

NEWTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2020

NEWTON COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended December 31, 2020

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INTRODUCTORY SECTION

**NEWTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2020
DIRECTORY OF OFFICIALS**

COMMISSIONERS' COURT:

Kenneth Weeks
Danny Bentsen
Phillip White
Gary Fomby
Wesley (Gene) Thompson

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

OTHER COUNTY OFFICIALS:

Courtney Tracy Ponthier
Bree Allen
Sandra K. Duckworth
Melissa Burks
Ginger Sims
Sherry Moore
Robert Burby
Stephanie Ducote
Gwen Simmons

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

JUSTICE OF PEACE:

Connie Smith
Brenda Smith
Michael Greer
Dana Ashmore

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

CONSTABLES:

Colton Havard
James Mitchell
Lewis White
Matt Wonders

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Newton, Texas as of and for the year ended December 31, 2020, 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, 2020, 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 22 and Note 3, page 31, 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 27, 2021, 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 27, 2021

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, 2020. 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 2020 by \$18,363,995. Of this amount, \$7,914,978 is considered unrestricted. The unrestricted net position of the County's governmental activities is \$8,160,644 and may be used to meet the government's ongoing obligations.
- The County's total net position decreased by \$1,174,250 in 2020; consisting of a change in net position of (\$1,402,267) and a prior period adjustment of \$228,017.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$6,259,357. Of this balance, \$6,259,357 is considered unassigned at December 31, 2020.
- The General Fund reported a fund balance of \$722,006 at the end of the current fiscal year. The unreserved fund balance for the General Fund was \$722,006 or 7.15% of total general expenditures (including transfers out).
- The County's total debt increased by \$266,147 during the current fiscal year. Debt was issued in the current fiscal year in the amount of \$785,589.

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 12-17 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 22 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 42 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 44 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, \$10,449,017 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			
	2020	2019	2020	2019
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
Current and other assets	\$ 8,641,775	\$ 9,074,223	\$ 154,050	\$ 689,860
Capital assets	12,411,114	12,277,516	9,090,284	9,341,511
Total assets	\$ 21,052,889	\$ 21,351,739	\$ 9,244,334	\$ 10,031,371
Deferred outflows and resources	\$ 693,445	\$ 138,399	\$ -	\$ -
Long-term liabilities	1,304,088	1,695,950	9,490,000	9,490,000
Other liabilities	1,370,699	438,749	-	4,297
Total liabilities	\$ 2,674,787	\$ 2,134,699	\$ 9,490,000	\$ 9,494,297
Deferred Inflows and resources	\$ 461,886	\$ 354,268	\$ -	\$ -
Net position:				
Invested in capital assets, net of related debt	10,449,017	12,277,516	-	148,589
Restricted	-	-	-	-
Unrestricted	8,160,644	6,723,655	(245,666)	388,485
	\$ 18,609,661	\$ 19,001,171	\$ (245,666)	\$ 537,074

The unrestricted net position \$7,914,978 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			
	2020	2019	2020	2019
	Governmental Activities	Governmental Activities	Proprietary Activities	Proprietary Activities
REVENUES				
Charges for services	\$ 840,692	\$ 974,851	\$ -	\$ -
Operating grants and contributions	-	-	-	-
Capital Grants	15,102,935	8,233,501	-	-
General revenues:				
Property taxes	8,215,444	7,649,169	-	-
Miscellaneous	49,008	65,142	-	-
Interest income	89,977	153,522	4,809	13,724
Other	1,255,757	1,142,143	-	-
Total Revenues	<u>\$ 25,553,813</u>	<u>\$ 18,218,328</u>	<u>\$ 4,809</u>	<u>\$ 13,724</u>
EXPENDITURES				
General government	\$ 1,522,606	\$ 1,444,072	\$ -	\$ -
Judicial	1,087,722	1,105,920	-	-
Legal	533,368	484,597	-	-
Financial administration	854,716	729,583	-	-
Public facilities	5,160,409	6,275,478	411,254	543,223
Public safety	16,117,808	7,611,900	-	-
Health and welfare	917,250	739,550	-	-
Conservation	4,969	16,625	-	-
Culture and recreation	224,046	214,985	-	-
Miscellaneous	37,382	46,370	-	-
Interest on long-term debt	89,359	73,021	-	-
Total Expenditures	<u>\$ 26,549,635</u>	<u>\$ 18,742,101</u>	<u>\$ 411,254</u>	<u>\$ 543,223</u>
Excess of Revenues over Expenses	\$ (995,822)	\$ (523,773)	\$ (406,445)	\$ (529,499)
Transfers	376,295	(160,000)	(376,295)	160,000
Increase (decrease) in net position	<u>\$ (619,527)</u>	<u>\$ (683,773)</u>	<u>\$ (782,740)</u>	<u>\$ (369,499)</u>
Net Position as Previously Reported	\$ 19,001,171	\$ 19,684,944	\$ 537,074	\$ 906,573
Prior Period Adjustment - Note 7	228,017	-	-	-
Net Position as Restated	<u>\$ 19,229,188</u>	<u>\$ 19,684,944</u>	<u>\$ 537,074</u>	<u>\$ 906,573</u>
Net Position End of Year	<u>\$ 18,609,661</u>	<u>\$ 19,001,171</u>	<u>\$ (245,666)</u>	<u>\$ 537,074</u>

