

# **NEWTON COUNTY, TEXAS**

## **ANNUAL FINANCIAL REPORT**

For the Year Ended  
December 31, 2019

**NEWTON COUNTY, TEXAS**  
**Annual Financial Report**  
**For the Fiscal Year Ended December 31, 2019**

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# INTRODUCTORY SECTION

**NEWTON COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2019  
DIRECTORY OF OFFICIALS**

**COMMISSIONERS' COURT:**

|                          |                              |
|--------------------------|------------------------------|
| Kenneth Weeks            | County Judge                 |
| William L. "Bill" Fuller | Commissioner, Precinct No. 1 |
| Phillip White            | Commissioner, Precinct No. 2 |
| Gary Fomby               | Commissioner, Precinct No. 3 |
| Wesley (Gene) Thompson   | Commissioner, Precinct No. 4 |

**OTHER COUNTY OFFICIALS:**

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

**JUSTICE OF PEACE:**

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

**CONSTABLES:**

|                |                           |
|----------------|---------------------------|
| Otis Lane      | Constable, Precinct No. 1 |
| Les Amburn     | Constable, Precinct No. 2 |
| Holton Johnson | Constable, Precinct No. 3 |
| Jimmy Lavergne | Constable, Precinct No. 4 |

# FINANCIAL SECTION

## 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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

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

Our Opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

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

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

major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020, 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  
September 29, 2020

## **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, 2019. 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 2019 by \$19,538,245. Of this amount, \$7,112,140 is considered unrestricted. The unrestricted net position of the County's governmental activities is \$6,723,655 and may be used to meet the government's ongoing obligations.
- The County's total net position decreased by \$1,053,272 in 2019.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$6,555,451. Of this balance, \$6,555,541 is considered unassigned at December 31, 2019.
- The General Fund reported a fund balance of \$2,359,464 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$2,359,464 or 21.94% of total general expenditures (including transfers out).
- The County's total debt increased by \$285,140 during the current fiscal year. Debt was issued in the current fiscal year in the amount of \$784,815.

#### **Overview of the Financial Statements**

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the County include general government, streets, public safety, and culture and recreation. The government-wide financial statements can be found on pages 10 and 11 of this report.

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

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

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

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

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 12-16 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 and deferred inflows and resources by \$19,538,245 at the close of the most recent fiscal year.

A portion of the County's net position, \$12,426,105 reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, equipment, and infrastructure), less any related debt used to acquire those assets that remain outstanding. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

|   | Net Position            |                         |                          |                          |
|---|-------------------------|-------------------------|--------------------------|--------------------------|
|   | 2019                    | 2018                    | 2019                     | 2018                     |
|   | Governmental Activities | Governmental Activities | Business-Type Activities | Business-Type Activities |
| Current and other assets                        | \$ 9,074,223            | \$ 9,792,266            | \$ 689,860               | \$ 813,811               |
| Capital assets                                  | 12,277,516              | 11,819,634              | 9,341,511                | 9,592,738                |
| Total assets                                    | <u>\$ 21,351,739</u>    | <u>\$ 21,611,900</u>    | <u>\$ 10,031,371</u>     | <u>\$ 10,406,549</u>     |
| Deferred outflows and resources                 | \$ 138,399              | \$ 725,465              | \$ -                     | \$ -                     |
| Long-term liabilities                           | 1,695,950               | 1,410,810               | 9,490,000                | 9,490,000                |
| Other liabilities                               | 438,749                 | 1,149,196               | 4,297                    | 9,976                    |
| Total liabilities                               | <u>\$ 2,134,699</u>     | <u>\$ 2,560,006</u>     | <u>\$ 9,494,297</u>      | <u>\$ 9,499,976</u>      |
| Deferred Inflows and resources                  | \$ 354,268              | \$ 92,415               | \$ -                     | \$ -                     |
| Net position:                                   |                         |                         |                          |                          |
| Invested in capital assets, net of related debt | 12,277,516              | 10,408,824              | 148,589                  | 353,888                  |
| Restricted                                      | -                       | -                       | -                        | -                        |
| Unrestricted                                    | 6,723,655               | 9,276,120               | 388,485                  | 552,685                  |
|   | <u>\$ 19,001,171</u>    | <u>\$ 19,684,944</u>    | <u>\$ 537,074</u>        | <u>\$ 906,573</u>        |

The unrestricted net position \$7,112,140 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 |                         |                        |                        |
|-------------------------------------|-------------------------|-------------------------|------------------------|------------------------|
|                                     | 2019                    | 2018                    | 2019                   | 2018                   |
|                                     | Governmental Activities | Governmental Activities | Proprietary Activities | Proprietary Activities |
| <b>REVENUES</b>                     |                         |                         |                        |                        |
| Charges for services                | \$ 974,851              | \$ 1,053,832            | \$ -                   | \$ -                   |
| Operating grants and contributions  | -                       | -                       | -                      | -                      |
| Capital Grants                      | 8,233,501               | 2,490,528               | -                      | -                      |
| General revenues:                   |                         |                         |                        |                        |
| Property taxes                      | 7,649,169               | 7,718,777               | -                      | -                      |
| Miscellaneous                       | 65,142                  | 113,112                 | -                      | -                      |
| Interest income                     | 153,522                 | 182,394                 | 13,724                 | 9,805                  |
| Other                               | 1,142,143               | 861,366                 | -                      | -                      |
| Total Revenues                      | \$ 18,218,328           | \$ 12,420,009           | \$ 13,724              | \$ 9,805               |
| <b>EXPENDITURES</b>                 |                         |                         |                        |                        |
| General government                  | \$ 1,444,072            | \$ 1,210,563            | \$ -                   | \$ -                   |
| Judicial                            | 1,105,920               | 932,769                 | -                      | -                      |
| Legal                               | 484,597                 | 529,444                 | -                      | -                      |
| Financial administration            | 729,583                 | 683,613                 | -                      | -                      |
| Public facilities                   | 6,275,478               | 2,186,682               | 543,223                | 537,746                |
| Public safety                       | 7,611,900               | 6,227,998               | -                      | -                      |
| Health and welfare                  | 739,550                 | 523,141                 | -                      | -                      |
| Conservation                        | 16,625                  | 6,961                   | -                      | -                      |
| Culture and recreation              | 214,985                 | 193,005                 | -                      | -                      |
| Miscellaneous                       | 46,370                  | 12,658                  | -                      | -                      |
| Interest on long-term debt          | 73,021                  | 34,249                  | -                      | -                      |
| Total Expenditures                  | \$ 18,742,101           | \$ 12,541,083           | \$ 543,223             | \$ 537,746             |
| Excess of Revenues over Expenses    | \$ (523,773)            | \$ (121,074)            | \$ (529,499)           | \$ (527,941)           |
| Transfers                           | (160,000)               | (200,000)               | 160,000                | 200,000                |
| Increase (decrease) in net position | \$ (683,773)            | \$ (321,074)            | \$ (369,499)           | \$ (327,941)           |
| Net position at beginning of year   | \$ 19,684,944           | \$ 20,006,018           | \$ 906,573             | \$ 1,234,514           |
| Prior period adjustment             | \$ -                    | \$ -                    | \$ -                   | \$ -                   |
| Net Position End of Year            | \$ 19,001,171           | \$ 19,684,944           | \$ 537,074             | \$ 906,573             |

The government's total net position decreased by \$(1,053,272) during the current fiscal year. The County's governmental activities decreased due primarily to the capital outlays and public safety.

### **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, 2019, the County’s governmental funds reported combined ending fund balances of \$6,555,451 a decrease of (\$582,841) in comparison with the prior year. Of this amount, \$6,555,451 was classified as unassigned fund balance, which is available for spending at the government’s discretion.

The General Fund is the chief operating fund of the County. At December 31, 2019 unrestricted and total fund balance of the General Fund was \$2,359,464. 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 21.94% of total General Fund expenditures (including transfers out).

The fund balance of the General Fund increased by \$50,338 during 2019. It was budgeted at a decrease of \$(949,670) during this year. Therefore, comparison to budget shows positive variance. Revenue had a positive variance of \$72,635 while expenditures had a positive variance of \$394,286 and transfers a positive variance of \$151,062.

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. Newton County financial statements include the Newton County Public Facilities Corporation, a blended component unit, see Note 1, page 21. 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 \$9,181. The comparison between and the actual results significant variations were: general administration spent less than budget by \$270,621; and the health and welfare spent less than budget by \$306,100.

**Capital Assets and Debt Administration**

Capital assets - The County’s investment in capital assets for governmental and business-type activities as of December 31, 2019, amounts to \$21,619,027 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements, and equipment.

|                          | CAPITAL ASSETS<br>(net of depreciation) |                             |                      |
|--------------------------|---|-----------------------------|----------------------|
|                          | Governmental<br>Activities              | Business-Type<br>Activities | Total                |
| Land                     | \$ 1,054,872                            | \$ 300,000                  | \$ 1,354,872         |
| Construction in Progress | -                                       | -                           | -                    |
| Other capital assets     | 11,222,644                              | 9,041,511                   | \$ 20,264,155        |
|                          | <u>\$ 12,277,516</u>                    | <u>\$ 9,341,511</u>         | <u>\$ 21,619,027</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, 2019, the County had \$11,185,950 total long-term debt outstanding of which \$10,111,304 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<br>Activities | Business-Type<br>Activities |
| Bonds Payable | \$ -                       | \$ 9,490,000                |
| Notes Payable | 1,695,950                  | -                           |
|               | \$ 1,695,950               | \$ 9,490,000                |

The County’s total liabilities and deferred inflows of resources outstanding at December 31, 2019 decreased by \$169,133 from December 31, 2018 because new debt of \$784,816 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 dropped to 7% from 11.9%; the tax rate for 2018-2019 increased to .690735, property values decreased. As always, in times of limited resources and consideration of the burden to rate and taxpayers, the following items may be considered in balancing future budgets:

- Budget for 2020 is similar to 2019.
- 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, 2019

Exhibit A

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| <u>Assets</u>                                       |                            |                             |                      |
| Cash & Cash Equivalents                             | \$ 7,191,073               | \$ 689,860                  | \$ 7,880,933         |
| Investments   | 76,054                     | -                           | 76,054               |
| Receivables:  |                            |                             |                      |
| Accounts Receivable                                 | 133,021                    | -                           | 133,021              |
| Property Taxes Receivable                           | 1,625,094                  | -                           | 1,625,094            |
| Allowance for Uncollectible Taxes                   | (60,000)                   | -                           | (60,000)             |
| Prepaid Expenses                                    | -                          | -                           | -                    |
| Net Pension Asset                                   | 108,981                    | -                           | 108,981              |
| Capital Assets                                      |                            |                             |                      |
| Land  | 1,054,872                  | 300,000                     | 1,354,872            |
| Construction in Progress                            | -                          | -                           | -                    |
| Capital Assets - Net                                | 11,222,644                 | 9,041,511                   | 20,264,155           |
| Total Assets  | <u>21,351,739</u>          | <u>10,031,371</u>           | <u>31,383,110</u>    |
| <u>Deferred Outflows and Resources</u>              |                            |                             |                      |
| Deferred Outflows on Pensions                       | 138,399                    | -                           | 138,399              |
| Total Deferred Outflows of Resources                | <u>138,399</u>             | <u>-</u>                    | <u>138,399</u>       |
| <u>Liabilities</u>                                  |                            |                             |                      |
| Accounts Payable                                    | 306,246                    | 4,297                       | 310,543              |
| Accrued Payables                                    | 132,503                    | -                           | 132,503              |
| Net Pension Liabilities                             | -                          | -                           | -                    |
| Notes Payable/Revenue Bonds Payable (Notes 1 and 3) |                            |                             |                      |
| Due Within One Year                                 | 621,304                    | 9,490,000                   | 10,111,304           |
| Due After One Year                                  | 1,074,646                  | -                           | 1,074,646            |
| Total Liabilities                                   | <u>2,134,699</u>           | <u>9,494,297</u>            | <u>11,628,996</u>    |
| <u>Deferred Inflows of Resources</u>                |                            |                             |                      |
| Deferred Inflows on Pensions                        | 354,268                    | -                           | 354,268              |
| Total Deferred Inflows of Resources                 | <u>354,268</u>             | <u>-</u>                    | <u>354,268</u>       |
| <u>Net Position</u>                                 |                            |                             |                      |
| Investment in Capital Assets- Net of Debt           | 12,277,516                 | 148,589                     | 12,426,105           |
| Restricted  | -                          | -                           | -                    |
| Unrestricted  | 6,723,655                  | 388,485                     | 7,112,140            |
| Total Net Position                                  | <u>\$ 19,001,171</u>       | <u>\$ 537,074</u>           | <u>\$ 19,538,245</u> |

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

NEWTON COUNTY, TEXAS  
Statement of Activities  
For the year ended December 31, 2019

