, has any
effect on net assets.

Issuance of Debt	(218,900)	
Payment of Principal	<u>288,276</u>	69,376

Revenues in statement of activities that do not provide current financial
resources are not reported as revenues in the funds.
change in unavailable revenue (66,037)

Change in Net Assets of Governmental Activities (Exhibit B) \$ 295,519

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

NEWTON COUNTY, TEXAS

Exhibit E

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the year ended December 31, 2016

	Original Budget Original	Final Budget Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUE				
Taxes	\$ 5,464,209	\$ 5,462,209	\$ 5,381,721	\$ (80,488)
Intergovernmental	28,840	28,840	29,617	777
Fines and Fees	328,050	328,050	341,943	13,893
Licenses & Permits	3,936	3,936	513	(3,423)
Miscellaneous	39,300	43,747	74,580	30,833
Interest	18,000	18,000	43,569	25,569
Other Revenue	9,985	47,477	49,532	2,055
Total Revenue	5,892,320	5,932,259	5,921,475	(10,784)
EXPENDITURES				
Current				
General Administration	932,254	844,701	433,921	410,780
Judicial	987,752	989,292	890,428	98,864
Legal	403,308	393,308	330,773	62,535
Financial Administration	608,625	608,625	588,341	20,284
Public Facilities	388,347	403,329	352,781	50,548
Public Safety	1,586,711	1,622,793	1,531,751	91,042
Health and Welfare	826,946	868,929	437,133	431,796
Conservation	460	460	-	460
Miscellaneous	100,000	100,000	83,722	16,278
Principal Payment	37,274	37,839	37,839	-
Interest Expense	5,681	4,997	4,997	-
Capital Outlay	145,500	220,420	211,496	8,924
TOTAL EXPENDITURES	6,022,858	6,094,693	4,903,182	1,191,511
Excess(Deficiency) of Rev Over(Under) Expenditures	(130,538)	(162,434)	1,018,293	1,180,727
Other Finance Sources(Uses)				
Issuance of Debt	-	-	-	-
Transfers In	35,199	385,046	114,929	(270,117)
Transfers Out	(582,975)	(897,465)	(1,524,649)	(627,184)
Total Other Finance Sources(Uses)	(547,776)	(512,419)	(1,409,720)	(897,301)
Excess(Deficiency) of Rev Over(Under) Expenses & Other Fin Sources(Uses)	(678,314)	(674,853)	(391,427)	283,426
Fund Balance - Beginning of Period	3,983,792	3,983,792	3,983,792	-
Fund Balance - End of Period	\$ 3,305,478	\$ 3,308,939	\$ 3,592,365	\$ 283,426

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

NEWTON COUNTY, TEXAS
Statement of Net Position - Proprietary Funds
December 31, 2016

Exhibit F

	Business-Type Activities Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	Total
<u>Assets</u>			
Current Assets			
Cash and Cash Equivalents	\$ 411,282	\$ 583,856	\$ 995,138
Investments	-	-	-
Accounts Receivables - Net of Allowances for Uncollectibles	-	-	-
Total Current Assets	<u>411,282</u>	<u>583,856</u>	<u>995,138</u>
Non-Current Assets			
Restricted Cash and Investments	-	-	-
Original Issue Discount	-	-	-
Less: Accumulated Accretion	-	-	-
Total Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>10,095,038</u>	<u>10,095,038</u>
Total Non-Current Assets	<u>-</u>	<u>10,095,038</u>	<u>10,095,038</u>
Total Assets	<u>411,282</u>	<u>10,678,894</u>	<u>11,090,176</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts Payable	13,653	-	13,653
Bonds Payable - Current Portion	-	2,093,800	2,093,800
Total Current Liabilities	<u>13,653</u>	<u>2,093,800</u>	<u>2,107,453</u>
Long-Term Liabilities			
Bonds Payable - Noncurrent Portion	-	7,396,200	7,396,200
Total Long-term Liabilities	<u>-</u>	<u>7,396,200</u>	<u>7,396,200</u>
Total Liabilities	<u>13,653</u>	<u>9,490,000</u>	<u>9,503,653</u>
<u>Net Position</u>			
Invested in Capital Assets	-	856,188	856,188
Unrestricted	397,629	332,706	730,335
Total Net Position	<u>\$ 397,629</u>	<u>\$ 1,188,894</u>	<u>\$ 1,586,523</u>

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

NEWTON COUNTY, TEXAS

Exhibit G

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the year ended December 31, 2016

	Business-Type Activities <u>Enterprise Fund</u>	<u>Component Unit</u>	
	<u>Correctional Facility</u>	<u>Public Facility Corporation</u>	<u>Total</u>
<u>Operating Revenue</u>			
Project Revenues	\$ -	\$ -	\$ -
Total Operating Revenues	<u>-</u>	<u>-</u>	<u>-</u>
<u>Operating Expenses</u>			
Management Fees	-	30,000	30,000
Depreciation	-	251,150	251,150
Insurance	-	26,701	26,701
Trust Fees	-	-	-
Operating Expense	246,269	52,382	298,651
Bond Interest	-	-	-
Total Operating Expenses	<u>246,269</u>	<u>360,233</u>	<u>606,502</u>
Operating Income (Loss)	<u>(246,269)</u>	<u>(360,233)</u>	<u>(606,502)</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest Income	-	519	519
Miscellaneous Income (Expenses)	27,800	-	27,800
Total Nonoperating Revenues (Expenses)	<u>27,800</u>	<u>519</u>	<u>28,319</u>
Transfers	200,000	-	200,000
Change in Net Position	(18,469.00)	(359,714.00)	(378,183.00)
Total Net Position at Beginning of Year	<u>416,098</u>	<u>1,548,608</u>	<u>1,964,706</u>
Total Net Position at End of Year	<u>\$ 397,629</u>	<u>\$ 1,188,894</u>	<u>\$ 1,586,523</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, 2016