The government's total net position decreased by \$(1,402,267) 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, 2020, the County's governmental funds reported combined ending fund balances of \$6,259,357 a decrease of (\$296,096) consisting of net change of (\$524,113) and prior period adjustment of \$228,017 in comparison with the prior year. Of this amount, \$6,259,357 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, 2020 unrestricted and total fund balance of the General Fund was \$772,006. 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 7.15% of total General Fund expenditures (including transfers out).

The fund balance of the General Fund decreased by \$1,637,458 during 2020. It was budgeted at a decrease of \$(548,424) during this year. Revenue had a negative variance of (\$108,652) while expenditures had a positive variance of \$248,736 and transfers a negative variance of (\$529,641).

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 a decrease in expenditure budget by \$34,766. The comparison between and the actual results significant variations were: general administration spent less than budget by \$396,355, judicial spent more than budget by \$261,248, financial administration spent less than budgeted by \$339,990, public facilities spent more than budgeted by \$445,525 and health and welfare spent less than budget by \$188,242.

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2020, amounts to \$10,449,017 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements, and equipment.

	CAPITAL ASSETS (net of depreciation)		
	Governmental	Business-Type	Total
	Activities	Activities	
Land	\$ 1,054,872	\$ 300,000	\$ 1,354,872
Construction in Progress	-	-	-
Other capital assets	11,356,242	8,790,284	\$ 20,146,526
	<u>\$ 12,411,114</u>	<u>\$ 9,090,284</u>	<u>\$ 21,501,398</u>

Additional information on the County’s capital assets can be found in Note 1 on pages 25 and 31.

Long-term debt - At December 31, 2020, the County had \$11,452,097 total long-term debt outstanding of which \$10,148,009 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	Business-Type
	Activities	Activities
Bonds Payable	\$ -	\$ 9,490,000
Notes Payable	1,962,097	-
	<u>\$ 1,962,097</u>	<u>\$ 9,490,000</u>

The County’s total liabilities and deferred inflows of resources outstanding at December 31, 2020 increased by \$643,409 from December 31, 2019 because new debt of \$785,589 was issued, and outstanding debt was paid. Additional information on the County’s debt can be found in Note 3, beginning on page 32.

Economic Factors and Next Year’s Budgets and Rates

Unemployment increased to 10.4% from 6.14%; the tax rate for 2019-2020 decreased to .669317, 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 2021 is similar to 2020.
- 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, 2020

Exhibit A

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 4,785,485	\$ 154,050	\$ 4,939,535
Investments	750,799	-	750,799
Receivables:			
Accounts Receivable	1,487,345	-	1,487,345
Property Taxes Receivable	1,678,146	-	1,678,146
Allowance for Uncollectible Taxes	(60,000)	-	(60,000)
Prepaid Expenses	-	-	-
Net Pension Asset	-	-	-
Capital Assets			
Land	1,054,872	300,000	1,354,872
Construction in Progress	-	-	-
Capital Assets - Net	11,356,242	8,790,284	20,146,526
Total Assets	<u>21,052,889</u>	<u>9,244,334</u>	<u>30,297,223</u>
<u>Deferred Outflows and Resources</u>			
Deferred Outflows on Pensions	693,445	-	693,445
Total Deferred Outflows of Resources	<u>693,445</u>	<u>-</u>	<u>693,445</u>
<u>Liabilities</u>			
Accounts Payable	281,754	-	281,754
Accrued Payables	133,932	-	133,932
Net Pension Liabilities	297,004	-	297,004
Notes Payable/Revenue Bonds Payable (Notes 1 and 3)		-	
Due Within One Year	658,009	9,490,000	10,148,009
Due After One Year	1,304,088	-	1,304,088
Total Liabilities	<u>2,674,787</u>	<u>9,490,000</u>	<u>12,164,787</u>
<u>Deferred Inflows of Resources</u>			
Deferred Inflows on Pensions	461,886	-	461,886
Total Deferred Inflows of Resources	<u>461,886</u>	<u>-</u>	<u>461,886</u>
<u>Net Position</u>			
Investment in Capital Assets- Net of Debt	10,449,017	-	10,449,017
Restricted	-	-	-
Unrestricted	8,160,644	(245,666)	7,914,978
Total Net Position	<u>\$ 18,609,661</u>	<u>\$ (245,666)</u>	<u>\$ 18,363,995</u>