Exhibit B

| <u>Functions-Programs</u>      | <u>Expenses</u> | <u>Charges for Services</u> | <u>Program Specific Operating Grants</u> | <u>Program Specific Capital Grants</u> | <u>Governmental Activities Total</u> | <u>Business-Type Activities</u> | <u>Total</u>   |
|--------------------------------|-----------------|-----------------------------|--|--|--------------------------------------|---------------------------------|----------------|
| Governmental Activities:       |                 |                             |  |  |                                      |                                 |                |
| General Government             | \$ 1,444,072    |                             |  |  | \$ (1,444,072)                       | \$ -                            | \$ (1,444,072) |
| Judicial                       | 1,105,920       | 974,815                     | -  | -                                      | (131,105)                            | -                               | (131,105)      |
| Legal                          | 484,597         |                             | -  | -                                      | (484,597)                            | -                               | (484,597)      |
| Financial Administration       | 729,583         |                             | -  | -                                      | (729,583)                            | -                               | (729,583)      |
| Public Facilities              | 6,275,478       |                             | -  | -                                      | (6,275,478)                          | -                               | (6,275,478)    |
| Public Safety                  | 7,611,900       | 36                          | -  | -                                      | (7,611,864)                          | -                               | (7,611,864)    |
| Health & Welfare               | 739,550         |                             | -  | 8,233,501                              | 7,493,951                            | -                               | 7,493,951      |
| Conservation                   | 16,625          |                             | -  | -                                      | (16,625)                             | -                               | (16,625)       |
| Culture & Recreation           | 214,985         |                             | -  | -                                      | (214,985)                            | -                               | (214,985)      |
| Miscellaneous                  | 46,370          |                             | -  | -                                      | (46,370)                             | -                               | (46,370)       |
| Interest on Long-term Debt     | 73,021          |                             | -  | -                                      | (73,021)                             | -                               | (73,021)       |
| Total Governmental Activities  | 18,742,101      | 974,851                     | -  | 8,233,501                              | (9,533,749)                          | -                               | (9,533,749)    |
| Business-type Activities:      |                 |                             |  |  |                                      |                                 |                |
| Prison Facilities              | \$ 543,223      | \$ -                        | \$ -                                     | \$ -                                   | \$ -                                 | \$ (543,223)                    | \$ (543,223)   |
| Total Business-type Activities | \$ 543,223      | \$ -                        | \$ -                                     | \$ -                                   | \$ -                                 | \$ (543,223)                    | \$ (543,223)   |

|                                   |  |               |            |               |
|-----------------------------------|--|---------------|------------|---------------|
| General Revenues:                 |  |               |            |               |
| Property Taxes                    |  | \$ 7,649,169  | \$ -       | \$ 7,649,169  |
| Intergovernmental                 |  | 119,549       | -          | 119,549       |
| Miscellaneous                     |  | 65,142        | -          | 65,142        |
| Interest                          |  | 153,522       | 13,724     | 167,246       |
| Other                             |  | 1,022,594     |            | 1,022,594     |
| Transfers                         |  | (160,000)     | 160,000    | -             |
| Total General Revenues            |  | 8,849,976     | 173,724    | 9,023,700     |
| Change in Net Position            |  | (683,773)     | (369,499)  | (1,053,272)   |
| Net Position at beginning of year |  | 19,684,944    | 906,573    | 20,591,517    |
|                                   |  | 19,684,944    | 906,573    | 20,591,517    |
| Net Position at end of year       |  | \$ 19,001,171 | \$ 537,074 | \$ 19,538,245 |

|  | 5,10,98,99          | 20                          | 68                            | 70                               | 72               |                             |                                |
|--|---------------------|-----------------------------|-------------------------------|----------------------------------|------------------|-----------------------------|--------------------------------|
|  | General Fund        | Road &<br>Bridge<br>General | Hazard<br>Mitigation<br>Grant | Courthouse<br>Emergency<br>Grant | FEMA<br>Grant    | Total<br>Non-Major<br>Funds | Total<br>Governmental<br>Funds |
| <u>Assets</u>                              |                     |                             |                               |                                  |                  |                             |                                |
| Cash and Cash Equivalents                  | \$ 2,900,992        | \$ 966,376                  | \$ -                          | \$ 277,528                       | \$ 12,098        | \$ 3,034,079                | \$ 7,191,073                   |
| Investments                                | 76,054              | -                           | -                             | -                                | -                | -                           | 76,054                         |
| Prepaid Expenses                           | -                   | -                           | -                             | -                                | -                | -                           | -                              |
| Property Taxes Receivable                  | 1,625,094           | -                           | -                             | -                                | -                | -                           | 1,625,094                      |
| Allowance for Uncollectible Taxes          | (60,000)            | -                           | -                             | -                                | -                | -                           | (60,000)                       |
| Accounts Receivable                        | 36,286              | 15,064                      | 960                           | 9,345                            | -                | 71,366                      | 133,021                        |
| <b>Total Assets</b>                        | <b>\$ 4,578,426</b> | <b>\$ 981,440</b>           | <b>\$ 960</b>                 | <b>\$ 286,873</b>                | <b>\$ 12,098</b> | <b>\$ 3,105,445</b>         | <b>\$ 8,965,242</b>            |
| <u>Liabilities</u>                         |                     |                             |                               |                                  |                  |                             |                                |
| Accounts Payable                           | 145,019             | 1,772                       | -                             | -                                | 31,991           | 127,464                     | 306,246                        |
| Accrued Vacation/Comp Time                 | 102,901             | -                           | -                             | -                                | -                | 29,602                      | 132,503                        |
| <b>Total Liabilities</b>                   | <b>247,920</b>      | <b>1,772</b>                | <b>-</b>                      | <b>-</b>                         | <b>31,991</b>    | <b>157,066</b>              | <b>438,749</b>                 |
| <u>Deferred Inflows of Resources</u>       |                     |                             |                               |                                  |                  |                             |                                |
| <u>Deferred Inflows- Property Tax</u>      | <u>1,535,094</u>    | -                           | -                             | -                                | -                | -                           | 1,535,094                      |
| Unavailable Revenue - Property Tax         | 435,948             | -                           | -                             | -                                | -                | -                           | 435,948                        |
| <b>Total Deferred Inflows of Resources</b> | <b>1,971,042</b>    | <b>-</b>                    | <b>-</b>                      | <b>-</b>                         | <b>-</b>         | <b>-</b>                    | <b>1,971,042</b>               |
| <u>Fund Balances</u>                       |                     |                             |                               |                                  |                  |                             |                                |
| Unassigned                                 | 2,359,464           | 979,668                     | 960                           | 286,873                          | (19,893)         | 2,948,379                   | 6,555,451                      |
| Committed                                  | -                   | -                           | -                             | -                                | -                | -                           | -                              |
| <b>Total Fund Balance</b>                  | <b>2,359,464</b>    | <b>979,668</b>              | <b>960</b>                    | <b>286,873</b>                   | <b>(19,893)</b>  | <b>2,948,379</b>            | <b>6,555,451</b>               |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 4,578,426</b> | <b>\$ 981,440</b>           | <b>\$ 960</b>                 | <b>\$ 286,873</b>                | <b>\$ 12,098</b> | <b>\$ 3,105,445</b>         | <b>\$ 8,965,242</b>            |

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

Reconciliation of the Statement of Position to the  
Balance Sheet of Governmental Funds to the Statement of Net Position  
December 31, 2019

|   |           |                      |                             |
|---|-----------|----------------------|-----------------------------|
| Total Fund Balances of Governmental Funds   |           |                      | \$ 6,555,451                |
| Capital assets used in governmental activities<br>are not financial resources and, therefore, are not<br>reported in the funds                                      |           |                      | 12,277,516                  |
| Long-term liabilities are not due and payable<br>in the current period and, therefore, are not<br>reported in the funds   |           |                      | (1,695,950)                 |
| Net Pension Asset(Liability)  |           |                      | 108,981                     |
| Deferred Outflows and Inflows of Resources  |           |                      |                             |
| Deferred Outflow on Pension   | 138,399   |                      |                             |
| Deferred Inflow on Pension  | (354,268) |                      | (215,869)                   |
| Other Long Term Assets not available to pay<br>for current period expenditures, and therefore,<br>are deferred in the funds - Unavailable<br>Revenue - Property Tax |           | 435,948<br>1,535,094 |                             |
|   |           |                      | <u>1,971,042</u>            |
| Net Position of Governmental Activities- Exhibit A  |           |                      | <u><u>\$ 19,001,171</u></u> |

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

NEWTON COUNTY, TEXAS  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds  
For the year ended December 31, 2019

Exhibit D

|  | 5,10,98,99       | 20                          | 68                            | 70                               | 72                 | 76               |                             |                                |
|--|------------------|-----------------------------|-------------------------------|----------------------------------|--------------------|------------------|-----------------------------|--------------------------------|
|  | General Fund     | Road &<br>Bridge<br>General | Hazard<br>Mitigation<br>Grant | Courthouse<br>Emergency<br>Grant | FEMA<br>Grant      | TDRA<br>Grant    | Total<br>Non-Major<br>Funds | Total<br>Governmental<br>Funds |
| <u>Revenue</u>   |                  |                             |                               |                                  |                    |                  |                             |                                |
| Taxes  | \$ 5,742,632     | \$ 984,008                  | \$ -                          | \$ -                             | \$ -               | \$ -             | \$ 1,176,123                | \$ 7,902,763                   |
| Intergovernmental  | 28,125           | -                           | -                             | -                                | -                  | -                | 91,424                      | 119,549                        |
| Fines and Fees   | 352,477          | 554,064                     | -                             | -                                | -                  | -                | 68,274                      | 974,815                        |
| Licenses and Permits   | 36               | -                           | -                             | -                                | -                  | -                | -                           | 36                             |
| Miscellaneous  | 61,842           | -                           | -                             | -                                | -                  | -                | 3,300                       | 65,142                         |
| Interest   | 76,479           | 21,346                      | -                             | 4,005                            | -                  | -                | 51,692                      | 153,522                        |
| Other Revenue  | 81,866           | -                           | 848,698                       | -                                | -                  | -                | 92,030                      | 1,022,594                      |
| Time Warrant Revenue   | -                | -                           | -                             | -                                | -                  | -                | -                           | -                              |
| Grants   | -                | -                           | 815,410                       | -                                | 2,595,624          | 4,760,624        | 61,843                      | 8,233,501                      |
| <b>Total Revenue</b>   | <b>6,343,457</b> | <b>1,559,418</b>            | <b>1,664,108</b>              | <b>4,005</b>                     | <b>2,595,624</b>   | <b>4,760,624</b> | <b>1,544,686</b>            | <b>18,471,922</b>              |
| <u>Expenditures</u>  |                  |                             |                               |                                  |                    |                  |                             |                                |
| <u>Current</u>   |                  |                             |                               |                                  |                    |                  |                             |                                |
| General Administration   | 610,397          | 356,794                     | -                             | -                                | -                  | -                | 58,548                      | 1,025,739                      |
| Judicial   | 1,105,920        | -                           | -                             | -                                | -                  | -                | -                           | 1,105,920                      |
| Legal  | 387,810          | -                           | -                             | -                                | -                  | -                | 96,787                      | 484,597                        |
| Financial Administration   | 709,502          | -                           | -                             | -                                | -                  | -                | -                           | 709,502                        |
| Public Facilities  | 689,666          | -                           | 2,591,607                     | -                                | 1,153,309          | -                | 1,563,502                   | 5,998,084                      |
| Public Safety  | 1,543,144        | -                           | -                             | -                                | -                  | 4,620,995        | 1,317,613                   | 7,481,752                      |
| Health and Welfare   | 532,629          | -                           | -                             | -                                | -                  | -                | 206,921                     | 739,550                        |
| Conservation   | 404              | -                           | -                             | -                                | -                  | -                | 16,221                      | 16,625                         |
| Culture and Recreation   | -                | -                           | -                             | -                                | -                  | -                | 214,985                     | 214,985                        |
| Miscellaneous  | 46,370           | -                           | -                             | -                                | -                  | -                | -                           | 46,370                         |
| Debt Service   | -                | -                           | -                             | -                                | -                  | -                | -                           | -                              |
| Principal Payment  | 21,703           | -                           | -                             | -                                | -                  | -                | 367,417                     | 389,120                        |
| Interest Expense   | 11,123           | -                           | -                             | -                                | -                  | -                | 61,898                      | 73,021                         |
| Capital Outlay   | 591,130          | 84,884                      | -                             | -                                | -                  | -                | 718,298                     | 1,394,312                      |
| <b>Total Expenditures</b>  | <b>6,249,798</b> | <b>441,678</b>              | <b>2,591,607</b>              | <b>-</b>                         | <b>1,153,309</b>   | <b>4,620,995</b> | <b>4,622,190</b>            | <b>19,679,577</b>              |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures   | 93,659           | 1,117,740                   | (927,499)                     | 4,005                            | 1,442,315          | 139,629          | (3,077,504)                 | (1,207,655)                    |
| <u>Other Financing Sources</u>   |                  |                             |                               |                                  |                    |                  |                             |                                |
| Transfers In   | 4,242,684        | 16,220                      | 1,557,402                     | -                                | 1,144,824          | 789,178          | 2,935,607                   | 10,685,915                     |
| Transfers (Out)  | (4,503,796)      | (1,446,300)                 | (1,059,811)                   | -                                | (2,595,625)        | (928,807)        | (311,576)                   | (10,845,915)                   |
| Issuance of Debt   | 217,791          | 40,603                      | -                             | -                                | -                  | -                | 526,421                     | 784,815                        |
| <b>Total Other Financing Sources</b>   | <b>(43,321)</b>  | <b>(1,389,477)</b>          | <b>497,591</b>                | <b>-</b>                         | <b>(1,450,801)</b> | <b>(139,629)</b> | <b>3,150,452</b>            | <b>624,815</b>                 |
| Excess (Deficiency) of Revenues and Other<br>Financing Sources Over (Under) Expenditures<br>and Other Financing Uses | 50,338           | (271,737)                   | (429,908)                     | 4,005                            | (8,486)            | -                | 72,948                      | (582,840)                      |
| Fund Balance -<br>Beginning of Year  | 2,309,126        | 1,251,405                   | 430,868                       | 282,868                          | (11,407)           | -                | 2,875,431                   | 7,138,291                      |
| Fund Balance - End of Year   | \$ 2,359,464     | \$ 979,668                  | \$ 960                        | \$ 286,873                       | \$ (19,893)        | \$ -             | \$ 2,948,379                | \$ 6,555,451                   |

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the year ended December 31, 2019

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

|   |                 |                            |
|---|-----------------|----------------------------|
| Net change in fund balances - total governmental funds (Exhibit D)  |                 | (582,840)                  |
| 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  | 1,394,312       |                            |
| Depreciation  | (929,629)       |                            |
| Capital Asset Disposition   | (6,801)         | 457,882                    |
| Actuarially calculated additional pension expense not using current-period financial resources  |                 |                            |
| Change in Asset/Liability   | 828,838         |                            |
| Change in deferred inflow/outflow   | (848,919)       | (20,081)                   |
| 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  | (784,815)       |                            |
| Payment of Principal  | 389,120         |                            |
| Debt adjustment   | 110,555         | (285,140)                  |
| Revenues in statement of activities that do not provide current financial resources are not reported as revenue in the funds.   |                 |                            |
| change in unavailable revenue   | (165,315)       |                            |
| change in deferred tax  | <u>(88,279)</u> | <u>(253,594)</u>           |
| Change in Net Assets of Governmental Activities (Exhibit B)   |                 | <u><u>\$ (683,773)</u></u> |

NEWTON COUNTY, TEXAS  
Statement of Revenue, Expenditures, and Changes in Fund Balance  
Budget and Actual - General Fund  
For the year ended December 31, 2019