Exhibit H

	Business-Type Activities		Total
	Enterprise Fund	Component Unit	
	Correctional Facility	Public Facility Corporation	
Cash Flows From Operating Activities			
Receipts from Customers	\$ -	\$ -	\$ -
Payment for Goods and Services	(254,537)	(109,083)	(363,620)
Net Cash Provided (Used) by Operating Activities	(254,537)	(109,083)	(363,620)
Cash Flows from Non-Capital Financing Sources (Uses)			
Miscellaneous	27,800	-	27,800
Transfers	200,000	-	200,000
Cash Flows from Capital and Related Financing Activities			
Interest Payments	-	-	-
Principal Payments	-	-	-
Cash Flows from Investing Activities			
Interest Income	468	519	987
(Purchase)/Sale of Capital Assets	-	-	-
(Purchase)/Sale of Investments	-	-	-
Net Increase(Decrease) in Cash and Cash Equivalents	(26,269)	(108,564)	(134,833)
Cash and Cash Equivalents at Beginning of Year			
Unrestricted Cash and Cash Equivalents	437,551	692,420	1,129,971
Unrestricted Cash and Cash Equivalents	-	-	-
	437,551	692,420	1,129,971
Cash and Cash Equivalents at End of Year			
Unrestricted Cash and Cash Equivalents	411,282	583,856	995,138
Restricted Cash	-	-	-
	411,282	583,856	995,138
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss) Adjustments	(246,269)	(360,233)	(606,502)
Depreciation	-	251,150	251,150
Bond Discount Accretion	-	-	-
(Increase) Decrease in Payables	-	-	-
Increase (Decrease) in Other Miscellaneous Items	(8,268)	-	(8,268)
	\$ (254,537)	\$ (109,083)	\$ (363,620)
Interest Paid	-	\$ -	\$ -

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

NEWTON COUNTY, TEXAS
Statement of Net Position
Fiduciary Funds - Agency Funds
December 31, 2016

Exhibit I

	Sheriff Office	Criminal District Attorney	District Clerk Fee Fund	District Clerk Trust Funds	County Clerk Fee Fund	County Clerk Trust Fund	Tax Assessor Collector	Total
<u>Assets</u>								
Cash	\$ 734	\$31,817	\$232,687	\$ 49,109	\$12,477	\$122,483	\$1,096,603	\$1,545,910
Total Assets	<u>734</u>	<u>31,817</u>	<u>232,687</u>	<u>49,109</u>	<u>12,477</u>	<u>122,483</u>	<u>1,096,603</u>	<u>1,545,910</u>
<u>Liabilities</u>								
Liabilities								
Payable to Newton County Beneficiaries	734	31,817	232,687	49,109	12,477	122,483	1,096,603	1,545,910
Total Liabilities	<u>734</u>	<u>31,817</u>	<u>232,687</u>	<u>49,109</u>	<u>12,477</u>	<u>122,483</u>	<u>1,096,603</u>	<u>1,545,910</u>
<u>Fiduciary Net Position</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NEWTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

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

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The County has the following major governmental funds:

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

- Road and Bridge Fund – The Road & Bridge Fund is used to maintain county roads, bridges, ditches, etc. through the out County.
- Hazard Mitigation Grant Fund – This fund accounts for grants for mitigation of hazards.
- Courthouse Emergency Grant Fund – This fund accounts for grants to restore and rebuild the Newton County Courthouse.

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

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

Deposits and Investments

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

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

Investments are stated at fair value.

Inventories and Prepaid Items

Inventories – The costs of governmental fund-type inventories are recorded as expenditures when purchased. The cost of inventory on hand at December 31, 2016 was minimal.

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

Receivables and Payables

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

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

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

Capital Assets

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

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

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

Assets	Years
Building	40-50
Building Improvements	15-40
Roads and Bridges	15-40
Vehicles	5-10
Office Equipment	5-10
Computer Equipment	3-5

Use of Estimates

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

Compensated Absences

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

Long-term Obligations

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

The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Debt is primarily paid by the general fund and road and budget funds. The County first applies restricted funds then unrestricted to expenditures.

Government-Wide Net Assets / Fund Balances – Governmental Funds

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

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

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

Deferred Outflows/inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows or resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Fund Deficit

As of December 31, 2016 no funds had deficit fund balances.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the net position of the County of Newton, Texas’s

plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by Texas County and District Retirement System (TCDRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits

The carrying amount of the County's deposits as of December 31, 2016 were \$9,039,095, and the bank balances were \$9,202,850. Of the bank balance, \$ 250,000 was covered by FDIC insurance and up to \$17,647,753 was covered by collateral held in the County's name by the agent bank which is the County's depository bank. In addition the County's fiduciary funds balances totaled \$1,545,910.

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, \$121,694 are in certificates of deposits and money market accounts with Investment Center of America and First Financial Savings Bank and \$48,366 is invested in Government Bonds with Investment Center of America; \$87,831 is in GNMA, government security, and \$164,693 in corporate bonds. Investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

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

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

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

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

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

Receivables

Receivables and related allowances for uncollectible accounts were as follows as of December 31, 2016 for the governmental funds of the County:

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NOTES TO THE FINANCIAL STATEMENTS

	General	Road & Bridge	Other	Total
Property taxes	\$ 1,441,536	\$ -	\$ -	\$ 1,441,536
Accounts	42,284	5,024	51,280	98,588
	1,483,820	5,024	51,280	1,540,124
Allowance for Uncollectibles	(60,000)	-	-	(60,000)
	\$ 1,423,820	\$ 5,024	\$ 51,280	\$ 1,480,124

Receivables for the Business-Type Enterprise Funds:

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

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 2016 tax rate was \$.643721 per \$100.00 valuation assessed at 100% of market value. The 2017 tax rate is set at \$.719169 per \$100 valuation.

Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

Governmental Activities:

<u>Capital Assets not being depreciated</u>	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,050,855	\$ -	\$ -	\$ 1,050,855
	1,050,855	-	-	1,050,855
<u>Capital Assets being depreciated</u>				
Building & Improvements	16,981,122	115,720	40,001	17,056,841
Furniture, Fixtures & Equipment	5,689,967	401,103	-	6,091,070
Infrastructure	17,562,021	-	-	17,562,021
	40,233,110	516,823	40,001	40,709,932
	<u>\$ 41,283,965</u>	<u>\$ 516,823</u>	<u>\$ 40,001</u>	<u>\$ 41,760,787</u>
<u>Accumulated Depreciation</u>				
	Beginning Balance	Additions	Deletions	Ending Balance
Buildings and Improvements	\$ 10,504,915	\$ 46,723	\$ 31,857	\$ 10,519,781
Furniture, Fixtures & Equipment	3,547,689	455,949	-	4,003,638
Infrastructure	16,426,572	34,371	-	16,460,943
	<u>\$ 30,479,176</u>	<u>\$ 537,043</u>	<u>\$ 31,857</u>	<u>\$ 30,984,362</u>
				<u>\$ 10,776,425</u>

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

General Government	\$241,669
Public Safety	75,186
Public Facilities	<u>220,188</u>
Total Depreciation Expense	<u>\$ 537,043</u>

Enterprise Fund:

There are no capital assets.

Component Unit:

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

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 300,000	\$ -	\$ -	\$ 300,000
Building	12,591,475	-	-	12,591,475
Total Assets	12,891,475	-	-	12,891,475
Less: Accumulated Depreciation	2,545,287	251,150	-	2,796,437
Total	<u>\$ 10,346,188</u>	<u>\$ (251,150)</u>	<u>\$ -</u>	<u>\$ 10,095,038</u>

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NOTES TO THE FINANCIAL STATEMENTS

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

Long-term Debt

The County is obligated for notes payable to provide funds for the acquisition and construction of major capital facilities. No bonds are outstanding at December 31, 2016.

Description	Interest Rate	Beginning Balance 1/1/2016	Debt Issuance	Principal Payments	Interest Payments	Other Adjustments	Ending Balance 12/31/2016	Due in One Year	Maturity
Sharp Copier	6.10%	2,324	-	749	226	-	1,575	733	2019
Sharp Copier	6.10%	5,413	-	1,116	684	-	4,297	1,286	2019
Sharp Copier	6.10%	2,761	-	1,322	330	-	1,439	1,439	2017
Sharp Copier	6.10%	5,486	-	2,475	645	-	3,011	2,594	2018
Extension - Small Copier	6.10%	2,187	-	496	315	-	1,691	520	2019
Sheriff - Dewyville	6.10%	3,281	-	753	385	-	2,528	780	2019
Tax Assessor - Copier	6.10%	3,645	-	836	463	-	2,809	867	2019
Extension - Big Copier	6.10%	3,438	-	768	410	-	2,670	797	2019
Motor Vehicle - Dewey	6.10%	2,223	-	491	300	-	1,732	514	2019
Indigent - Copier	6.10%	3,439	-	-	426	-	3,439	746	2019
Treasurer - Copier	6.10%	5,983	-	1,161	89	-	4,822	1,216	2020
TAX Software	3.32%	27,145	-	27,145	-	-	-	-	-
Sharp Copier - Dist Clk	6.10%	4,690	-	1,050	571	-	3,640	1,196	2019
Sharp Copier - Co Clk	6.10%	3,329	-	1,583	367	-	1,746	1,675	2018
Sharp Copier - History	6.10%	5,321	-	1,366	633	-	3,955	1,560	2019
Sharp Copier - Library	6.10%	3,515	-	1,407	393	-	2,108	1,604	2018
Sharp Copier - JP 4	6.10%	1,763	-	423	227	-	1,340	443	2019
Sharp Copier - JP 4	6.10%	1,763	-	423	260	-	1,340	443	2019
Sharp Copier - JP 1	6.10%	3,516	-	833	427	-	2,683	951	2019
Sharp Copier - JP 3	6.10%	2,223	-	439	342	-	1,784	514	2019
Sharp Copier - JP 2	6.10%	1,639	-	148	571	-	1,491	210	2020
Kubota tractor/blade	4.24%	15,583	-	15,583	741	-	-	-	-
Motor - Grader	3.20%	188,927	-	26,769	1,741	-	161,504	27,625	2020
John Deere Grader	2.47%	204,200	-	66,398	5,076	-	137,802	68,507	2018
Volvo Motor Grader	2.62%	72,960	-	35,966	1,923	-	36,994	36,956	2017
John Deere Grader	2.58%	204,200	-	66,325	5,301	-	137,875	68,057	2018
Volvo Motor Grader	2.62%	64,285	-	31,723	1,695	-	32,562	32,562	2017
J deere Loader R&B Pct1	2.82%	-	130,200	-	-	-	130,200	42,195	2019
Linibelt Exc R&B Pct2	2.82%	-	88,700	-	-	-	88,700	28,746	2019
		\$ 845,239	\$ 218,900	\$ 287,748	\$ 24,541	\$ -	\$ 775,737	\$ 324,736	

Debt services requirements to maturity are as follows:

Year	Principal	Interest	Total
2017	\$ 324,354	\$ 21,767	\$ 346,121
2018	228,587	11,047	239,634
2019	91,078	3,383	94,461
2020	131,718	1,257	132,975
	\$ 775,737	\$ 37,454	\$ 813,191

The Public Facilities Corporation has revenue bonds outstanding. The bonds were issued in 2002 at a range of 7% to 8% interest rate payable over 17 years. The bonds are callable after 2019; however the Corporation is in default. Prior year amounts that were not paid are shown as current.

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Debt Service Requirements on the Series 2002 Bond:

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

Series 2002 revenue Bonds are in default

Individual Interfund Transactions

Transfers are as follows:

Fund	Transfers In	Transfers Out
General	\$ 114,929	\$ 1,524,648
NCCC Accrual	200,000	-
Road & Bridge - General	10,587	930,000
Road & Bridge Pct. 1	248,863	1,057
Road & Bridge Pct. 2	286,626	-
Road & Bridge Pct. 3	252,927	-
Road & Bridge Pct. 4	346,195	-
VAWA Grant	20,000	-
Commissioners Special Pct. 1	94,553	-
Commissioners Special Pct. 2	94,981	-
Commissioners Special Pct. 3	146,211	-
Commissioners Special Pct. 4	54,353	-
Road Preservation	3,420	-
Solid Waste Disposal	70,000	-
Voter Registration	40,690	-
Library	100,350	-
Historical Commission	11,749	500
Homeland Security Grant	-	12,432
Hazard Mitigation Grant	182,554	-
FEMA	809,679	350,594
TDRA Grant	10,810	7,643
Civic Center	12,000	-
CERTZ Grant	41,117	6,668
Technology	4,033	-
Federal Forest	-	10,587
Debt Service	-	312,498
	<u>\$ 3,156,627</u>	<u>\$ 3,156,627</u>

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

NOTE 4 - Other Information

Risk Management and Litigation

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

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

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

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

Commitments and Contingencies

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

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

NOTE 5 – Prior Period Adjustment

Correction is made to the beginning balance of the Deferred Outflows/Inflows regarding the beginning Pension Liability.