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

NEWTON COUNTY, TEXAS
Statement of Activities
For the year ended December 31, 2020

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	\$ 1,522,606				\$ (1,522,606)	\$ -	\$ (1,522,606)
Judicial	1,087,722	840,692	-	-	(247,030)	-	(247,030)
Legal	533,368		-	-	(533,368)	-	(533,368)
Financial Administration	854,716		-	-	(854,716)	-	(854,716)
Public Facilities	5,160,409		-	-	(5,160,409)	-	(5,160,409)
Public Safety	16,117,808	-	-	-	(16,117,808)	-	(16,117,808)
Health & Welfare	917,250		-	15,102,935	14,185,685	-	14,185,685
Conservation	4,969		-	-	(4,969)	-	(4,969)
Culture & Recreation	224,046				(224,046)	-	(224,046)
Miscellaneous	37,382		-	-	(37,382)	-	(37,382)
Interest on Long-term Debt	89,359		-	-	(89,359)	-	(89,359)
Total Governmental Activities	<u>26,549,635</u>	<u>840,692</u>	<u>-</u>	<u>15,102,935</u>	<u>(10,606,008)</u>	<u>-</u>	<u>(10,606,008)</u>
Business-type Activities:							
Prison Facilities	\$ 411,254	\$ -	\$ -	\$ -	\$ -	\$ (411,254)	\$ (411,254)
Total Business-type Activities	<u>\$ 411,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (411,254)</u>	<u>\$ (411,254)</u>

General Revenues:				
Property Taxes		\$ 8,215,444	\$ -	\$ 8,215,444
Intergovernmental		149,291	-	149,291
Miscellaneous		49,008	-	49,008
Interest		89,977	4,809	94,786
Other		1,106,466		1,106,466
Transfers		376,295	(376,295)	-
Total General Revenues		<u>9,986,481</u>	<u>(371,486)</u>	<u>9,614,995</u>
Change in Net Position		(619,527)	(782,740)	(1,402,267)
Net Position as Previously Reported		19,001,171	537,074	19,538,245
Prior Period Adjustment - Note 7		228,017	-	228,017
Net Position as Restated		<u>19,229,188</u>	<u>537,074</u>	<u>19,766,262</u>
Net Position at end of year		<u>\$ 18,609,661</u>	<u>\$ (245,666)</u>	<u>\$ 18,363,995</u>

	5,10,98,99	20	68	70	72	76		
	General Fund	Road & Bridge General	Hazard Mitigation Grant	Courthouse Emergency Grant	FEMA Grant	TDRA Grants	Total Non-Major Funds	Total Governmental Funds
<u>Assets</u>								
Cash and Cash Equivalents	\$ 519,151	\$ 463,555	\$ -	\$ 59,951	\$ 905,806	\$ 115,275	\$ 2,721,747	\$ 4,785,485
Investments	750,799	-	-	-	-	-	-	750,799
Prepaid Expenses	-	-	-	-	-	-	-	-
Property Taxes Receivable	1,678,146	-	-	-	-	-	-	1,678,146
Allowance for Uncollectible Taxes	(60,000)	-	-	-	-	-	-	(60,000)
Accounts Receivable	19,359	4,206	1,146,053	9,346	-	188,488	119,893	1,487,345
Total Assets	\$ 2,907,455	\$ 467,761	\$ 1,146,053	\$ 69,297	\$ 905,806	\$ 303,763	\$ 2,841,640	\$ 8,641,775
<u>Liabilities</u>								
Accounts Payable	107,054	-	-	-	31,211	-	143,489	281,754
Accrued Vacation/Comp Time	111,663	-	-	-	-	-	22,269	133,932
Total Liabilities	218,717	-	-	-	31,211	-	165,758	415,686
<u>Deferred Inflows of Resources</u>								
Deferred Inflows- Property Tax	1,565,488	-	-	-	-	-	-	1,565,488
Unavailable Revenue - Property Tax	401,244	-	-	-	-	-	-	401,244
Total Deferred Inflows of Resources	1,966,732	-	-	-	-	-	-	1,966,732
<u>Fund Balances</u>								
Unassigned	722,006	467,761	1,146,053	69,297	874,595	303,763	2,675,882	6,259,357
Committed	-	-	-	-	-	-	-	-
Total Fund Balance	722,006	467,761	1,146,053	69,297	874,595	303,763	2,675,882	6,259,357
Total Liabilities and Fund Balances	\$ 2,907,455	\$ 467,761	\$ 1,146,053	\$ 69,297	\$ 905,806	\$ 303,763	\$ 2,841,640	\$ 8,641,775