Exhibit E

|  | Original<br>Budget<br>Original | Final<br>Budget<br>Final | Actual           | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|--------------------------------|--------------------------|------------------|---|
| <b>REVENUE</b>   |                                |                          |                  |   |
| Taxes  | \$ 5,694,095                   | \$ 5,694,095             | \$ 5,742,632     | \$ 48,537   |
| Intergovernmental  | 29,434                         | 29,434                   | 28,125           | (1,309)   |
| Fines and Fees   | 296,500                        | 296,500                  | 352,477          | 55,977  |
| Licenses & Permits   | 336                            | 336                      | 36               | (300)   |
| Miscellaneous  | 27,500                         | 27,500                   | 61,842           | 34,342  |
| Interest   | 41,500                         | 41,500                   | 76,479           | 34,979  |
| Other Revenue  | 9,985                          | 17,223                   | 81,866           | 64,643  |
| <b>Total Revenue</b>   | <b>6,099,350</b>               | <b>6,106,588</b>         | <b>6,343,457</b> | <b>236,869</b>  |
| <b>EXPENDITURES</b>  |                                |                          |                  |   |
| <b>Current</b>   |                                |                          |                  |   |
| General Administration   | 1,011,419                      | 881,018                  | 610,397          | 270,621   |
| Judicial   | 1,087,769                      | 1,163,868                | 1,105,920        | 57,948  |
| Legal  | 454,026                        | 454,027                  | 387,810          | 66,217  |
| Financial Administration   | 748,502                        | 748,502                  | 709,502          | 39,000  |
| Public Facilities  | 434,626                        | 469,325                  | 689,666          | (220,341)   |
| Public Safety  | 1,768,289                      | 1,768,829                | 1,543,144        | 225,685   |
| Health and Welfare   | 838,729                        | 838,729                  | 532,629          | 306,100   |
| Conservation   | 460                            | 460                      | 404              | 56  |
| Miscellaneous  | 100,000                        | 100,000                  | 46,370           | 53,630  |
| Principal Payment  | 15,304                         | 21,703                   | 21,703           | -   |
| Interest Expense   | 4,279                          | 11,123                   | 11,123           | -   |
| Capital Outlay   | 171,500                        | 186,500                  | 591,130          | (404,630)   |
| <b>TOTAL EXPENDITURES</b>  | <b>6,634,903</b>               | <b>6,644,084</b>         | <b>6,249,798</b> | <b>394,286</b>  |
| Excess(Deficiency) of Rev<br>Over(Under) Expenditures                                    | (535,553)                      | (537,496)                | 93,659           | 631,155   |
| <b>Other Finance Sources(Uses)</b>   |                                |                          |                  |   |
| Issuance of Debt   | -                              | -                        | -                | -   |
| Transfers In   | -                              | 3,992,623                | 4,242,684        | 250,061   |
| Transfers Out  | (821,424)                      | (4,404,797)              | (4,503,796)      | (98,999)  |
| Issuance of Debt   | -                              | -                        | 217,791          | 217,791   |
| <b>Total Other Finance Sources(Uses)</b>   | <b>(821,424)</b>               | <b>(412,174)</b>         | <b>(43,321)</b>  | <b>368,853</b>  |
| Excess(Deficiency) of Revenue<br>Over(Under) Expenses & Other<br>Financial Sources(Uses) | (1,356,977)                    | (949,670)                | 50,338           | 368,853   |
| Fund Balance - Beginning of Period   | 2,309,126                      | 2,309,126                | 2,309,126        | -   |
| Fund Balance - End of Period   | \$ 952,149                     | \$ 1,359,456             | \$ 2,359,464     | \$ 368,853  |

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

NEWTON COUNTY, TEXAS  
Statement of Net Position - Proprietary Funds  
December 31, 2019

Exhibit F

|   | Business-Type<br>Activities |                                |                   |
|---|-----------------------------|--------------------------------|-------------------|
|   | <u>Enterprise Fund</u>      | <u>Component Unit</u>          |                   |
|   | Correctional<br>Facility    | Public Facility<br>Corporation | <u>Total</u>      |
| <u>Assets</u>   |                             |                                |                   |
| Current Assets  |                             |                                |                   |
| Cash and Cash Equivalents                                   | \$ 386,013                  | \$ 303,847                     | \$ 689,860        |
| Investments   | -                           | -                              | -                 |
| Accounts Receivables - Net of Allowances for Uncollectibles | -                           | -                              | -                 |
| Total Current Assets  | <u>386,013</u>              | <u>303,847</u>                 | <u>689,860</u>    |
| Non-Current Assets  |                             |                                |                   |
| Restricted Cash and Investments                             | -                           | -                              | -                 |
| Original Issue Discount                                     | -                           | -                              | -                 |
| Less: Accumulated Accretion                                 | -                           | -                              | -                 |
| Total Capital Assets, Net of<br>Accumulated Depreciation    | <u>-</u>                    | <u>9,341,511</u>               | <u>9,341,511</u>  |
| Total Non-Current Assets                                    | <u>-</u>                    | <u>9,341,511</u>               | <u>9,341,511</u>  |
| Total Assets  | <u>386,013</u>              | <u>9,645,358</u>               | <u>10,031,371</u> |
| <u>Liabilities</u>  |                             |                                |                   |
| Current Liabilities   |                             |                                |                   |
| Accounts Payable  | 4,297                       | -                              | 4,297             |
| Bonds Payable - Current Portion (Note 1 and 3)              | -                           | 9,490,000                      | 9,490,000         |
| Total Current Liabilities                                   | <u>4,297</u>                | <u>9,490,000</u>               | <u>9,494,297</u>  |
| Long-Term Liabilities                                       |                             |                                |                   |
| Bonds Payable - Noncurrent Portion (note 1 and 3)           | -                           | -                              | -                 |
| Total Long-term Liabilities                                 | <u>-</u>                    | <u>-</u>                       | <u>-</u>          |
| Total Liabilities   | <u>4,297</u>                | <u>9,490,000</u>               | <u>9,494,297</u>  |
| <u>Net Position</u>   |                             |                                |                   |
| Invested in Capital Assets                                  | -                           | 148,589                        | 148,589           |
| Unrestricted  | 381,716                     | 6,769                          | 388,485           |
| Total Net Position  | <u>\$ 381,716</u>           | <u>\$ 155,358</u>              | <u>\$ 537,074</u> |

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

NEWTON COUNTY, TEXAS  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the year ended December 31, 2019

Exhibit G

|   | Business-Type<br>Activities                 |  | Total      |
|---|---|--|------------|
|   | Enterprise Fund<br>Correctional<br>Facility | Component Unit<br>Public Facility<br>Corporation |            |
| <u>Operating Revenue</u>                |   |  |            |
| Project Revenues                        | \$ -  | \$ -   | \$ -       |
| Total Operating Revenues                | -   | -  | -          |
| <u>Operating Expenses</u>               |   |  |            |
| Management Fees                         | -   | -  | -          |
| Depreciation                            | -   | 251,227  | 251,227    |
| Insurance                               | -   | 5,400  | 5,400      |
| Legal and Professional                  | -   | 74,075   |            |
| Trust Fees                              | -   | -  | -          |
| Operating Expense                       | 184,330                                     | 28,191   | 212,521    |
| Bond Interest                           | -   | -  | -          |
| Total Operating Expenses                | 184,330                                     | 358,893  | 543,223    |
| Operating Income (Loss)                 | (184,330)                                   | (358,893)  | (543,223)  |
| <u>Nonoperating Revenues (Expenses)</u> |   |  |            |
| Interest Income                         | 4,129                                       | 9,595  | 13,724     |
| Miscellaneous Income (Expenses)         | -   | -  | -          |
| Total Nonoperating Revenues (Expenses)  | 4,129                                       | 9,595  | 13,724     |
| Transfers                               | 160,000                                     | -  | 160,000    |
| Change in Net Position                  | (20,201)                                    | (349,298)  | (369,499)  |
| Total Net Position at Beginning of Year | 401,917                                     | 504,656  | 906,573    |
| Total Net Position at End of Year       | \$ 381,716                                  | \$ 155,358                                       | \$ 537,074 |

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, 2019

Exhibit H

|  | Business-Type<br>Activities                 |  | Total               |
|--|---|--|---------------------|
|  | Enterprise Fund<br>Correctional<br>Facility | Component Unit<br>Public Facility<br>Corporation |                     |
| Cash Flows From Operating Activities   |   |  |                     |
| Receipts from Customers  | \$ -  | \$ -   | \$ -                |
| Payment for Goods and Services   | <u>(190,009)</u>                            | <u>(107,666)</u>                                 | <u>(297,675)</u>    |
| Net Cash Provided (Used) by<br>Operating Activities  | <u>(190,009)</u>                            | <u>(107,666)</u>                                 | <u>(297,675)</u>    |
| Cash Flows from Non-Capital Financing Sources (Uses)   |   |  |                     |
| Miscellaneous  | -   | -  | -                   |
| Transfers  | <u>160,000</u>                              | <u>-</u>   | <u>160,000</u>      |
| Cash Flows from Capital and Related Financing Activities   |   |  |                     |
| Interest Payments  | -   | -  | -                   |
| Principal Payments   | <u>-</u>                                    | <u>-</u>   | <u>-</u>            |
| Cash Flows from Investing Activities   |   |  |                     |
| Interest Income  | 4,129                                       | 9,595  | 13,724              |
| (Purchase)/Sale of Capital Assets  | -   | -  | -                   |
| (Purchase)/Sale of Investments   | <u>-</u>                                    | <u>-</u>   | <u>-</u>            |
| Net Increase(Decrease) in Cash and<br>Cash Equivalents   | <u>(25,880)</u>                             | <u>(98,071)</u>                                  | <u>(123,951)</u>    |
| Cash and Cash Equivalents at<br>Beginning of Year  |   |  |                     |
| Unrestricted Cash and Cash Equivalents   | 411,893                                     | 401,918  | 813,811             |
|  | <u>411,893</u>                              | <u>401,918</u>                                   | <u>813,811</u>      |
| Cash and Cash Equivalents at<br>End of Year  |   |  |                     |
| Unrestricted Cash and Cash Equivalents   | 386,013                                     | 303,847  | 689,860             |
|  | <u>386,013</u>                              | <u>303,847</u>                                   | <u>689,860</u>      |
| Reconciliation of Operating Income (Loss) to Net Cash<br>Provided (Used) by Operating Activities |   |  |                     |
| Operating Income (Loss) Adjustments  | (184,330)                                   | (358,893)  | (543,223)           |
| Depreciation   | -   | 251,227  | 251,227             |
| Increase (Decrease) in Other Miscellaneous Items   | <u>(5,679)</u>                              | <u>-</u>   | <u>(5,679)</u>      |
|  | <u>\$ (190,009)</u>                         | <u>\$ (107,666)</u>                              | <u>\$ (297,675)</u> |
| Interest Paid  | -   | \$ -   | \$ -                |

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

NEWTON COUNTY, TEXAS  
Statement of Net Position  
Fiduciary Funds - Agency Funds  
December 31, 2019

Exhibit I

|                               | Sheriff<br>Office | Criminal<br>District<br>Attorney | District<br>Clerk Fee<br>Fund | District<br>Clerk<br>Trust | County<br>Clerk Fee<br>Fund | County<br>Clerk<br>Trust Fund | Tax<br>Assessor<br>Collector | Total            |
|-------------------------------|-------------------|----------------------------------|-------------------------------|----------------------------|-----------------------------|-------------------------------|------------------------------|------------------|
| <u>Assets</u>                 |                   |                                  |                               |                            |                             |                               |                              |                  |
| Cash                          | \$ 712            | \$42,904                         | \$316,447                     | \$ 54,068                  | \$21,077                    | \$123,884                     | \$1,660,872                  | \$2,219,964      |
| Total Assets                  | <u>712</u>        | <u>42,904</u>                    | <u>316,447</u>                | <u>54,068</u>              | <u>21,077</u>               | <u>123,884</u>                | <u>1,660,872</u>             | <u>2,219,964</u> |
| <u>Liabilities</u>            |                   |                                  |                               |                            |                             |                               |                              |                  |
| Liabilities                   |                   |                                  |                               |                            |                             |                               |                              |                  |
| Payable to Newton             |                   |                                  |                               |                            |                             |                               |                              | -                |
| County Beneficiaries          | 712               | 42,904                           | 316,447                       | 54,068                     | 21,077                      | 123,884                       | 1,660,872                    | 2,219,964        |
| Total Liabilities             | <u>712</u>        | <u>42,904</u>                    | <u>316,447</u>                | <u>54,068</u>              | <u>21,077</u>               | <u>123,884</u>                | <u>1,660,872</u>             | <u>2,219,964</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, 2019**

**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 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 County and the Bond Holders are currently negotiating an agreement to conclude and dissolve the Newton County Public Facility Corporation. The County will not be responsible for the remaining bonds outstanding.

**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.
- TDRA Grant Fund – This fund accounts for grants used for disaster recovery throughout the county.

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. Newton County 's investment policy allows investments as state statute authorize; policy also addresses investment officer requirements for Newton County. Newton County was in compliance with the policy.

#### 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, 2019 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.

**EXHIBIT J**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

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

Capital Assets

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

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

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

| <u>Assets</u>         | <u>Years</u> |
|-----------------------|--------------|
| Building              | 40-50        |
| Building Improvements | 15-40        |
| Roads and Bridges     | 15-40        |
| Vehicles              | 5-10         |
| Office Equipment      | 5-10         |
| Computer Equipment    | 3-5          |

Use of Estimates

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

Compensated Absences

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

Long-term Obligations

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

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

Government-Wide Net Assets / Fund Balances – Governmental Funds

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

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

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

Deferred Outflows/inflows of Resources

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

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Fund Deficit

As of December 31, 2019 the following funds had deficit fund balances.

Fund 24 Road & Bridge Pct 3 \$(10,502), Fund 33 Commissioner Spec Pct 3 \$(25), Fund 72 FEMA Grant Fund \$(19,983)

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 30<sup>th</sup> 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, 2019 was \$7,880,933, and the bank balances were \$8,056,061. Of the bank balance, \$250,000 was covered by FDIC insurance and up to

\$14,668,685 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 \$2,219,964.

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

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

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

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

*Category 3:* Deposits that are not collateralized.

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

The County's investments, \$76,054, is invested with Wells Fargo Advisors; \$24,960 is invested in Government Bonds and \$51,094 is invested in Government backed securities. 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, 2019 for the governmental funds of the County:

|                                 | General             | Road & Bridge    | Other            | Total               |
|---------------------------------|---------------------|------------------|------------------|---------------------|
| Property taxes                  | \$ 1,625,094        | \$ -             | \$ -             | \$ 1,625,094        |
| Accounts                        | 36,286              | 15,064           | 81,671           | 133,021             |
|                                 | 1,661,380           | 15,064           | 81,671           | 1,758,115           |
| Allowance for<br>Uncollectibles | (60,000)            | -                | -                | (60,000)            |
|                                 | <u>\$ 1,601,380</u> | <u>\$ 15,064</u> | <u>\$ 81,671</u> | <u>\$ 1,698,115</u> |

Receivables for the Business-Type Enterprise Funds:

|                     | Correctional<br>Facility | Public<br>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

**EXHIBIT J**  
**NOTES TO THE FINANCIAL STATEMENTS**

liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

Property Tax Levy - the County's 2019 tax rate was \$.690735 per \$100.00 valuation assessed at 100% of market value. The 2020 tax rate is set at \$.669317 per \$100 valuation.