	Governmental Activities	Business-type Activities	Total
December 31, 2015	\$ 18,458,265	\$ 1,964,706	\$20,422,971
Net Position as Previously Reported			
Net Pension Liability			
Adjustment for Deferred Outflows/Inflows	771,019	-	771,019
Net Position as Restated December 31, 2015	<u>\$ 19,229,284</u>	<u>\$ 1,964,706</u>	<u>\$21,193,990</u>

NOTE 6 – Retirement Plan

Plan Description -

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

- a. Newton County participates in the Texas County and District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:

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NOTES TO THE FINANCIAL STATEMENTS

1. All full-and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 2. The plan provides retirement, disability and survivor benefits.
 3. TCDRS is a savings-based plan. For the County's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 170%) and is then converted to an annuity.
 4. There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 5. Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Newton County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contributions rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2016 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tdrs.org.

Membership Information

<u>Members</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>
Number of inactive employees entitled to but not yet receiving benefits	95	107
Number of active employees	112	100
Average monthly salary*	\$2,140	\$2,328
Average age*	51.41	51.37
Average length of service in years*	9.31	8.76
<u>Inactive Employees (or their Beneficiaries) Receiving Benefits</u>		
Number of benefit recipients:	51	55
<u>Average monthly benefit:</u>	<u>\$654</u>	<u>\$649</u>

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

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions
As of December 31, 2016, Newton County reported a net pension liability of \$480,986. The net pension liability was determined by an actuarial valuation as of December 31, 2016. Newton County's net

pension liability was based on a projection of the county's long-term share of contributions to the pension plan relative to projected contributions of all employers, actuarially determined.

For the year ended December 31, 2016, Newton County recognized pension expense of \$355,244. At December 31, 2016, Newton County reported deferred outflows and inflows of resources as follows:

Deferred Outflows - \$634,666
Deferred Inflows - \$233,085

Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2016 funding valuation (see Appendix C, following for details), except as noted below and throughout this report. Please see the Newton County December 31, 2016 Summary Valuation report for further details.

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

Valuation Timing

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

Actuarial Cost Method

Entry Age Normal ⁽¹⁾

Amortization Method

Recognition of economic/demographic
Gains or losses

Straight-Line amortization over Expected Working
Life

Recognition of assumptions changes
Or inputs

Straight-Line amortization over Expected Working
Life

Asset Valuation Method

Smoothing period
Recognition method
Corridor

5 years
Non-asymptotic
None

Inflation

Same as funding valuation: See Appendix C⁽²⁾

Salary Increases

Same as funding valuation: See Appendix C⁽²⁾

Investment Rate of Return

8.10%

Cost-of-living Adjustments

Cost-of-Living Adjustments for Newton County are not considered to be substantively automatic under GASB 68. Therefore, no assumptions for future cost-of-living adjustment is included in the GASB calculations. No Assumption for future cost-of-living adjustments is included in the funding valuation.

Retirement Age

Same as funding valuation: See Appendix C⁽²⁾

Turnover

Same as funding valuation: See Appendix C⁽²⁾

Mortality

Same as funding valuation: See Appendix C⁽²⁾

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

Following is a description of the assumptions used in the December 31, 2016 actuarial valuation analysis for Newton County. This information may also be found in the Newton County December 31, 2016 Summary Valuation report.

Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.0%
Inflation	3.0%
Long-term investment return	8.0%

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

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

Employer-specific economic assumptions:

Growth in membership	0.0%
Payroll growth for funding calculations	3.5%

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

Discount Rate

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

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan’s fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.

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2. The actuarial present value of projected benefit payments not included in (1) calculated using the municipal bond rate.

	December 31, 2015	December 31, 2016
Discount rate ⁽²⁾	8.10%	8.10%
Long-term expected rate of return, net of investment expense ⁽²⁾	8.10%	8.10%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply

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

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

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

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

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

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3) The employer's assets are projected to exceed its actuarial liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Projection of Fiduciary Net Position*						
Calendar Year Ending**	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses*** (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2017	\$ 9,911,585	\$ 421,146	\$ 733,792	\$ 9,912	\$ 790,029	\$ 10,379,056
2018	10,379,057	397,729	623,245	10,379	831,336	10,974,498
2019	10,974,497	384,633	660,940	10,974	877,526	11,564,742
2020	1,156,741	374,848	688,327	11,565	923,836	1,755,533
2021	12,163,533	366,085	720,400	12,164	970,693	12,767,747
2022	12,767,747	355,939	756,264	12,768	1,017,783	13,372,437
2023	13,372,438	343,819	827,299	13,372	1,063,437	13,939,023
2024	13,939,022	336,769	871,774	13,939	1,107,261	14,497,339
2025	14,497,340	322,081	931,538	14,497	1,149,506	15,022,892
2026	15,022,891	312,230	1,000,419	15,023	1,188,929	15,508,608
2036	19,172,558	266,548	1,445,359	19,173	1,505,403	19,479,977
2046	21,779,610	257,843	1,671,186	21,780	1,707,158	22,051,645
2056	26,830,106	319,594	1,454,300	26,830	2,127,112	27,795,682
2066	44,275,824	440,632	926,642	44,276	3,565,283	47,310,821
2076	92,363,500	620,651	420,530	92,363	7,485,723	99,956,981
2086	205,601,338	875,490	145,186	205,601	16,674,545	222,800,586
2096	457,439,562	1,234,965	34,347	457,440	37,082,118	495,264,858