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, 2020

Total Fund Balances of Governmental Funds		\$ 6,259,357
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		12,411,114
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		(1,962,097)
Net Pension Asset(Liability)		(297,004)
Deferred Outflows and Inflows of Resources		
Deferred Outflow on Pension	693,445	
Deferred Inflow on Pension	(461,886)	231,559
Other Long Term Assets not available to pay for current period expenditures, and therefore, are deferred in the funds - Unavailable Revenue - Property Tax		401,244
		<u>1,565,488</u>
		<u>1,966,732</u>
Net Position of Governmental Activities- Exhibit A		<u><u>\$ 18,609,661</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, 2020

Exhibit D

	5,10,98,99	20	68	70	72	76		
	General Fund	Road & Bridge General	Hazard Mitigation Grant	Courthouse Emergency Grant	FEMA Grant	TDRA Grants	Total Non-Major Funds	Total Governmental Funds
<u>Revenue</u>								
Taxes	\$ 5,859,443	\$ 1,023,896	\$ -	\$ -	\$ -	-	\$ 1,327,795	\$ 8,211,134
Intergovernmental	25,634	-	-	-	-	-	123,657	149,291
Fines and Fees	299,572	532,794	-	-	-	-	8,326	840,692
Licenses and Permits	1,538	-	-	-	-	-	-	1,538
Miscellaneous	49,008	-	-	-	-	-	-	49,008
Interest	38,410	10,092	-	2,699	-	-	38,776	89,977
Other Revenue	163,582	-	-	-	926,874	-	15,618	1,106,074
Unrealized Gain/Loss on Inv	(1,146)	-	-	-	-	-	-	(1,146)
Grants	149,868	-	1,121,401	-	881,765	12,904,901	45,000	15,102,935
Total Revenue	6,585,909	1,566,782	1,121,401	2,699	1,808,639	12,904,901	1,559,172	25,549,503
<u>Expenditures</u>								
<u>Current</u>								
General Administration	580,090	392,169	-	-	-	-	60,898	1,033,157
Judicial	1,087,722	-	-	-	-	-	-	1,087,722
Legal	427,679	-	-	-	-	-	105,689	533,368
Financial Administration	854,716	-	-	-	-	-	-	854,716
Public Facilities	1,151,269	-	1,117,226	-	148,941	-	2,297,031	4,714,467
Public Safety	2,202,072	-	-	-	-	12,401,719	1,403,187	16,006,978
Health and Welfare	647,615	-	-	-	-	-	269,635	917,250
Conservation	202	-	-	-	-	-	4,767	4,969
Culture and Recreation	-	-	-	-	-	-	224,046	224,046
Miscellaneous	25,566	-	-	-	-	-	-	25,566
Debt Service	-	-	-	-	-	-	-	-
Principal Payment	79,066	20,601	-	-	-	-	415,982	515,649
Interest Expense	18,830	950	-	-	-	-	69,579	89,359
Capital Outlay	297,474	-	223,323	-	-	-	707,456	1,228,253
Total Expenditures	7,372,301	413,720	1,340,549	-	148,941	12,401,719	5,558,270	27,235,500
Excess (Deficiency) of Revenues Over (Under) Expenditures	(786,392)	1,153,062	(219,148)	2,699	1,659,698	503,182	(3,999,098)	(1,685,997)
<u>Other Financing Sources</u>								
Transfers In	1,646,197	8,145	1,340,549	-	117,033	326,041	3,567,902	7,005,867
Transfers (Out)	(2,724,262)	(1,673,114)	(183,527)	(220,275)	(882,243)	(525,460)	(420,691)	(6,629,572)
Issuance of Debt	226,999	-	-	-	-	-	558,590	785,589
Total Other Financing Sources	(851,066)	(1,664,969)	1,157,022	(220,275)	(765,210)	(199,419)	3,705,801	1,161,884
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,637,458)	(511,907)	937,874	(217,576)	894,488	303,763	(293,297)	(524,113)
<u>Fund Balance -</u>								
As Previously Reported	2,359,464	979,668	960	286,873	(19,893)	-	2,948,381	6,555,453
Prior Period Adjustment -	-	-	207,219	-	-	-	20,798	228,017
Fund Balance, As Restated	2,359,464	979,668	208,179	286,873	(19,893)	-	2,969,179	6,783,470
Fund Balance - End of Year	\$ 722,006	\$ 467,761	\$ 1,146,053	\$ 69,297	\$ 874,595	\$ 303,763	\$ 2,675,882	\$ 6,259,357