**Capital Assets**

Capital asset activity for the year ended December 31, 2019 was as follows:

| Asset                    | Balance              | Additions           | Deletions         | Balance              | Life              |
|--------------------------|----------------------|---------------------|-------------------|----------------------|-------------------|
| Land                     | \$ 1,053,207         | \$ 1,665            | \$ -              | \$ 1,054,872         | N/A               |
| Buildings                | 17,100,984           | 73,362              | -                 | 17,174,346           | 50                |
| Equipment                | 7,557,706            | 1,319,285           | 285,381           | 8,591,610            | 7                 |
| Infrastructure           | 17,562,021           | -                   | -                 | 17,562,021           | 40                |
|                          | <u>\$ 43,273,918</u> | <u>\$ 1,394,312</u> | <u>\$ 285,381</u> | <u>\$ 44,382,849</u> |                   |
| Accumulated Depreciation | Prior                | Additions           | Deletions         | Ending A/D           | Book Value        |
| Land                     | \$ -                 | \$ -                | \$ -              | \$ -                 | \$ 1,050,855      |
| Buildings                | 10,653,629           | 77,554              | -                 | 10,731,183           | 6,443,163         |
| Equipment                | 4,270,970            | 817,704             | 278,580           | 4,810,094            | 3,781,516         |
| Infrastructure           | 16,529,685           | 34,371              | -                 | 16,564,056           | 997,965           |
|                          | <u>\$ 31,454,284</u> | <u>\$ 929,629</u>   | <u>\$ 278,580</u> | <u>\$ 32,105,333</u> | <u>12,277,516</u> |

**Governmental Activities:**

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

|                            |                   |
|----------------------------|-------------------|
| General Government         | \$418,333         |
| Public Safety              | 130,148           |
| Public Facilities          | <u>381,148</u>    |
| Total Depreciation Expense | <u>\$ 929,629</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 | 3,298,737           | 251,227             | -           | 3,549,964           |
| Total                          | <u>\$ 9,592,738</u> | <u>\$ (251,227)</u> | <u>\$ -</u> | <u>\$ 9,341,511</u> |

The amount \$251,227 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.

**EXHIBIT J**  
**NOTES TO THE FINANCIAL STATEMENTS**

**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, 2019.

| Description              | Interest Rate | Beginning Balance 1/1/2019 | Debt Issuance | Principal Payments | Interest Payments | Other Adjustments | Ending Balance 12/31/2019 | Due in One Year | Maturity |
|--------------------------|---------------|----------------------------|---------------|--------------------|-------------------|-------------------|---------------------------|-----------------|----------|
| Sharp Copier             | 6.10%         | 172                        | -             | 147                | 3                 | 25                | -                         | -               | 2019     |
| Copier - DA Conf Room    | 6.10%         | -                          | 4,271         | 611                | 434               | -                 | 3,660                     | 740             | 2024     |
| Sharp Copier             | 6.10%         | 4,039                      | -             | 1,586              | 214               | -                 | 2,453                     | 1,240           | 2022     |
| Sharp Copier             | 6.10%         | 8,513                      | -             | 1,589              | 1,141             | -                 | 6,924                     | 1,845           | 2023     |
| Sharpe Copier - Judge    | 6.10%         | 5,929                      | -             | 1,169              | 811               | -                 | 4,760                     | 1,357           | 2022     |
| Sharp Copier             | 6.10%         | 8,158                      | -             | 1,533              | 1,458             | -                 | 6,625                     | 1,678           | 2023     |
| Sharp Copier - Comm 3    | 6.10%         | 3,207                      | -             | 746                | 134               | -                 | 2,461                     | 863             | 2022     |
| Sharp Copier             | 6.10%         | 5,848                      | -             | 923                | 1,116             | -                 | 4,925                     | 1,120           | 2023     |
| Sheriff - 2 Printers     | 6.10%         | 2,245                      | -             | 612                | 363               | -                 | 1,633                     | 644             | 2022     |
| Sheriff - secr copier    | 6.10%         | 1,699                      | -             | 563                | 100               | -                 | 1,136                     | 553             | 2022     |
| Tax Assessor - TAC       | 6.10%         | 2,508                      | -             | 513                | 570               | -                 | 1,995                     | 653             | 2022     |
| Copier - JP 1            | 6.10%         | 7,403                      | -             | 1,382              | 1,018             | -                 | 6,021                     | 1,604           | 2022     |
| Extension - Small Copier | 6.10%         | 660                        | -             | 676                | 44                | (16)              | -                         | -               | 2019     |
| Sheriff - Dewyville      | 6.10%         | 990                        | -             | 1,014              | 66                | (24)              | -                         | -               | 2019     |
| Tax Assessor - Copier    | 6.10%         | 1,098                      | -             | 1,127              | 73                | (29)              | -                         | -               | 2019     |
| Extension - Big copier   | 1.94%         | 1,102                      | -             | 1,038              | 78                | 64                | -                         | -               | 2019     |
| Motor Vehicle - Dewey    | 6.10%         | 669                        | -             | 670                | 50                | (1)               | -                         | -               | 2019     |
| Motor Vehicle - Dewey    | 6.10%         | -                          | 4,115         | 330                | 371               | -                 | 3,785                     | 641             | 2024     |
| Indigent - Copier        | 6.10%         | 1,298                      | -             | 1,060              | 110               | 238               | -                         | -               | 2019     |
| Auditor Spare Copier     | 6.10%         | 2,518                      | -             | 1,168              | 212               | 2                 | 1,348                     | 821             | 2020     |
| Color Kyocera Copier     | 6.10%         | 2,539                      | -             | 500                | 580               | (2)               | 2,041                     | 640             | 2022     |
| Treasurer - Copier       | 6.10%         | 5,547                      | -             | 1,282              | 759               | -                 | 4,265                     | 1,488           | 2022     |
| Copier - Library Dewey   | 6.10%         | -                          | 6,790         | 544                | 611               | -                 | 6,246                     | 1,058           | 2024     |
| Printer - SO Jail Cap    | 6.10%         | -                          | 4,112         | 280                | 320               | -                 | 3,832                     | 632             | 2024     |
| Copier - Comm Pct 2      | 6.10%         | -                          | 4,496         | 643                | 457               | -                 | 3,853                     | 779             | 2024     |
| Copier - Extension       | 6.10%         | -                          | 5,920         | -                  | -                 | -                 | 5,920                     | 1,003           | 2024     |
| Copier - MV Bleakwood    | 6.10%         | -                          | 5,425         | -                  | -                 | -                 | 5,425                     | 919             | 2024     |
| TAC - 2 copiers          | 6.10%         | -                          | 7,893         | -                  | -                 | -                 | 7,893                     | 1,337           | 2024     |
| Sharp Copier - Dist Clk  | 6.10%         | 1,250                      | -             | 1,149              | 66                | 101               | -                         | -               | 2019     |
| Copier/Printer Dist Clk  | 6.10%         | -                          | 8,766         | 325                | 260               | -                 | 8,441                     | 1,403           | 2024     |
| Sharp Copier - Co Clk    | 6.10%         | 6,725                      | -             | 1,931              | 529               | -                 | 4,794                     | 2,101           | 2022     |
| Sharp Copier - History   | 6.10%         | 505                        | -             | 485                | 20                | 20                | -                         | -               | 2019     |
| Sharp Copier - History   | 6.10%         | -                          | 7,200         | 663                | 737               | -                 | 6,537                     | 1,137           | 2024     |
| Sharp Copier             | 6.10%         | 6,465                      | -             | 1,317              | 763               | 1                 | 5,147                     | 1,363           | 2023     |
| Sharp Copier - JP 4      | 6.10%         | 462                        | -             | 370                | 270               | 92                | -                         | -               | 2019     |
| Sharp Copier - JP 4      | 6.10%         | 462                        | -             | 370                | 270               | 92                | -                         | -               | 2019     |
| Copier/Printer JP 4      | 6.10%         | -                          | 5,760         | 279                | 21                | -                 | 5,481                     | 897             | 2024     |
| Sharp Copier - JP 1      | 6.10%         | 640                        | -             | 604                | 26                | 36                | -                         | -               | 2019     |
| Sharp Copier - JP 3      | 6.10%         | 830                        | -             | 670                | 50                | 160               | -                         | -               | 2019     |
| Copier - JP 2            | 6.10%         | 904                        | -             | 442                | 278               | 1                 | 461                       | 532             | 2020     |
| Copier - JP 3            | 6.10%         | -                          | 4,936         | -                  | -                 | -                 | 4,936                     | 836             | 2024     |
| 2019 Ford F250 Comm2     | 4.06%         | -                          | 40,603        | -                  | -                 | -                 | 40,603                    | 19,894          | 2022     |
| 2019 Peterbilt           | 3.95%         | -                          | 130,057       | -                  | -                 | -                 | 130,057                   | 41,671          | 2024     |
| 2018 John Deer Grader    | 3.20%         | 215,200                    | -             | 68,965             | 8,541             | -                 | 146,235                   | 71,687          | 2023     |
| J deere Loader R&B Pct1  | 2.82%         | 44,540                     | -             | 44,373             | 1,334             | 167               | -                         | -               | 2019     |
| 2019 John Deere Grader   | 3.61%         | -                          | 240,200       | -                  | -                 | -                 | 240,200                   | 77,222          | 2024     |
| John Deere Trac/Boom     | 3.61%         | -                          | 129,501       | -                  | -                 | -                 | 129,501                   | 63,609          | 2024     |
| Linlbelt Exc R&B Pct2    | 2.82%         | 30,343                     | -             | 30,229             | 909               | 114               | -                         | -               | 2019     |
| Case Backhoe             | 3.18%         | 90,218                     | -             | 44,238             | 3,041             | -                 | 45,980                    | 45,815          | 2020     |
| Case Backhoe             | 3.04%         | 61,185                     | -             | 30,061             | 1,939             | -                 | 31,124                    | 31,051          | 2020     |
| 2 Cat 12M3 Graders       | 5.35%         | 447,260                    | -             | 49,243             | 14,659            | (17)              | 398,034                   | 84,682          | 2023     |
| 2015 Dump Tuck           | 3.20%         | 60,117                     | -             | 29,708             | 1,839             | -                 | 30,409                    | 30,611          | 2020     |
| Motor Grader             | 3.20%         | 140,071                    | -             | 20,662             | 21,396            | -                 | 119,409                   | 26,603          | 2023     |
| 2019 Kenworth T880       | 4.18%         | 127,960                    | -             | 41,330             | 4,949             | -                 | 86,630                    | 42,623          | 2021     |
| Software - Co&Dist Clk   | 4.18%         | -                          | 174,770       | -                  | -                 | -                 | 174,770                   | 55,952          | 2022     |
| Motor - Grader           | 3.20%         | 109,531                    | -             | -                  | -                 | 109,531           | -                         | -               | 2019     |
|                          |               | \$ 1,410,810               | \$ 784,815    | \$ 389,120         | \$72,990          | \$ 110,555        | \$ 1,695,950              | \$ 621,304      |          |

Debt is secured by the equipment and asset.

Debt services requirements to maturity are as follows:

Debt services requirements to maturity are as follows:

**EXHIBIT J**  
**NOTES TO THE FINANCIAL STATEMENTS**

| Year | Principal           | Interest          | Total               |
|------|---------------------|-------------------|---------------------|
| 2020 | 621,304             | 88,746            | 710,050             |
| 2021 | 536,958             | 52,463            | 589,421             |
| 2022 | 341,954             | 26,689            | 368,643             |
| 2023 | 142,651             | 6,855             | 149,506             |
| 2024 | 53,083              | 1,667             | 54,750              |
|      | <u>\$ 1,695,950</u> | <u>\$ 176,420</u> | <u>\$ 1,872,370</u> |

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

Debt Service Requirements on the Series 2002 Bond:

| Year | Principal           | Interest            | Total                |
|------|---------------------|---------------------|----------------------|
| 2020 | \$ 9,490,000        | \$ 3,962,800        | \$ 13,452,800        |
|      | <u>\$ 9,490,000</u> | <u>\$ 3,962,800</u> | <u>\$ 13,452,800</u> |

Series 2002 revenue Bonds are in default.

**Individual Interfund Transactions**

Transfers are as follows:

| Fund                                  | Transfers In         | Transfers Out        |
|---------------------------------------|----------------------|----------------------|
| General                               | \$ 4,242,684         | \$ 4,503,797         |
| Indigent Defense                      | -                    | 60                   |
| Enterprise Fund Correctional Facility | 160,000              | -                    |
| DA State Funds                        | -                    | -                    |
| Road & Bridge - General               | 16,220               | 1,446,300            |
| Road & Bridge Pct. 1                  | 392,507              | -                    |
| Road & Bridge Pct.2                   | 315,000              | -                    |
| Road & Bridge Pct. 3                  | 410,902              | -                    |
| Road & Bridge Pct. 4                  | 447,605              | -                    |
| VAW Grant                             | 22,000               | -                    |
| Commissioners Special Pct. 1          | 267,544              | -                    |
| Commissioners Special Pct. 2          | 300,310              | -                    |
| Commissioners Special Pct. 3          | 133,300              | -                    |
| Commissioners Special Pct. 4          | 248,767              | -                    |
| CDBG Grants                           | -                    | 1                    |
| Sheriff Contraband                    | 13,469               | -                    |
| Solid Waste Disposal                  | 136,279              | -                    |
| Voter Registration                    | 57,124               | -                    |
| Law Library                           | -                    | -                    |
| Library                               | 148,050              | -                    |
| Historical Operating                  | 24,250               | -                    |
| Historical Book Fund                  | -                    | 2,000                |
| Homeland Security Grant               | -                    | 2                    |
| Hazard Mitigation Grant               | 1,557,402            | 1,059,811            |
| FEMA                                  | 1,144,824            | 2,595,624            |
| TDRA Grant                            | 789,178              | 928,807              |
| Civic Center                          | 18,500               | -                    |
| CERTZ Grant                           | -                    | -                    |
| Technology Fund                       | -                    | -                    |
| Federal Forest Fund                   | -                    | 16,220               |
| Debt Service                          | -                    | 293,293              |
|                                       | <u>\$ 10,845,915</u> | <u>\$ 10,845,915</u> |

Interfund transfers are generally utilized to accomplish budgetary goals for various services and functions of the County including debt service. During 2019, transfers in excess of budget were made due to recent hurricanes and significant rainfall, primarily in South Newton County. The County received \$33,375 of insurance proceeds for damages shown in Fund 21, Road and Bridge Pct 1.