* Projection values include no assumption for future cost-of-living adjustments

** Note that only select years have been shown for formatting purposes

*** Administrative expenses are assumed to be 0.10% of Fiduciary Net Position

Sensitivity Analysis

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

EXHIBIT J
NOTES TO THE FINANCIAL STATEMENTS

	1% Increase	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	\$ 11,687,466	\$ 10,392,571	\$ 9,314,627
Fiduciary net position	9,911,585	9,911,585	9,911,585
Net pension liability/asset	\$ 1,775,881	\$ 480,986	\$ (596,958)

Pension Plan Fiduciary Net Position

Changes in Net Pension Liability / Asset

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2015	\$ 9,857,994	\$ 9,320,792	\$ 537,202
Changes for the year:			
Service Cost	400,458	-	400,458
Interest on pension liability ⁽¹⁾	792,498	-	792,498
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(106,848)	-	(106,848)
Effect of assumptions changes or inputs	-	-	-
Refund of Contributions	(145,570)	(145,570)	-
Benefit Payments	(405,961)	(405,961)	-
Administrative expenses	-	(7,494)	7,494
Member contributions	-	205,485	(205,485)
Net investment income	-	689,044	(689,044)
Employer contributions	-	248,048	(248,048)
Other ⁽³⁾	-	7,241	(7,241)
Balances at December 31, 2016	\$ 10,392,571	\$ 9,911,585	\$ 480,986

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

(2) No plan changes valued.

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

NOTE 5 – Subsequent Events

Events occurring subsequent to December 31, 2016 were evaluated by management and reviewed through July 31, 2017, the date of report issuance.

REQUIRED
SUPPLEMENTAL
INFORMATION

NEWTON COUNTY, TEXAS
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 DECEMBER 31, 2016

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

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

NEWTON COUNTY, TEXAS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 DECEMBER 31, 2016

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contributions (1)	Actual Employer Contributions (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2007	109,746	145,497	(35,751)	2,078,523	7.00%
2008	127,409	161,863	(34,454)	2,312,322	7.00%
2009	145,122	171,597	(23,475)	2,451,383	7.00%
2010	188,596	188,596	-	2,641,403	7.10%
2011	200,252	200,252	-	2,684,362	7.50%
2012	211,586	211,286	-	2,751,126	7.70%
2013	218,306	218,306	-	2,695,144	8.10%
2014	241,137	241,137	-	2,853,654	8.50%
2015	230,217	243,170	(12,954)	2,877,707	8.50%
2016	235,721	248,048	(112,327)	2,935,500	8.40%

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

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

NON-MAJOR GOVERNMENTAL
FUNDS

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2016

Exhibit L

	14	15	19	21	22	23	24	25	29	30	31	32
Assets												
Cash and Cash Equivalents	\$ 19,875	\$ 4,059	\$ 20,204	\$ 236,985	\$ 24,198	\$ 84,431	\$ 273,533	\$ 97,155	\$ 653	\$ 203,724	\$ 365,166	\$ 227,950
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	555	555
Total Assets	\$ 19,875	\$ 4,059	\$ 20,204	\$ 236,985	\$ 24,198	\$ 84,431	\$ 273,533	\$ 97,155	\$ 653	\$ 203,724	\$ 365,166	\$ 228,505
Liabilities												
Accounts Payable	-	-	54	2,049	2,318	2,119	2,178	79	102	-	4,414	2,093
Accrued Vacation/Comp Time	-	-	-	2,888	8,193	1,958	5,923	-	-	-	-	-
Total Liabilities	-	-	54	4,937	10,511	4,077	8,101	79	102	-	4,414	2,093
Fund Balance												
Unassigned	19,875	4,059	20,150	232,048	13,687	80,354	265,432	97,076	551	203,724	360,752	226,412
Total Fund Balance	19,875	4,059	20,150	232,048	13,687	80,354	265,432	97,076	551	203,724	360,752	226,412
Total Liabilities and Fund Balance	\$ 19,875	\$ 4,059	\$ 20,204	\$ 236,985	\$ 24,198	\$ 84,431	\$ 273,533	\$ 97,155	\$ 653	\$ 203,724	\$ 365,166	\$ 228,505

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

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2016

Exhibit L

	33	34	36	37	38	39	40	41	42	43	44	45
	Commissioner Spec Pct 3	Commissioner Spec Pct 4	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4	Courthouse Restoration
Assets												
Cash and Cash Equivalents	\$ 162,528	\$ 277,557	\$ 68,419	\$ 32,410	\$ 98,354	\$ 178,232	\$ 104,926	\$ 16,514	\$ 35,930	\$ 35,881	\$ 66,603	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	555	555	79	79	79	79	-	-	-	-	-	-
Total Assets	\$ 163,083	\$ 278,112	\$ 68,498	\$ 32,489	\$ 98,433	\$ 178,311	\$ 104,926	\$ 16,514	\$ 35,930	\$ 35,881	\$ 66,603	\$ -
Liabilities												
Accounts Payable	3,817	13,739	800	-	-	-	150	-	-	-	-	-
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	3,817	13,739	800	-	-	-	150	-	-	-	-	-
Fund Balance												
Unassigned	159,266	264,373	67,698	32,489	98,433	178,311	104,776	16,514	35,930	35,881	66,603	-
Total Fund Balance	159,266	264,373	67,698	32,489	98,433	178,311	104,776	16,514	35,930	35,881	66,603	-
Total Liabilities and Fund Balance	\$ 163,083	\$ 278,112	\$ 68,498	\$ 32,489	\$ 98,433	\$ 178,311	\$ 104,926	\$ 16,514	\$ 35,930	\$ 35,881	\$ 66,603	\$ -