**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 – Retirement Plan**

**Plan Description -**

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

- a. Newton County participates in the Texas County and District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

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

Membership Information

| <u>Members</u>  | <u>December 31, 2108</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Number of inactive employees entitled to but not yet receiving benefits | 111                      | 112                      |
| Number of active employees  | 107                      | 113                      |
| Average monthly salary*   | \$2,295                  | \$2,462                  |
| Average age*  | 52.01                    | 53.40                    |
| Average length of service in years*                                     | 8.02                     | 8.90                     |
| <u>Inactive Employees (or their Beneficiaries) Receiving Benefits</u>   |                          |                          |
| Number of benefit recipients:   | 54                       | 56                       |
| <u>Average monthly benefit:</u>   | <u>\$795</u>             | <u>\$820</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, 2019, Newton County reported a net pension liability of \$108,981. The net pension liability was determined by an actuarial valuation as of December 31, 2019. 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, 2019, Newton County recognized pension expense of \$323,494. At December 31, 2018, Newton County reported deferred outflows and inflows of resources as follows:

Deferred Outflows - \$725,465  
Deferred Inflows – \$92,415

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, 2019 funding valuation (see Appendix C, following for details), except as noted below and throughout this report. Please see the Newton County December 31, 2019 Summary Valuation report for further details.

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

|   |   |
|---|---|
| <b>Valuation Timing</b>                             | 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.   |
| <b>Actuarial Cost Method</b>                        | Entry Age Normal <sup>(1)</sup>   |
| <b>Amortization Method</b>                          |   |
| 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   |
| <b>Asset Valuation Method</b>                       |   |
| Smoothing period                                    | 5 years   |
| Recognition method                                  | Non-asymtotic   |
| Corridor  | None  |
| <b>Inflation</b>                                    | Same as funding valuation: See Appendix C   |
| <b>Salary Increases</b>                             | Same as funding valuation: See Appendix C   |
| <b>Investment Rate of Return</b>                    | 8.10%   |
| <b>Cost-of-living Adjustments</b>                   | 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. |
| <b>Retirement Age</b>                               | Same as funding valuation: See Appendix C   |
| <b>Turnover</b>                                     | Same as funding valuation: See Appendix C   |
| <b>Mortality</b>                                    | Same as funding valuation: See Appendix C   |

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

The following is a description of the assumptions used in the December 31, 2019 actuarial valuation analysis for Newton County. This information may also be found in the Newton County December 31, 2019 Summary Valuation report.

**Appendix C**  
**Economic Assumptions**

**TCDRS system-wide economic assumptions:**

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

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

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

**Employer-specific economic assumptions:**

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

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

**Discount Rate**

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

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

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

|   | December 31, 2018 | December 31, 2019 |
|---|-------------------|-------------------|
| Discount rate <sup>(2)</sup>  | 8.10%             | 8.10%             |
| Long-term expected rate of return, net of investment expense <sup>(2)</sup> | 8.10%             | 8.00%             |
| Municipal bond rate <sup>(3)</sup>  | Does not apply    | Does not apply    |

<sup>(2)</sup> *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.*

<sup>(3)</sup> *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”).

| <b>Projection of Fiduciary Net Position*</b> |   |                                      |                                   |   |                                      |  |
|--|---|--------------------------------------|-----------------------------------|---|--------------------------------------|--|
| Calendar Year Ending**                       | Projected Beginning Fiduciary Net Position<br>(a) | Projected Total Contributions<br>(b) | Projected Benefit Payments<br>(c) | Projected Administrative Expenses***<br>(d) | Projected Investment Earnings<br>(e) | Projected Ending Fiduciary Net Position<br>(a)+(b)-(c)-(d)+(e) |
| 2019   | \$ 11,045,841                                     | \$ 446,447                           | \$ 783,651                        | \$ 11,046                                   | \$ 880,884                           | \$ 11,578,475  |
| 2020   | 11,578,475  | 426,153                              | 644,017                           | 11,578                                      | 928,745                              | 12,277,778   |
| 2021   | 12,277,778  | 407,208                              | 690,435                           | 12,278                                      | 982,765                              | 12,965,038   |
| 2022   | 12,965,038  | 399,631                              | 736,523                           | 12,965                                      | 1,036,275                            | 13,651,456   |
| 2023   | 13,651,457  | 399,547                              | 811,760                           | 13,651                                      | 1,088,856                            | 14,314,449   |
| 2024   | 14,314,448  | 409,711                              | 896,751                           | 14,314                                      | 1,139,561                            | 14,952,655   |
| 2025   | 14,952,665  | 395,024                              | 964,443                           | 14,953                                      | 1,187,960                            | 15,556,253   |
| 2026   | 15,556,253  | 367,399                              | 1,052,549                         | 15,556                                      | 1,232,230                            | 16,087,777   |
| 2027   | 16,087,777  | 361,897                              | 1,078,364                         | 16,088                                      | 1,274,019                            | 16,629,241   |
| 2028   | 16,629,242  | 356,635                              | 1,125,524                         | 16,629                                      | 1,315,774                            | 17,159,498   |
| 2038   | 20,546,771  | 261,689                              | 1,588,914                         | 20,547                                      | 1,610,766                            | 20,809,765   |
| 2048   | 22,574,753  | 253,781                              | 1,764,183                         | 22,575                                      | 1,767,678                            | 22,809,454   |
| 2058   | 44,564,959  | 416,803                              | 943,839                           | 44,565                                      | 3,587,063                            | 47,580,421   |
| 2068   | 44,564,959  | 416,803                              | 943,839                           | 44,565                                      | 3,587,063                            | 47,580,421   |
| 2078   | 92,312,947  | 572,880                              | 422,008                           | 92,313                                      | 7,479,674                            | 99,851,180   |
| 2088   | 204,589,737                                       | 788,796                              | 140,472                           | 204,590                                     | 16,589,390                           | 221,622,861  |
| 2098   | 453,758,184                                       | 1,086,088                            | 20,529                            | 453,758                                     | 36,778,708                           | 491,148,693  |

\* Projection values include no assumption for future cost-of-living adjustments. Fiduciary Net Position is projected to be positive for all future years, including those years not shown in this exhibit.

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

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

**Sensitivity Analysis**

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

|                         | 1%<br>Increase<br>7.10% | Current<br>Discount Rate<br>8.10% | 1%<br>Increase<br>9.10% |
|-------------------------|-------------------------|-----------------------------------|-------------------------|
| Total pension liability | \$ 14,245,315           | \$ 12,682,564                     | \$ 11,363,982           |

**EXHIBIT J**  
**NOTES TO THE FINANCIAL STATEMENTS**

|                             |              |              |                |
|-----------------------------|--------------|--------------|----------------|
| Fiduciary net position      | 12,791,545   | 12,791,545   | 12,791,545     |
| Net pension liability/asset | \$ 1,453,770 | \$ (108,981) | \$ (1,427,563) |

**Pension Plan Fiduciary Net Position**

| Changes in Net Pension Liability / Asset       |                                   |                                  |   |
|--|-----------------------------------|----------------------------------|---|
|  | Total Pension<br>Liability<br>(a) | Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability / (Asset)<br>(a) - (b) |
| Balances as of December 31, 2018               | \$ 11,765,700                     | \$ 11,045,841                    | \$ 719,859                                      |
| Changes for the year:                          |                                   |                                  |   |
| Service Cost                                   | 361,769                           | -                                | 361,769   |
| Interest on pension liability                  | 959,003                           | -                                | 959,003   |
| Effect of plan changes (2)                     | -                                 | -                                | -   |
| Effect of economic/demographic gains or losses | 183,368                           | -                                | 183,368   |
| Effect of assumptions changes or inputs        | -                                 | -                                | -   |
| Refund of Contributions                        | (42,567)                          | (42,567)                         | -   |
| Benefit Payments                               | (544,709)                         | (544,709)                        | -   |
| Administrative expenses                        | -                                 | (9,748)                          | 9,748   |
| Member contributions                           | -                                 | 239,755                          | (239,755)                                       |
| Net investment income                          | -                                 | 1,814,007                        | (1,814,007)                                     |
| Employer contributions                         | -                                 | 289,784                          | (289,784)                                       |
| Other (3)                                      | -                                 | (818)                            | 818   |
| Balances as of December 31, 2019               | \$ 12,682,564                     | \$ 12,791,545                    | \$ (108,981)                                    |

(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 6 – Related Party Transactions**

The County contracted with Ponthier, LLC to purchase computer hardware and provide IT services. The company is owned by spouse of the County’s current District Attorney. For the year ended December 31, 2019, the County paid \$46,159 for the purchase of computer hardware and IT specialist support. This related party transaction represents a possible conflict of interest within the scope of the Texas Local Government Code, Chapter 171, “Conflict of Interest Statute.”

**NOTE 7 – Subsequent Events**

Events occurring subsequent to December 31, 2019 were evaluated by management and reviewed through September 29, 2020, the date of report issuance.

**NOTE 8 – COVID-19 VIRUS**

On March 13, 2020, the Governor of the State of Texas issued a Public Health Disaster Order for all Texas counties limiting business and commerce to essential services only in response to COVID-19. On April 27, 2020, the Governor issued Executive Orders outlining a 4 phased plan to allow for the reopening of business and commerce in the State. The social and economic impact of this public disaster is unknown as of the date of this report.

**REQUIRED  
SUPPLEMENTAL  
INFORMATION**

NEWTON COUNTY, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
DECEMBER 31, 2019

|  | Schedule of Changes in Net Pension Liability and Related Ratios |               |               |               |              |              |      |      |      |      |      |      |
|--|---|---------------|---------------|---------------|--------------|--------------|------|------|------|------|------|------|
|  | Year ended December 31  |               |               |               |              |              |      |      |      |      |      |      |
|  | 2019  | 2018          | 2017          | 2016          | 2015         | 2014         | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| <b>Total Pension Liability</b>                           |   |               |               |               |              |              |      |      |      |      |      |      |
| Service Cost   | \$ 361,769  | \$ 369,897    | \$ 355,450    | \$ 400,458    | \$ 366,497   | \$ 356,677   | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Interest on total pension liability                      | 959,003   | 909,307       | 850,736       | 792,498       | 754,382      | 705,683      | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Effect on plan changes                                   | -   | -             | -             | -             | (45,725)     | -            | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Effect on assumption changes or inputs                   | -   | -             | 64,619        | -             | 125,075      | -            | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Effect of economic/demographic (gains) or losses         | 183,368   | (101,536)     | (49,448)      | (106,848)     | (323,707)    | 63,562       | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Benefit payments/refunds of contributions                | (587,276)   | (525,939)     | (499,957)     | (551,531)     | (471,101)    | (407,319)    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Net change in total pension liability                    | 916,864   | 651,729       | 721,400       | 534,577       | 402,422      | 718,603      | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Total pension liability - beginning                      | 11,765,700  | 11,113,971    | 10,392,571    | 10,392,571    | 9,455,572    | 8,736,969    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Total pension liability - ending (a)                     | \$ 12,682,564   | \$ 11,765,700 | \$ 11,113,971 | \$ 10,392,571 | \$ 9,857,994 | \$ 9,455,572 | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| <b>Fiduciary Net Position</b>                            |   |               |               |               |              |              |      |      |      |      |      |      |
| Employer Contributions                                   | \$ 289,784  | \$ 264,855    | \$ 250,532    | \$ 248,048    | \$ 243,170   | \$ 241,137   | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Member Contributions                                     | 239,755   | 219,405       | 207,542       | 205,485       | 201,439      | 199,756      | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Investment income net of investment expenses             | 1,814,007   | (211,124)     | 1,446,072     | 689,044       | (8,658)      | 607,206      | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Benefit payments/refunds of contributions                | (587,276)   | (525,939)     | (499,957)     | (551,531)     | (471,101)    | (407,319)    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Administrative expenses                                  | (9,748)   | (8,872)       | (7,520)       | (7,493)       | (6,762)      | (7,053)      | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Other  | (818)   | (106)         | (632)         | 7,241         | (115,540)    | 9,979        | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Net change in fiduciary net pension                      | 1,745,704   | (261,781)     | 1,396,037     | 590,794       | (157,451)    | 643,705      | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Fiduciary net pension - beginning                        | 11,045,841  | 11,307,622    | 9,911,585     | 9,320,792     | 9,478,243    | 8,834,537    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Fiduciary net pension - ending                           | \$ 12,791,545   | \$ 11,045,841 | \$ 11,307,622 | \$ 9,911,585  | \$ 9,320,792 | \$ 9,478,243 | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Net pension liability/asset = (a) - (b)                  | \$ (108,981)  | \$ 719,858    | \$ (193,651)  | \$ 480,986    | \$ 537,202   | \$ (22,671)  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Fiduciary net position as a % of total pension liability | 100.86%   | 93.88%        | 101.74%       | 95.37%        | 94.55%       | 100.24%      | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Pensionable covered payroll                              | \$ 3,245,068  | \$ 3,134,361  | \$ 2,964,890  | \$ 2,935,500  | \$ 2,877,707 | \$ 2,853,654 | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Net pension liability as a % of covered payroll          | -3.18%  | 22.97%        | -6.53%        | 16.39%        | 18.67%       | -0.79%       | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |

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

NEWTON COUNTY, TEXAS  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 DECEMBER 31, 2019

**Schedule of Employer Contributions**

| <b>Year<br/>Ending<br/>December 31</b> | <b>Actuarially<br/>Determined<br/>Contributions (1)</b> | <b>Actual<br/>Employer<br/>Contributions (1)</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Pensionable<br/>Covered<br/>Payroll (2)</b> | <b>Actual Contribution<br/>as a % of Covered<br/>Payroll</b> |
|--|---|--|---|--|--|
| 2007                                   | 109,746   | 145,497  | (35,751)  | 2,078,523                                      | 7.00%  |
| 2008                                   | 127,409   | 161,863  | (34,454)  | 2,312,322                                      | 7.00%  |
| 2009                                   | 145,122   | 171,597  | (23,475)  | 2,451,383                                      | 7.00%  |
| 2010                                   | 188,596   | 188,596  | -   | 2,641,403                                      | 7.10%  |
| 2011                                   | 200,252   | 200,252  | -   | 2,684,362                                      | 7.50%  |
| 2012                                   | 211,586   | 211,286  | -   | 2,751,126                                      | 7.70%  |
| 2013                                   | 218,306   | 218,306  | -   | 2,695,144                                      | 8.10%  |
| 2014                                   | 241,137   | 241,137  | -   | 2,853,654                                      | 8.50%  |
| 2015                                   | 230,217   | 243,170  | (12,954)  | 2,877,707                                      | 8.50%  |
| 2016                                   | 235,721   | 248,048  | (12,327)  | 2,935,500                                      | 8.40%  |
| 2017                                   | 224,739   | 250,532  | (25,793)  | 2,964,890                                      | 8.40%  |
| 2018                                   | 236,017   | 264,855  | (28,838)  | 3,134,361                                      | 8.50%  |
| 2019                                   | 248,660   | 289,784  | (41,124)  | 3,425,068                                      | 8.50%  |

*(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS..*

*(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, 2019

Exhibit L

|   | 14                        | 15                           | 19                                 | 21                        | 22                        | 23                        | 24                        | 25                     | 29              | 30                | 31                         | 32                         |
|---|---------------------------|------------------------------|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|------------------------|-----------------|-------------------|----------------------------|----------------------------|
|   | Prison<br>Guard<br>Detail | Indigent<br>Defense<br>Grant | District<br>Attorney<br>State Fund | Road &<br>Bridge<br>Pct 1 | Road &<br>Bridge<br>Pct 2 | Road &<br>Bridge<br>Pct 3 | Road &<br>Bridge<br>Pct 4 | Courthouse<br>Security | VAW<br>Grant    | Right Of<br>Way   | Commissioner<br>Spec Pct 1 | Commissioner<br>Spec Pct 2 |
| <u>Assets</u>                             |                           |                              |                                    |                           |                           |                           |                           |                        |                 |                   |                            |                            |
| Cash and Cash Equivalents                 | \$ 20,211                 | \$ -                         | \$ 23,175                          | \$ 153,456                | \$ 175,681                | \$ 64,967                 | \$ 1,639                  | \$ 92,932              | \$ 2,928        | \$ 206,166        | \$ 490,741                 | \$ 917,067                 |
| Investments                               | -                         | -                            | -                                  | -                         | -                         | -                         | -                         | -                      | -               | -                 | -                          | -                          |
| Prepaid Expense                           | -                         | -                            | -                                  | -                         | -                         | -                         | -                         | -                      | -               | -                 | -                          | -                          |
| Accounts Receivable                       | -                         | -                            | -                                  | 13                        | -                         | -                         | -                         | -                      | -               | -                 | 1,023                      | 1,023                      |
| <b>Total Assets</b>                       | <b>\$ 20,211</b>          | <b>\$ -</b>                  | <b>\$ 23,175</b>                   | <b>\$ 153,469</b>         | <b>\$ 175,681</b>         | <b>\$ 64,967</b>          | <b>\$ 1,639</b>           | <b>\$ 92,932</b>       | <b>\$ 2,928</b> | <b>\$ 206,166</b> | <b>\$ 491,764</b>          | <b>\$ 918,090</b>          |
| <u>Liabilities</u>                        |                           |                              |                                    |                           |                           |                           |                           |                        |                 |                   |                            |                            |
| Accounts Payable                          | -                         | -                            | 10                                 | -                         | 1,698                     | 1,133                     | 1,245                     | 121                    | 128             | -                 | 17,381                     | 15,779                     |
| Accrued Vacation/Comp Time                | -                         | -                            | -                                  | 3,910                     | 9,161                     | 3,474                     | 10,896                    | -                      | -               | -                 | -                          | -                          |
| <b>Total Liabilities</b>                  | <b>-</b>                  | <b>-</b>                     | <b>10</b>                          | <b>3,910</b>              | <b>10,859</b>             | <b>4,607</b>              | <b>12,141</b>             | <b>121</b>             | <b>128</b>      | <b>-</b>          | <b>17,381</b>              | <b>15,779</b>              |
| <u>Fund Balance</u>                       |                           |                              |                                    |                           |                           |                           |                           |                        |                 |                   |                            |                            |
| Unassigned                                | 20,211                    | -                            | 23,165                             | 149,559                   | 164,822                   | 60,360                    | (10,502)                  | 92,811                 | 2,800           | 206,166           | 474,383                    | 902,311                    |
| <b>Total Fund Balance</b>                 | <b>20,211</b>             | <b>-</b>                     | <b>23,165</b>                      | <b>149,559</b>            | <b>164,822</b>            | <b>60,360</b>             | <b>(10,502)</b>           | <b>92,811</b>          | <b>2,800</b>    | <b>206,166</b>    | <b>474,383</b>             | <b>902,311</b>             |
| <b>Total Liabilities and Fund Balance</b> | <b>\$ 20,211</b>          | <b>\$ -</b>                  | <b>\$ 23,175</b>                   | <b>\$ 153,469</b>         | <b>\$ 175,681</b>         | <b>\$ 64,967</b>          | <b>\$ 1,639</b>           | <b>\$ 92,932</b>       | <b>\$ 2,928</b> | <b>\$ 206,166</b> | <b>\$ 491,764</b>          | <b>\$ 918,090</b>          |

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

NEWTON COUNTY, TEXAS  
 Combining Balance Sheet  
 Non-Major Governmental Funds  
 December 31, 2019

Exhibit L

|                                    | 33                         | 34                         | 36                      | 37                      | 38                      | 39                      | 40                     | 41                    | 42                    | 43                    | 44                    | 47                      |
|------------------------------------|----------------------------|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
|                                    | Commissioner<br>Spec Pct 3 | Commissioner<br>Spec Pct 4 | Dedicated<br>Road Pct 1 | Dedicated<br>Road Pct 2 | Dedicated<br>Road Pct 3 | Dedicated<br>Road Pct 4 | Record<br>Preservation | Lateral<br>Road Pct 1 | Lateral<br>Road Pct 2 | Lateral<br>Road Pct 3 | Lateral<br>Road Pct 4 | Victims<br>Impact Panel |
| <u>Assets</u>                      |                            |                            |                         |                         |                         |                         |                        |                       |                       |                       |                       |                         |
| Cash and Cash Equivalents          | \$ 5,982                   | \$ 176,641                 | \$ 74,842               | \$ 47,681               | \$ 29,105               | \$ 98,895               | \$ 129,848             | \$ 29,090             | \$ 38,058             | \$ 7,846              | \$ 36,473             | \$ -                    |
| Investments                        | -                          | -                          | -                       | -                       | -                       | -                       | -                      | -                     | -                     | -                     | -                     | -                       |
| Prepaid Expense                    | -                          | -                          | -                       | -                       | -                       | -                       | -                      | -                     | -                     | -                     | -                     | -                       |
| Accounts Receivable                | 1,023                      | 1,023                      | 146                     | 146                     | 146                     | 146                     | -                      | -                     | -                     | -                     | -                     | -                       |
| Total Assets                       | \$ 7,005                   | \$ 177,664                 | \$ 74,988               | \$ 47,827               | \$ 29,251               | \$ 99,041               | \$ 129,848             | \$ 29,090             | \$ 38,058             | \$ 7,846              | \$ 36,473             | \$ -                    |
| <u>Liabilities</u>                 |                            |                            |                         |                         |                         |                         |                        |                       |                       |                       |                       |                         |
| Accounts Payable                   | 7,030                      | 8,868                      | -                       | 3,043                   | 8,332                   | -                       | 384                    | -                     | -                     | -                     | -                     | -                       |
| Accrued Vacation/Comp Time         | -                          | -                          | -                       | -                       | -                       | -                       | -                      | -                     | -                     | -                     | -                     | -                       |
| Total Liabilities                  | 7,030                      | 8,868                      | -                       | 3,043                   | 8,332                   | -                       | 384                    | -                     | -                     | -                     | -                     | -                       |
| <u>Fund Balance</u>                |                            |                            |                         |                         |                         |                         |                        |                       |                       |                       |                       |                         |
| Unassigned                         | (25)                       | 168,796                    | 74,988                  | 44,784                  | 20,919                  | 99,041                  | 129,464                | 29,090                | 38,058                | 7,846                 | 36,473                | -                       |
| Total Fund Balance                 | (25)                       | 168,796                    | 74,988                  | 44,784                  | 20,919                  | 99,041                  | 129,464                | 29,090                | 38,058                | 7,846                 | 36,473                | -                       |
| Total Liabilities and Fund Balance | \$ 7,005                   | \$ 177,664                 | \$ 74,988               | \$ 47,827               | \$ 29,251               | \$ 99,041               | \$ 129,848             | \$ 29,090             | \$ 38,058             | \$ 7,846              | \$ 36,473             | \$ -                    |

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

NEWTON COUNTY, TEXAS  
Combining Balance Sheet  
Non-Major Governmental Funds  
December 31, 2019

Exhibit L

|   | 48                    | 50                      | 51                    | 52              | 53                   | 55                      | 56                      | 58                      | 59                       | 60                   | 66                    | 67                    |
|---|-----------------------|-------------------------|-----------------------|-----------------|----------------------|-------------------------|-------------------------|-------------------------|--------------------------|----------------------|-----------------------|-----------------------|
|   | Sheriff<br>Contraband | Solid Waste<br>Disposal | Voter<br>Registration | Law Library     | Newton Co<br>Library | Historical<br>Operating | Historical<br>Book Fund | Dist Attny<br>Hot Check | Dist Attny<br>Contraband | Powell<br>Hotel Fund | Records<br>Management | Pretrial<br>Diversion |
| <u>Assets</u>                             |                       |                         |                       |                 |                      |                         |                         |                         |                          |                      |                       |                       |
| Cash and Cash Equivalents                 | \$ 17,495             | \$ 14,309               | \$ 6,553              | \$ 6,521        | \$ 2,273             | \$ 2,241                | \$ 7,667                | \$ 2,836                | \$ 7,114                 | \$ 1,998             | \$ 11,671             | \$ 33,877             |
| Investments                               | -                     | -                       | -                     | -               | -                    | -                       | -                       | -                       | -                        | -                    | -                     | -                     |
| Prepaid Expense                           | -                     | -                       | -                     | -               | -                    | -                       | -                       | -                       | -                        | -                    | -                     | -                     |
| Accounts Receivable                       | -                     | 1,910                   | 80                    | -               | 107                  | 1,248                   | -                       | -                       | -                        | -                    | -                     | -                     |
| <b>Total Assets</b>                       | <b>\$ 17,495</b>      | <b>\$ 16,219</b>        | <b>\$ 6,633</b>       | <b>\$ 6,521</b> | <b>\$ 2,380</b>      | <b>\$ 3,489</b>         | <b>\$ 7,667</b>         | <b>\$ 2,836</b>         | <b>\$ 7,114</b>          | <b>\$ 1,998</b>      | <b>\$ 11,671</b>      | <b>\$ 33,877</b>      |
| <u>Liabilities</u>                        |                       |                         |                       |                 |                      |                         |                         |                         |                          |                      |                       |                       |
| Accounts Payable                          | -                     | 20,174                  | 1,375                 | 945             | 428                  | 286                     | -                       | -                       | 350                      | -                    | 160                   | -                     |
| Accrued Vacation/Comp Time                | -                     | -                       | 1,262                 | -               | 750                  | 149                     | -                       | -                       | -                        | -                    | -                     | -                     |
| <b>Total Liabilities</b>                  | <b>-</b>              | <b>20,174</b>           | <b>2,637</b>          | <b>945</b>      | <b>1,178</b>         | <b>435</b>              | <b>-</b>                | <b>-</b>                | <b>350</b>               | <b>-</b>             | <b>160</b>            | <b>-</b>              |
| <u>Fund Balance</u>                       |                       |                         |                       |                 |                      |                         |                         |                         |                          |                      |                       |                       |
| Unassigned                                | 17,495                | (3,955)                 | 3,996                 | 5,576           | 1,202                | 3,054                   | 7,667                   | 2,836                   | 6,764                    | 1,998                | 11,511                | 33,877                |
| <b>Total Fund Balance</b>                 | <b>17,495</b>         | <b>(3,955)</b>          | <b>3,996</b>          | <b>5,576</b>    | <b>1,202</b>         | <b>3,054</b>            | <b>7,667</b>            | <b>2,836</b>            | <b>6,764</b>             | <b>1,998</b>         | <b>11,511</b>         | <b>33,877</b>         |
| <b>Total Liabilities and Fund Balance</b> | <b>\$ 17,495</b>      | <b>\$ 16,219</b>        | <b>\$ 6,633</b>       | <b>\$ 6,521</b> | <b>\$ 2,380</b>      | <b>\$ 3,489</b>         | <b>\$ 7,667</b>         | <b>\$ 2,836</b>         | <b>\$ 7,114</b>          | <b>\$ 1,998</b>      | <b>\$ 11,671</b>      | <b>\$ 33,877</b>      |

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

NEWTON COUNTY, TEXAS  
 Combining Balance Sheet  
 Non-Major Governmental Funds  
 December 31, 2019

Exhibit L

|                                    | 80                         | 88                   | 92                          | 93                     | 97                | Total                             |
|------------------------------------|----------------------------|----------------------|-----------------------------|------------------------|-------------------|-----------------------------------|
|                                    | Civic Center<br>Operations | State Fee<br>Account | Justice Court<br>Technology | Federal<br>Forest Fund | Debt<br>Service   | Nonmajor<br>Governmental<br>Funds |
| <u>Assets</u>                      |                            |                      |                             |                        |                   |                                   |
| Cash and Cash Equivalents          | \$ 1,079                   | \$ 38,504            | \$ 16,049                   | \$ -                   | \$ 40,468         | \$ 3,034,079                      |
| Investments                        | -                          | -                    | -                           | -                      | -                 | -                                 |
| Prepaid Expense                    | -                          | -                    | -                           | -                      | -                 | -                                 |
| Accounts Receivable                |                            | 40                   | -                           | -                      | 63,292            | \$ 71,366                         |
| Total Assets                       | <u>\$ 1,079</u>            | <u>\$ 38,544</u>     | <u>\$ 16,049</u>            | <u>\$ -</u>            | <u>\$ 103,760</u> | <u>\$ 3,105,445</u>               |
| <u>Liabilities</u>                 |                            |                      |                             |                        |                   |                                   |
| Accounts Payable                   | 50                         | 38,544               |                             |                        | -                 | 127,464                           |
| Accrued Vacation/Comp Time         | -                          | -                    | -                           | -                      | -                 | 29,602                            |
| Total Liabilities                  | <u>50</u>                  | <u>38,544</u>        | <u>-</u>                    | <u>-</u>               | <u>-</u>          | <u>157,066</u>                    |
| <u>Fund Balance</u>                |                            |                      |                             |                        |                   |                                   |
| Unassigned                         | 1,029                      | -                    | 16,049                      | -                      | 103,760           | 2,948,379                         |
| Total Fund Balance                 | <u>1,029</u>               | <u>-</u>             | <u>16,049</u>               | <u>-</u>               | <u>103,760</u>    | <u>2,948,379</u>                  |
| Total Liabilities and Fund Balance | <u>\$ 1,079</u>            | <u>\$ 38,544</u>     | <u>\$ 16,049</u>            | <u>\$ -</u>            | <u>\$ 103,760</u> | <u>\$ 3,105,445</u>               |