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

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2016

Exhibit L

	47	48	49	50	51	52	53	55	56	58	59	60
Assets												
Cash and Cash Equivalents	\$ 1,123	\$ 466	\$ -	\$ 185,571	\$ 1,131	\$ 2,713	\$ 34,551	\$ 166	\$ 15,427	\$ 3,673	\$ 4,188	\$ 5,724
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	3,827	-	-	-	1,248	-	-	-	-
Total Assets	\$ 1,123	\$ 466	\$ -	\$ 189,398	\$ 1,131	\$ 2,713	\$ 34,551	\$ 1,414	\$ 15,427	\$ 3,673	\$ 4,188	\$ 5,724
Liabilities												
Accounts Payable	-	-	-	2,526	65	304	3,152	88	-	-	500	578
Accrued Vacation/Comp Time	-	-	-	722	739	-	-	-	-	-	-	-
Total Liabilities	-	-	-	3,248	804	304	3,152	88	-	-	500	578
Fund Balance												
Unassigned	1,123	466	-	186,150	327	2,409	31,399	1,326	15,427	3,673	3,688	5,146
Total Fund Balance	1,123	466	-	186,150	327	2,409	31,399	1,326	15,427	3,673	3,688	5,146
Total Liabilities and Fund Balance	\$ 1,123	\$ 466	\$ -	\$ 189,398	\$ 1,131	\$ 2,713	\$ 34,551	\$ 1,414	\$ 15,427	\$ 3,673	\$ 4,188	\$ 5,724

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

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2016

Exhibit L

	64	66	67	72	80	88	92	93	97	Total
Assets										
Cash and Cash Equivalents	\$ -	\$ 7,884	\$ 17,586	\$ 503,384	\$ 5,924	\$ 32,298	\$ 24,543	\$ -	\$ 124,581	\$ 3,605,665
Investments	-	-	-	-	604	-	-	-	-	41,934
Accounts Receivable	-	7,884	17,586	503,384	6,528	32,298	24,543	-	158,300	3,647,599
Total Assets	\$ -	\$ 7,884	\$ 17,586	\$ 503,384	\$ 6,528	\$ 32,298	\$ 24,543	\$ -	\$ 158,300	\$ 3,647,599
Liabilities										
Accounts Payable	-	-	-	31,211	972	32,298	1,291	-	-	106,897
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	20,423
Total Liabilities	-	-	-	31,211	972	32,298	1,291	-	-	127,320
Fund Balance										
Unassigned	-	7,884	17,586	472,173	5,556	-	23,252	-	158,300	3,520,279
Total Fund Balance	-	7,884	17,586	472,173	5,556	-	23,252	-	158,300	3,520,279
Total Liabilities and Fund Balance	\$ -	\$ 7,884	\$ 17,586	\$ 503,384	\$ 6,528	\$ 32,298	\$ 24,543	\$ -	\$ 158,300	\$ 3,647,599

NEWTON COUNTY, TEXAS

Exhibit M

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2016

	14	15	19	21	22	23	24	25	29	30
	Prison Guard Detail	Indigent Defense Grant	Dist. Attny State Fund	Road & Bridge Pet 1	Road & Bridge Pet 2	Road & Bridge Pet 3	Road & Bridge Pet 4	Courthouse Security	VAW Grant	Right of Way
Revenue										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	27,500	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	7,016	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Interest	41	-	66	753	177	273	863	249	8	598
Other Revenue	-	-	1,500	-	-	-	-	-	-	-
Grants	-	16,113	-	-	-	-	-	-	41,250	-
Total Revenue	41	16,113	29,066	753	177	273	863	7,265	41,258	598
Expenditures										
Current										
General Administration	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-
Legal	-	12,054	27,668	-	-	-	-	-	-	61,115
Public Facilities	-	-	-	301,473	252,008	269,870	175,434	19,734	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	31,723	66,325	36,004	108,749	-	-	-
Interest Expense	-	-	-	1,695	5,301	1,924	7,558	-	-	-
Capital Outlay	-	-	-	130,200	88,700	-	42,991	-	-	-
Total Expenditures	-	12,054	27,668	465,091	412,334	307,798	334,732	19,734	61,115	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	41	4,059	1,398	(464,338)	(412,157)	(307,525)	(333,869)	(12,469)	(19,857)	598
Other Financing Sources (Uses)										
Transfers In (Out)	-	-	-	248,863	286,626	252,927	346,195	-	20,000	-
Transfers In (Out)	-	-	-	(1,057)	-	-	-	-	-	-
Issuance of Debt	-	-	-	130,200	88,700	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	378,006	375,326	252,927	346,195	-	20,000	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	41	4,059	1,398	(86,332)	(36,831)	(54,598)	12,326	(12,469)	143	598
Fund Balance beginning of year	19,834	-	18,751	318,380	50,517	134,952	253,105	109,545	408	203,126
Fund Balance end of year	\$ 19,875	\$ 4,059	\$ 20,149	\$ 232,048	\$ 13,686	\$ 80,354	\$ 265,431	\$ 97,076	\$ 551	\$ 203,724

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

NEWTON COUNTY, TEXAS

Exhibit M

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
for the year ended December 31, 2016

	31	32	33	34	35	36	37	38	39	40	41
	Commissioner Spec Pct 1	Commissioner Spec Pct 2	Commissioner Spec Pct 3	Commissioner Spec Pct 4	TCDDP Grants	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1
Revenue											
Taxes	\$ 181,254	\$ 181,254	\$ 181,254	\$ 181,254	\$ -	\$ 25,892	\$ 25,892	\$ 25,892	\$ 25,892	\$ -	\$ 6,749
Intergovernmental	-	-	-	-	-	-	-	-	-	44,696	-
Fines and Fees	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Interest	1,218	842	871	1,089	-	218	131	301	552	187	40
Other Revenue	-	-	-	-	73,009	-	-	-	-	-	-
Grants	-	-	-	-	73,009	-	-	-	-	-	-
Total Revenue	182,472	182,096	182,125	182,343	73,009	26,110	26,023	26,193	26,444	44,883	6,789
Expenditures											
Current	-	-	-	-	-	-	-	-	-	-	-
General Administration	-	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	237,348	181,304	302,194	297,371	73,009	10,281	35,126	-	-	26,527	2,442
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	-	-	2,632	-
Interest Expense	-	-	-	-	-	-	-	-	-	938	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	237,348	181,304	302,194	297,371	73,009	10,281	35,126	-	-	30,097	2,442
Excess (Deficiency) of Revenues Over (Under) Expenditures	(54,876)	792	(120,069)	(115,028)	-	15,829	(9,103)	26,193	26,444	14,786	4,347
Other Financing Sources (Uses)											
Transfers In (Out)	94,553	94,981	146,211	54,353	-	-	-	-	-	3,420	-
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	94,553	94,981	146,211	54,353	-	-	-	-	-	3,420	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	39,677	95,773	26,142	(60,675)	-	15,829	(9,103)	26,193	26,444	18,206	4,347
Fund Balance beginning of year	321,075	130,639	133,125	325,048	-	51,869	41,592	72,240	151,867	86,570	12,167
Fund Balance end of year	\$ 360,752	\$ 226,412	\$ 159,267	\$ 264,373	\$ -	\$ 67,698	\$ 32,489	\$ 98,433	\$ 178,311	\$ 104,776	\$ 16,514