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, 2019

Exhibit M

|  | 14                     | 15                        | 19                        | 21                     | 22                     | 23                     | 24                     | 25                     | 29            | 30              |
|--|------------------------|---------------------------|---------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------------|-----------------|
|  | Prison Guard<br>Detail | Indigent<br>Defense Grant | Dist. Attny<br>State Fund | Road & Bridge<br>Pct 1 | Road & Bridge<br>Pct 2 | Road & Bridge<br>Pct 3 | Road & Bridge<br>Pct 4 | Courthouse<br>Security | VAW<br>Grant  | Right of<br>Way |
| <b>Revenue</b>   |                        |                           |                           |                        |                        |                        |                        |                        |               |                 |
| Taxes  | \$ -                   | \$ -                      | \$ -                      | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -                   | \$ -          | \$ -            |
| Intergovernmental  | -                      | -                         | 27,117                    | -                      | -                      | -                      | -                      | 6,962                  | -             | -               |
| Fines and Fees   | -                      | -                         | -                         | -                      | -                      | -                      | -                      | -                      | -             | -               |
| Miscellaneous  | -                      | -                         | -                         | -                      | -                      | -                      | -                      | -                      | -             | -               |
| Interest   | 170                    | -                         | 336                       | 3,851                  | 3,667                  | 856                    | 798                    | 933                    | 49            | 1,030           |
| Other Revenue  | -                      | -                         | 2,068                     | 33,375                 | -                      | -                      | -                      | -                      | -             | -               |
| Grants   | -                      | -                         | -                         | -                      | -                      | -                      | -                      | -                      | 33,750        | -               |
| <b>Total Revenue</b>   | <b>170</b>             | <b>-</b>                  | <b>29,521</b>             | <b>37,226</b>          | <b>3,667</b>           | <b>856</b>             | <b>798</b>             | <b>7,895</b>           | <b>33,799</b> | <b>1,030</b>    |
| <b>Expenditures</b>  |                        |                           |                           |                        |                        |                        |                        |                        |               |                 |
| <b>Current</b>   |                        |                           |                           |                        |                        |                        |                        |                        |               |                 |
| General Administration   | -                      | -                         | -                         | -                      | -                      | -                      | -                      | -                      | -             | -               |
| Judicial   | -                      | -                         | -                         | -                      | -                      | -                      | -                      | -                      | -             | -               |
| Legal  | -                      | -                         | 26,914                    | -                      | -                      | -                      | -                      | -                      | 59,291        | -               |
| Public Facilities  | -                      | -                         | -                         | -                      | -                      | -                      | -                      | 8,714                  | -             | -               |
| Public Safety  | -                      | -                         | -                         | 376,357                | 303,599                | 271,437                | 347,008                | -                      | -             | -               |
| Health and Welfare   | -                      | -                         | -                         | -                      | -                      | -                      | -                      | -                      | -             | -               |
| Conservation   | -                      | -                         | -                         | -                      | -                      | -                      | -                      | -                      | -             | -               |
| Culture and Recreation   | -                      | -                         | -                         | -                      | -                      | -                      | -                      | -                      | -             | -               |
| Debt Service   | -                      | -                         | -                         | -                      | -                      | -                      | -                      | -                      | -             | -               |
| Principle Payment  | -                      | -                         | -                         | 113,338                | 74,468                 | 79,304                 | 50,370                 | -                      | -             | -               |
| Interest Expense   | -                      | -                         | -                         | 9,876                  | 3,950                  | 16,598                 | 23,235                 | -                      | -             | -               |
| Capital Outlay   | -                      | -                         | -                         | 554,662                | -                      | 25,000                 | 46,585                 | -                      | -             | -               |
| <b>Total Expenditures</b>  | <b>-</b>               | <b>-</b>                  | <b>26,914</b>             | <b>1,054,233</b>       | <b>382,017</b>         | <b>392,339</b>         | <b>467,198</b>         | <b>8,714</b>           | <b>59,291</b> | <b>-</b>        |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures   | 170                    | -                         | 2,607                     | (1,017,007)            | (378,350)              | (391,483)              | (466,400)              | (819)                  | (25,492)      | 1,030           |
| <b>Other Financing Sources (Uses)</b>  |                        |                           |                           |                        |                        |                        |                        |                        |               |                 |
| Transfers In   | -                      | -                         | -                         | 392,507                | 315,000                | 410,902                | 447,605                | -                      | 22,000        | -               |
| Transfers In (Out)   | -                      | (60)                      | -                         | -                      | -                      | -                      | -                      | -                      | -             | -               |
| Issuance of Debt   | -                      | -                         | -                         | 499,758                | -                      | -                      | -                      | -                      | -             | -               |
| <b>Total Other Financing Sources (Uses)</b>  | <b>-</b>               | <b>(60)</b>               | <b>-</b>                  | <b>892,265</b>         | <b>315,000</b>         | <b>410,902</b>         | <b>447,605</b>         | <b>-</b>               | <b>22,000</b> | <b>-</b>        |
| Excess (Deficiency) of Revenues and Other Financing<br>Sources Over (Under) Expenditures and Other<br>Financing Uses | 170                    | (60)                      | 2,607                     | (124,742)              | (63,350)               | 19,419                 | (18,795)               | (819)                  | (3,492)       | 1,030           |
| Fund Balance beginning of year   | 20,041                 | 60                        | 20,558                    | 274,301                | 208,708                | 40,941                 | 8,293                  | 93,630                 | 6,292         | 205,136         |
| Fund Balance end of year   | \$ 20,211              | \$ -                      | \$ 23,165                 | \$ 149,559             | \$ 145,358             | \$ 60,360              | \$ (10,502)            | \$ 92,811              | \$ 2,800      | \$ 206,166      |

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, 2019

Exhibit M

|  | 31                         | 32                         | 33                         | 34                         | 35             | 36                      | 37                      | 38                      | 39                      | 40                     | 41                    |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|-----------------------|
|  | Commissioner<br>Spec Pct 1 | Commissioner<br>Spec Pct 2 | Commissioner<br>Spec Pct 3 | Commissioner<br>Spec Pct 4 | TCDP<br>Grants | Dedicated<br>Road Pct 1 | Dedicated<br>Road Pct 2 | Dedicated<br>Road Pct 3 | Dedicated<br>Road Pct 4 | Record<br>Preservation | Lateral<br>Road Pct 1 |
| <b>Revenue</b>   |                            |                            |                            |                            |                |                         |                         |                         |                         |                        |                       |
| Taxes  | \$ 183,170                 | \$ 183,170                 | \$ 183,170                 | \$ 183,170                 | \$ -           | \$ 28,760               | \$ 28,760               | \$ 28,760               | \$ 28,760               | \$ -                   | \$ 6,738              |
| Intergovernmental  | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| Fines and Fees   | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | 41,795                 | -                     |
| Miscellaneous  | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| Interest   | 7,425                      | 15,069                     | 776                        | 4,078                      | -              | 1,138                   | 602                     | 522                     | 1,341                   | 1,195                  | 353                   |
| Other Revenue  | 19,280                     | -                          | -                          | 10,000                     | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| Grants   | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| <b>Total Revenue</b>   | <b>209,875</b>             | <b>198,239</b>             | <b>183,946</b>             | <b>197,248</b>             | <b>-</b>       | <b>29,898</b>           | <b>29,362</b>           | <b>29,282</b>           | <b>30,101</b>           | <b>42,990</b>          | <b>7,091</b>          |
| <b>Expenditures</b>  |                            |                            |                            |                            |                |                         |                         |                         |                         |                        |                       |
| <b>Current</b>   |                            |                            |                            |                            |                |                         |                         |                         |                         |                        |                       |
| General Administration   | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| Judicial   | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| Legal  | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| Public Facilities  | 382,914                    | 288,642                    | 291,460                    | 513,985                    | -              | 29,958                  | 4,624                   | 34,477                  | 2,009                   | 6,719                  | -                     |
| Public Safety  | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | -                      | 3,455                 |
| Health and Welfare   | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| Conservation   | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| Culture and Recreation   | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| Debt Service   | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| Principle Payment  | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | 3,405                  | -                     |
| Interest Expense   | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | 856                    | -                     |
| Capital Outlay   | -                          | 37,448                     | 5,000                      | -                          | -              | -                       | -                       | -                       | -                       | 8,766                  | -                     |
| <b>Total Expenditures</b>  | <b>382,914</b>             | <b>326,090</b>             | <b>296,460</b>             | <b>513,985</b>             | <b>-</b>       | <b>29,958</b>           | <b>4,624</b>            | <b>34,477</b>           | <b>2,009</b>            | <b>19,746</b>          | <b>3,455</b>          |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures   | (173,039)                  | (127,851)                  | (112,514)                  | (316,737)                  | -              | (60)                    | 24,738                  | (5,195)                 | 28,092                  | 23,244                 | 3,636                 |
| <b>Other Financing Sources (Uses)</b>  |                            |                            |                            |                            |                |                         |                         |                         |                         |                        |                       |
| Transfers In   | 267,544                    | 300,310                    | 133,300                    | 248,767                    | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| Transfers In (Out)   | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | -                      | -                     |
| Issuance of Debt   | -                          | -                          | -                          | -                          | -              | -                       | -                       | -                       | -                       | 8,766                  | -                     |
| <b>Total Other Financing Sources (Uses)</b>  | <b>267,544</b>             | <b>300,310</b>             | <b>133,300</b>             | <b>248,767</b>             | <b>-</b>       | <b>-</b>                | <b>-</b>                | <b>-</b>                | <b>-</b>                | <b>-</b>               | <b>-</b>              |
| Excess (Deficiency) of Revenues and Other Financing<br>Sources Over (Under) Expenditures and Other<br>Financing Uses | 94,505                     | 172,459                    | 20,786                     | (67,970)                   | -              | (60)                    | 24,738                  | (5,195)                 | 28,092                  | 23,244                 | 3,636                 |
| Fund Balance beginning of year   | 379,878                    | 729,852                    | (20,811)                   | 236,766                    | -              | 75,048                  | 20,046                  | 26,114                  | 70,949                  | 106,220                | 25,454                |
| Fund Balance end of year   | \$ 474,383                 | \$ 902,311                 | \$ (25)                    | \$ 168,796                 | \$ -           | \$ 74,988               | \$ 44,784               | \$ 20,919               | \$ 99,041               | \$ 129,464             | \$ 29,090             |

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, 2019

Exhibit M

|  | 42                    | 43                    | 44                    | 47                      | 48                    | 50                      | 51                    | 52             | 53                   | 55                      | 56                      |
|--|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|----------------|----------------------|-------------------------|-------------------------|
|  | Lateral<br>Road Pct 2 | Lateral<br>Road Pct 3 | Lateral<br>Road Pct 4 | Victims<br>Impact Panel | Sheriff<br>Contraband | Solid Waste<br>Disposal | Voter<br>Registration | Law<br>Library | Newton Co<br>Library | Historical<br>Operating | Historical<br>Book Fund |
| <u>Revenue</u>   |                       |                       |                       |                         |                       |                         |                       |                |                      |                         |                         |
| Taxes  | \$ 6,738              | \$ 6,738              | \$ 6,738              | \$ -                    | \$ -                  | \$ -                    | \$ -                  | \$ -           | \$ -                 | \$ -                    | \$ -                    |
| Intergovernmental  | -                     | -                     | -                     | -                       | 1,288                 | 23,616                  | -                     | -              | -                    | -                       | -                       |
| Fines and Fees   | -                     | -                     | -                     | -                       | -                     | -                       | -                     | 5,455          | -                    | -                       | -                       |
| Miscellaneous  | -                     | -                     | -                     | -                       | -                     | -                       | -                     | -              | -                    | -                       | -                       |
| Interest   | 464                   | 110                   | 460                   | 14                      | 263                   | 942                     | 588                   | 83             | 812                  | 306                     | -                       |
| Other Revenue  | -                     | -                     | -                     | -                       | 5,037                 | 1,164                   | 175                   | -              | 6,959                | 6,191                   | 1,260                   |
| Grants   | -                     | -                     | -                     | -                       | -                     | 16,875                  | -                     | -              | 11,218               | -                       | -                       |
| Total Revenue  | 7,202                 | 6,848                 | 7,198                 | 14                      | 6,588                 | 42,597                  | 763                   | 5,538          | 18,989               | 6,497                   | 1,260                   |
| <u>Expenditures</u>  |                       |                       |                       |                         |                       |                         |                       |                |                      |                         |                         |
| Current  |                       |                       |                       |                         |                       |                         |                       |                |                      |                         |                         |
| General Administration   | -                     | -                     | -                     | 1,164                   | -                     | -                       | 57,384                | -              | -                    | -                       | -                       |
| Judicial   | -                     | -                     | -                     | -                       | -                     | -                       | -                     | -              | -                    | -                       | -                       |
| Legal  | -                     | -                     | -                     | -                       | -                     | -                       | -                     | 4,852          | -                    | -                       | -                       |
| Public Facilities  | -                     | -                     | -                     | -                       | -                     | -                       | -                     | -              | -                    | -                       | -                       |
| Public Safety  | -                     | 6,551                 | 1,444                 | -                       | 7,762                 | -                       | -                     | -              | -                    | -                       | -                       |
| Health and Welfare   | -                     | -                     | -                     | -                       | -                     | 206,921                 | -                     | -              | -                    | -                       | -                       |
| Conservation   | -                     | -                     | -                     | -                       | -                     | -                       | -                     | -              | -                    | -                       | -                       |
| Culture and Recreation   | -                     | -                     | -                     | -                       | -                     | -                       | -                     | -              | 155,463              | 27,760                  | 1,808                   |
| Debt Service   | -                     | -                     | -                     | -                       | -                     | -                       | -                     | -              | -                    | -                       | -                       |
| Principle Payment  | -                     | -                     | -                     | -                       | -                     | 41,330                  | -                     | -              | 1,317                | 1,149                   | -                       |
| Interest Expense   | -                     | -                     | -                     | -                       | -                     | 4,949                   | -                     | -              | 763                  | 757                     | -                       |
| Capital Outlay   | -                     | -                     | -                     | -                       | 14,000                | -                       | -                     | -              | 8,940                | 7,200                   | -                       |
| Total Expenditures   | -                     | 6,551                 | 1,444                 | 1,164                   | 21,762                | 253,200                 | 57,384                | 4,852          | 166,483              | 36,866                  | 1,808                   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures   | 7,202                 | 297                   | 5,754                 | (1,150)                 | (15,174)              | (210,603)               | (56,621)              | 686            | (147,494)            | (30,369)                | (548)                   |
| <u>Other Financing Sources (Uses)</u>  |                       |                       |                       |                         |                       |                         |                       |                |                      |                         |                         |
| Transfers In   | -                     | -                     | -                     | -                       | 13,469                | 136,279                 | 57,124                | -              | 148,050              | 24,250                  | -                       |
| Transfers In (Out)   | -                     | -                     | -                     | (1)                     | -                     | -                       | -                     | -              | -                    | -                       | (2,000)                 |
| Issuance of Debt   | -                     | -                     | -                     | -                       | -                     | -                       | -                     | -              | -                    | 7,200                   | -                       |
| Total Other Financing Sources (Uses)   | -                     | -                     | -                     | (1)                     | 13,469                | 136,279                 | 57,124                | -              | 148,050              | 31,450                  | (2,000)                 |
| Excess (Deficiency) of Revenues and Other Financing<br>Sources Over (Under) Expenditures and Other<br>Financing Uses | 7,202                 | 297                   | 5,754                 | (1,151)                 | (1,705)               | (74,324)                | 503                   | 686            | 556                  | 1,081                   | (2,548)                 |
| Fund Balance beginning of year   | 30,856                | 7,549                 | 30,719                | 1,151                   | 19,200                | 70,369                  | 3,493                 | 4,890          | 646                  | 1,973                   | 10,215                  |
| Fund Balance end of year   | \$ 38,058             | \$ 7,846              | \$ 36,473             | \$ -                    | \$ 17,495             | \$ (3,955)              | \$ 3,996              | \$ 5,576       | \$ 1,202             | \$ 3,054                | \$ 7,667                |

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, 2019

Exhibit M

|   | 58                        | 59                       | 60                   | 64                         | 66                    | 67                    | 80                         | 83             | 88                 | 92                          | 93                     |
|---|---------------------------|--------------------------|----------------------|----------------------------|-----------------------|-----------------------|----------------------------|----------------|--------------------|-----------------------------|------------------------|
|   | Dist Attny<br>Hot Ck Fund | Dist Attny<br>Contraband | Powell<br>Hotel Fund | Homeland<br>Security Grant | Records<br>Management | Pretrial<br>Diversion | Civic Center<br>Operations | CERTZ<br>Grant | State<br>Fee Acct. | Justice Court<br>Technology | Federal<br>Forest Fund |
| <u>Revenue</u>  |                           |                          |                      |                            |                       |                       |                            |                |                    |                             |                        |
| Taxes   | \$ -                      | \$ -                     | \$ -                 | \$ -                       | \$ -                  | \$ -                  | \$ -                       | \$ -           | \$ -               | \$ -                        | \$ -                   |
| Intergovernmental   | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | -                           | 32,441                 |
| Fines and Fees  | -                         | 5,032                    | -                    | -                          | 1,211                 | 5,300                 | -                          | -              | -                  | 9,481                       | -                      |
| Miscellaneous   | -                         | -                        | -                    | -                          | -                     | -                     | 3,300                      | -              | -                  | -                           | -                      |
| Interest  | 45                        | 62                       | -                    | 2                          | 156                   | 433                   | 160                        | -              | -                  | 288                         | -                      |
| Other Revenue   | 140                       | -                        | 2,620                | -                          | -                     | -                     | 3,686                      | -              | -                  | -                           | -                      |
| Grants  | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | -                           | -                      |
| Total Revenue   | 185                       | 5,094                    | 2,620                | 2                          | 1,367                 | 5,733                 | 7,146                      | -              | -                  | 9,769                       | 32,441                 |
| <u>Expenditures</u>   |                           |                          |                      |                            |                       |                       |                            |                |                    |                             |                        |
| Current   |                           |                          |                      |                            |                       |                       |                            |                |                    |                             |                        |
| General Administration  | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | -                           | -                      |
| Judicial  | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | -                           | -                      |
| Legal   | 638                       | 2,290                    | -                    | -                          | 290                   | -                     | -                          | -              | -                  | 2,512                       | -                      |
| Public Facilities   | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | -                           | -                      |
| Public Safety   | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | -                           | -                      |
| Health and Welfare  | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | -                           | -                      |
| Conservation  | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | -                           | 16,221                 |
| Culture and Recreation  | -                         | -                        | 2,535                | -                          | -                     | -                     | 27,419                     | -              | -                  | -                           | -                      |
| Debt Service  | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | -                           | -                      |
| Principle Payment   | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | 2,736                       | -                      |
| Interest Expense  | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | 914                         | -                      |
| Capital Outlay  | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | 10,697                      | -                      |
| Total Expenditures  | 638                       | 2,290                    | 2,535                | -                          | 290                   | -                     | 27,419                     | -              | -                  | 16,859                      | 16,221                 |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures  | (453)                     | 2,804                    | 85                   | 2                          | 1,077                 | 5,733                 | (20,273)                   | -              | -                  | (7,090)                     | 16,220                 |
| <u>Other Financing Sources (Uses)</u>   |                           |                          |                      |                            |                       |                       |                            |                |                    |                             |                        |
| Transfers In  | -                         | -                        | -                    | -                          | -                     | -                     | 18,500                     | -              | -                  | -                           | -                      |
| Transfers In (Out)  | -                         | -                        | -                    | (2)                        | -                     | -                     | -                          | -              | -                  | -                           | (16,220)               |
| Issuance of Debt  | -                         | -                        | -                    | -                          | -                     | -                     | -                          | -              | -                  | 10,697                      | -                      |
| Total Other Financing Sources (Uses)  | -                         | -                        | -                    | -                          | -                     | -                     | 18,500                     | -              | -                  | -                           | (16,220)               |
| Excess (Deficiency) of Revenues and Other Financin<br>Sources Over (Under) Expenditures and Other<br>Financing Uses | (453)                     | 2,804                    | 85                   | -                          | 1,077                 | 5,733                 | (1,773)                    | -              | -                  | (7,090)                     | -                      |
| Fund Balance beginning of year  | 3,289                     | 3,960                    | 1,914                | -                          | 10,434                | 28,144                | 2,802                      | -              | -                  | 23,139                      | -                      |
| Fund Balance end of year  | \$ 2,836                  | \$ 6,764                 | \$ 1,999             | \$ -                       | \$ 11,511             | \$ 33,877             | \$ 1,029                   | \$ -           | \$ -               | \$ 16,049                   | \$ -                   |

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, 2019

Exhibit M

|  | <u>97</u>         | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------|--|
|  | Debt<br>Service   |  |
| <u>Revenue</u>   |                   |  |
| Taxes  | \$ 301,451        | \$ 1,176,123                               |
| Intergovernmental  |                   | 91,424                                     |
| Fines and Fees   | -                 | 68,274                                     |
| Miscellaneous  | -                 | 3,300                                      |
| Interest   | 2,315             | 51,692                                     |
| Other Revenue  | 75                | 92,030                                     |
| Grants   | -                 | 61,843                                     |
| Total Revenue  | <u>303,841</u>    | <u>1,544,686</u>                           |
| <u>Expenditures</u>  |                   |  |
| Current  |                   |  |
| General Administration   | -                 | 58,548                                     |
| Judicial   | -                 | -  |
| Legal  | -                 | 96,787                                     |
| Public Facilities  | -                 | 1,563,502                                  |
| Public Safety  | -                 | 1,317,613                                  |
| Health and Welfare   | -                 | 206,921                                    |
| Conservation   | -                 | 16,221                                     |
| Culture and Recreation   | -                 | 214,985                                    |
| Debt Service   | -                 | -  |
| Principle Payment  | -                 | 367,417                                    |
| Interest Expense   | -                 | 61,898                                     |
| Capital Outlay   | -                 | 718,298                                    |
| Total Expenditures   | <u>-</u>          | <u>4,622,190</u>                           |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures   | <u>303,841</u>    | <u>(3,077,504)</u>                         |
| <u>Other Financing Sources (Uses)</u>  |                   |  |
| Transfers In   | -                 | 2,935,607                                  |
| Transfers In (Out)   | (293,293)         | (311,576)                                  |
| Issuance of Debt   | -                 | 526,421                                    |
| Total Other Financing Sources (Uses)   | <u>(293,293)</u>  | <u>3,150,452</u>                           |
| Excess (Deficiency) of Revenues and Other Financing<br>Sources Over (Under) Expenditures and Other<br>Financing Uses | <u>10,548</u>     | <u>72,948</u>                              |
| Fund Balance beginning of year   | <u>93,212</u>     | <u>2,875,431</u>                           |
| Fund Balance end of year   | <u>\$ 103,760</u> | <u>\$ 2,948,379</u>                        |

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

# SINGLE AUDIT SECTION



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

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

**Report on Compliance for Each Major Federal Program**

We have audited 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, 2019. The County of Newton, Texas’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the County of Newton, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### **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 and Associates, P.C.  
Certified Public Accountants and Consultants  
Port Arthur, Texas  
September 29, 2020



**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, 2019, 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 September 29, 2020.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Charles E. Reed & Associates, P.C.*

Charles E. Reed and Associates, P.C.  
Certified Public Accountants and Consultants  
Port Arthur, Texas  
September 29, 2020

Newton County Texas  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2019

|  | Federal<br>CFDA Number | Grant #            | Amount of<br>Award | Amount<br>Expended         |
|--|------------------------|--------------------|--------------------|----------------------------|
| <b><u>Department of Homeland Security</u></b>            |                        |                    |                    |                            |
| Governors Department of Emergency Management             | 97.036                 | DR 4332-TX         | 492,495            | 657,356                    |
| Governors Department of Emergency Management             | 97.036                 | DR 4266-TX         | 3,275,570          | 1,153,309                  |
|  |                        |                    | <u>3,768,065</u>   | <u>1,810,665</u>           |
| Governors Department of Emergency Management             | 97.039                 | DR 1791-137        | 883,662            | 9,845                      |
| Governors Department of Emergency Management             | 97.039                 | DR 1791-136        | 2,064,635          | 87,010                     |
| Governors Department of Emergency Management             | 97.039                 | DR 1791-208        | 1,347,029          | 108,852                    |
| Governors Department of Emergency Management             | 97.039                 | DR 4223-056        | 2,330,872          | 660,508                    |
| Governors Department of Emergency Management             | 97.039                 | DR 1999-017        | 209,185            | 1,300                      |
| Governors Department of Emergency Management             | 97.039                 | DR 4266-011        | 5,890,189          | 1,723,845                  |
| General Land Office                                      | 97.039                 | DR 4226-002        | 107,251            | 212                        |
|  |                        |                    | <u>12,832,823</u>  | <u>2,591,572</u>           |
| <b>Total Department of Homeland Security</b>             |                        |                    | 16,600,888         | 4,402,237                  |
| <b>Department of Housing and Urban Development</b>       |                        |                    |                    |                            |
| Pass through agency: Texas General Land Office           |                        |                    |                    |                            |
| CDBG Disaster Recovery                                   | 14.269                 | 18-533-000-B277    | 18,035,447         | 574,190                    |
| CDBG Disaster Recovery                                   | 14.269                 | 18-535000-B279     | 9,810,187          | 4,046,805                  |
|  |                        |                    | <u>27,845,634</u>  | <u>4,620,995</u>           |
| <b>Total Department of Housing and Urban Development</b> |                        |                    | 27,845,634         | 4,620,995                  |
| <b>Department of Criminal Justice</b>                    |                        |                    |                    |                            |
| Pass through agency: Office of the Governor              |                        |                    |                    |                            |
| Violence against Women                                   | 16.588                 | WF-17-V30-25592-08 | 45,000             | 17,738                     |
| Violence against Women                                   | 16.588                 | WF-18-V30-25592-04 | 45,000             | 41,545                     |
|  |                        |                    | <u>90,000</u>      | <u>59,283</u>              |
| <b>Total Department of Criminal Justice</b>              |                        |                    | 90,000             | 59,283                     |
| <b>Institute of Museum &amp; Library Services</b>        |                        |                    |                    |                            |
| Pass through agency: Texas State Library Archives        |                        |                    |                    |                            |
| ARSL Scholarship   | 45.31                  |                    | 2,278              | 2,278                      |
|  |                        |                    | <u>2,278</u>       | <u>2,278</u>               |
| <b>Total Institute of Museum &amp; Library Services</b>  |                        |                    | 2,278              | 2,278                      |
| <br>   |                        |                    |                    |                            |
| Total Federal Money Expended                             |                        |                    |                    | <u><u>\$ 9,084,793</u></u> |

Newton County Texas  
 Schedule of State of Texas Expenditures  
 For the Year Ended December 31, 2019

|   | <b>Grant ID</b> | <b>Amount of<br/>Award</b> | <b>Amount<br/>Expended</b> |
|---|-----------------|----------------------------|----------------------------|
| <b><u>Texas Comptroller</u></b>                     |                 |                            |                            |
| Texas Task Force on Indigent Defense                | 212-18-176      | 18,720                     | 60                         |
| <b>Total of Texas Comptroller</b>                   |                 | 18,720                     | 60                         |
| <br>  |                 |                            |                            |
| <b>Deep East Texas Council of Governments</b>       |                 |                            |                            |
| Ladd & Katherine Hancher Grant                      | 19-14-03        | 8,940                      | 8,940                      |
| <b>Total Deep East Texas Council of Governments</b> |                 | 8,940                      | 8,940                      |
| <br>  |                 |                            |                            |
| <b>Total State of Texas Expended</b>                |                 |                            | <b>\$ 9,000</b>            |

Notes to the Schedule of Expenditures of Federal and State Awards  
For the year ended December 31, 2019

**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.

**NOTE 5 – SUBRECIPIENTS**

The County of Newton, Texas does not have any subrecipients.

COUNTY OF NEWTON, TEXAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 DECEMBER 31, 2019

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<br>Hazard Mitigation Grant            | \$1,810,665 |
| 97.039             | Department of Homeland Security<br>Emergency Management Grant         | 2,591,572   |
| 14.269             | Department of Housing and Urban Development<br>CDBG Disaster Recovery | 4,620,995   |

The dollar threshold used to distinguish between Type A and  
 Type B federal and state programs Federal - \$750,000  
 State - \$300,000

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