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

NEWTON COUNTY, TEXAS

Exhibit M

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
for the year ended December 31, 2016

	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 Contractband	Library Tucker Grant	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library
Revenue											
Taxes	\$ 6,749	\$ 6,748	\$ 6,748	\$ -	\$ -	\$ -	\$ -	\$ 57,052	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	5,700	-
Fines and Fees	-	-	-	-	-	-	-	-	-	-	7,679
Miscellaneous	-	-	-	-	-	-	-	595	67	8	228
Interest	97	98	193	-	4	28	-	1,584	2,480	-	12,504
Other Revenue	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	<u>6,846</u>	<u>6,846</u>	<u>6,941</u>	<u>-</u>	<u>4</u>	<u>28</u>	<u>-</u>	<u>59,231</u>	<u>2,547</u>	<u>5,708</u>	<u>20,411</u>
Expenditures											
Current											
General Administration	-	-	-	-	-	-	-	-	45,983	-	-
Judicial	-	-	-	-	-	-	-	-	-	5,807	-
Legal	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	-	-	-	-	-	4,641	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	98,952	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	117,347
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	-	-	-	-	1,407
Interest Expense	-	-	-	-	-	-	-	-	-	-	393
Capital Outlay	-	-	-	-	-	18,161	-	25,275	-	-	-
Total Expenditures	-	-	-	-	-	<u>22,802</u>	-	<u>124,227</u>	<u>45,983</u>	<u>5,807</u>	<u>119,147</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,846	6,846	6,941	-	4	(22,774)	-	(64,996)	(43,436)	(99)	(98,736)
Other Financing Sources (Uses)											
Transfers In (Out)	-	-	-	-	-	-	-	70,000	40,690	-	100,350
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	<u>70,000</u>	<u>40,690</u>	-	<u>100,350</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	6,846	6,846	6,941	-	4	(22,774)	-	5,004	(2,746)	(99)	1,614
Fund Balance beginning of year	29,084	29,035	59,662	-	1,119	23,240	-	181,146	3,073	2,508	29,784
Fund Balance end of year	<u>\$ 35,930</u>	<u>\$ 35,881</u>	<u>\$ 66,603</u>	<u>\$ -</u>	<u>\$ 1,123</u>	<u>\$ 466</u>	<u>\$ -</u>	<u>\$ 186,150</u>	<u>\$ 327</u>	<u>\$ 2,409</u>	<u>\$ 31,398</u>

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

NEWTON COUNTY, TEXAS

Exhibit M

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2016

	55	56	58	59	60	63	64	66	67	72	76
	Historical Operating	Historical Book Fund	Dist Attny Hot Ck Fund	Dist Attny Contraband	Powell Hotel Fund	Victims Coord Grant	Homeland Security/Grant	Records Management	Pretial Diversion	FEMA Grant	TDRA Grant
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	1,212	4,692	-	-
Miscellaneous	1,238	-	-	-	-	-	-	-	24	49	-
Interest	85	-	11	19	-	-	-	-	-	526,197	-
Other Revenue	-	873	335	-	3,206	-	12,432	-	-	337,596	312,831
Grants	-	-	-	-	-	-	12,432	-	-	337,596	312,831
Total Revenue	1,323	873	346	19	3,206	-	12,432	1,236	4,741	863,793	312,831
Expenditures	-	-	-	-	-	-	-	-	-	-	-
Current	-	-	-	-	-	-	-	-	-	-	-
General Administration	-	-	-	-	-	-	-	153	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	5,350	-	-	-	-	-	-	-
Public Facilities	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	850,706	315,998
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	12,553	1,639	-	-	4,945	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	1,366	-	-	-	-	-	-	-	-	-	-
Interest Expense	633	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	14,552	1,639	-	5,350	4,945	-	-	153	-	850,706	315,998
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,229)	(766)	346	(5,331)	(1,739)	-	12,432	1,083	4,741	13,087	(3,167)
Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-
Transfers In (Out)	11,749	-	-	-	-	-	-	-	-	809,679	10,810
Transfers In (Out)	-	(500)	-	-	-	-	(12,432)	-	-	(350,594)	(7,643)
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	11,749	(500)	-	-	-	-	(12,432)	-	-	459,085	3,167
Excess (Deficiency) of Revenues and Other Finan Sources Over (Under) Expenditures and Other Financing Uses	(1,480)	(1,266)	346	(5,331)	(1,739)	-	-	1,083	4,741	472,172	-
Fund Balance beginning of year	2,806	16,693	3,327	9,019	6,885	-	-	6,801	12,845	-	-
Fund Balance end of year	\$ 1,326	\$ 15,427	\$ 3,673	\$ 3,688	\$ 5,146	\$ -	\$ -	\$ 7,884	\$ 17,586	\$ 472,172	\$ -

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

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2016

	80	83	92	93	97	Total
	Civic Center Operations	CERTZ Grant	Justice Court Technology	Federal Forest Fund	Debt Service	Nonmajor Governmental Funds
<u>Revenue</u>	\$ -	\$ -	\$ -	\$ 21,124	\$ 315,088	\$ 1,170,664
Taxes	-	-	-	-	-	105,676
Intergovernmental	-	-	8,918	-	-	72,234
Fines and Fees	-	-	-	-	-	10,417
Miscellaneous	1,500	-	-	-	-	10,899
Interest	38	-	66	-	812	552,925
Other Revenue	4,246	-	-	-	-	799,899
Grants	-	6,668	-	-	-	-
Total Revenue	5,784	6,668	8,984	21,124	315,900	2,722,714
<u>Expenditures</u>	-	-	-	-	-	46,136
Current	-	-	-	-	-	120,265
General Administration	-	-	-	-	-	2,184,121
Judicial	-	-	8,271	-	-	1,212,462
Legal	-	-	-	-	-	98,952
Public Facilities	-	41,117	-	-	-	10,586
Public Safety	-	-	-	-	-	154,352
Health and Welfare	-	-	-	-	-	250,437
Conservation	17,868	-	-	-	-	20,271
Culture and Recreation	-	-	2,231	-	-	1,829
Debt Service	-	-	-	-	-	305,327
Principle Payment	-	-	1,829	-	-	-
Interest Expense	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	17,868	41,117	12,331	10,586	-	4,402,909
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,084)	(34,449)	(3,347)	10,538	315,900	(1,680,195)
<u>Other Financing Sources (Uses)</u>	12,000	41,117	4,033	-	-	2,648,557
Transfers In (Out)	-	(6,668)	-	(10,587)	(312,498)	(701,979)
Transfers In (Out)	-	-	-	-	-	218,900
Issuance of Debt	12,000	34,449	4,033	(10,587)	(312,498)	2,165,478
Total Other Financing Sources (Uses)	(84)	-	686	(49)	3,402	485,283
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	5,640	22,566	49	154,904	3,034,996	
Fund Balance beginning of year	\$ 5,556	\$ -	\$ 23,252	\$ -	\$ 158,306	\$ 3,520,279
Fund Balance end of year						

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

SINGLE AUDIT SECTION



Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

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Texas Society of
Certified Public Accountants
AICPA Private
Companies Practice Section

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Newton, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Newton, Texas's major federal programs for the year ended December 31, 2016. The County of Newton, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Newton, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U. S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Newton, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Newton, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Charles E. Reed & Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
July 31, 2017



Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

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Certified Public Accountants

Texas Society of
Certified Public Accountants

AICPA Private
Companies Practice Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the County of Newton, Texas, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County of Newton, Texas's basic financial statements, and have issued our report thereon dated July 31, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles E. Reed & Associates, PC

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
July 31, 2017

COUNTY OF NEWTON, TEXAS
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2016

Schedule I

	Federal CFDA Number	Grant #	Amount of Award	Amount Expended
<u>Department of Homeland Security</u>				
Pass-Through Agency: Office of the Governor				
Public Assistance - Severe Storms	97.036	DR4223	\$ 201,369	\$ 173,524
Public Assistance - Severe Storms	97.036	DR4245	33,324	33,324
Public Assistance - Severe Storms	97.036	DR4266	798,274	798,274
Public Assistance - Severe Storms	97.036	DR4266	54,855	42,000
			<u>1,087,822</u>	<u>1,047,122</u>
Disaster Relief	97.067		19,824	-
Disaster Relief	97.039	DR1791-137	883,662	134,233
Disaster Relief	97.039	DR1791-136	2,064,635	143,273
Disaster Relief	97.039	DR1791-208	1,347,029	66,122
Disaster Relief	97.039	DR4223-056	2,330,872	30,365
Disaster Relief	97.039	DR1999-017	209,185	151,052
			<u>9,030,851</u>	<u>525,045</u>
Total Department of Homeland Security				1,572,167
<u>Department of Housing and Urban Development</u>				
Pass-Through Agency: Texas Department of Agriculture				
Texas Department of Rural Affairs	14.228	7214321	275,000	73,009
Texas Department of Rural Affairs	14.228	7214322	91,610	-
			<u>366,610</u>	<u>73,009</u>
Pass-Through Agency: Texas General Land Office				
Disaster Recovery	14.218	DR521025	1,184,949	-
Disaster Recovery	14.218	DR5210126	3,104,000	315,998
Disaster Recovery	14.218	DR4029	50,000	42,406
			<u>3,154,000</u>	<u>358,404</u>
Total Department of Housing and Urban Development			3,520,610	431,413
<u>Department of Criminal Justice</u>				
Pass-Through Agency: Office of the Governor				
Violence Against Women	16.588	WF-12-V30-25592-04	45,000	40,664
Violence Against Women	16.588	WF-16-V30-25592.04	45,000	20,429
			<u>90,000</u>	<u>61,093</u>
Total Federal Money Expended				<u>\$ 2,064,673</u>

COUNTY OF NEWTON, TEXAS
 Schedule of State of Texas Expenditures
 For the Year Ended December 31, 2016

Schedule II

		<u>Grant I.D.</u>	<u>Amount of Award</u>	<u>Amount Expended</u>
Texas Comptroller	Texas Task Force on Indigent Defense	212-17-176	\$ 15,356	\$ -
Texas Comptroller	Texas Task Force on Indigent Defense	212-14-176	16,113	12,054
Office of Attorney General	Texas SAVNS/VINE Program	1771484	7,133	-
Office of Attorney General	Texas SAVNS/VINE Program	1660281	7,133	-
Texas Dept of Transportation	County Transportation Infrastructure	CTIF-01-176	341,933	41,117
			387,668	53,171
			Total State Money Expended	\$ 53,171

Notes to the Schedule of Expenditures of Federal and State Awards
For the year ended December 31, 2016

NOTE 1 – GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

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

NOTE 3 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activities of Newton County, Texas on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 U. S. Code of Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Newton County, Texas, it is not intended to and does not present the financial position, changes in net position or cash flows of Newton County, Texas. statements.

NOTE 4 – DE MINIMIS INDIRECT COST RATE

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

COUNTY OF NEWTON, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2016

Section I-Summary of Auditor's Results

Financial Statements

Type if auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Material weakness identified? Yes No

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

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
---------------------------	--

97.036	Department of Homeland Security Hazard Mitigation Grant
--------	--

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

Auditee qualified as low-risk auditee? Yes No

Section II-Financial Statements Findings

None noted

Section III - Federal Award Findings and Questioned Costs

None noted

Section IV-Status of Prior Year Findings

No prior year findings