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, 2020

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

Net change in fund balances - total governmental funds (Exhibit D)		(524,113)
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	1,228,253	
Depreciation	(1,087,664)	
Capital Asset Disposition	(6,993)	133,596
Actuarially calculated additional pension expense not using current-period financial resources		
Change in Asset/Liability	(405,985)	
Change in deferred inflow/outflow	447,428	41,443
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	(785,589)	
Payment of Principal	515,649	
Debt adjustment	3,797	(266,143)
Revenues in statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
change in unavailable revenue	(34,704)	
change in deferred tax	<u>30,394</u>	<u>(4,310)</u>
Change in Net Assets of Governmental Activities (Exhibit B)		<u><u>\$ (619,527)</u></u>

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the year ended December 31, 2020

	Original Budget Original	Final Budget Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUE				
Taxes	\$ 6,256,576	\$ 6,256,576	\$ 5,859,443	\$ (397,133)
Intergovernmental	25,200	25,200	25,634	434
Fines and Fees	302,600	302,600	299,572	(3,028)
Licenses & Permits	100	100	1,538	1,438
Miscellaneous	28,600	28,600	49,008	20,408
Interest	46,500	46,500	38,410	(8,090)
Unrealized Gain/Loss on Investments	-	-	(1,146)	(1,146)
Grants	-	-	149,868	149,868
Other Revenue	34,985	34,985	163,582	128,597
Total Revenue	6,694,561	6,694,561	6,585,909	(108,652)
EXPENDITURES				
Current				
General Administration	1,010,076	976,445	580,090	396,355
Judicial	801,316	826,438	1,087,722	(261,284)
Legal	462,114	462,114	427,679	34,435
Financial Administration	1,194,616	1,194,616	854,716	339,900
Public Facilities	705,744	705,744	1,151,269	(445,525)
Public Safety	2,234,830	2,207,958	2,202,072	5,886
Health and Welfare	835,242	835,857	647,615	188,242
Conservation	460	460	202	258
Miscellaneous	100,000	100,000	25,566	74,434
Principal Payment	78,209	78,209	79,066	(857)
Interest Expense	25,696	25,696	18,830	6,866
Capital Outlay	207,500	207,500	297,474	(89,974)
TOTAL EXPENDITURES	7,655,803	7,621,037	7,372,301	248,736
Excess(Deficiency) of Rev Over(Under) Expenditures	(961,242)	(926,476)	(786,392)	140,084
Other Finance Sources(Uses)				
Issuance of Debt	-	-	-	-
Transfers In	694,935	694,935	1,646,197	951,262
Transfers Out	(1,243,359)	(1,243,359)	(2,724,262)	(1,480,903)
Issuance of Debt	-	-	226,999	226,999
Total Other Finance Sources(Uses)	(548,424)	(548,424)	(851,066)	(302,642)
Excess(Deficiency) of Revenue Over(Under) Expenses & Other Financial Sources(Uses)	(1,509,666)	(1,474,900)	(1,637,458)	(162,558)
Fund Balance - Beginning of Period	2,659,464	2,359,464	2,359,464	-
Fund Balance - End of Period	\$ 1,149,798	\$ 884,564	\$ 722,006	\$ (162,558)

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

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget and Actual - Road and Bridge

For the year ended December 31, 2020

	Original Budget Original	Final Budget Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUE				
Taxes	\$ 1,105,243	\$ 1,105,243	\$ 1,023,896	\$ (81,347)
Intergovernmental	-	-	-	-
Fines and Fees	539,000	539,000	532,794	(6,206)
Licenses & Permits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	6,000	6,000	10,092	4,092
Unrealized Gain/Loss on Investments	-	-	-	-
Grants	-	-	-	-
Other Revenue	-	-	-	-
Total Revenue	1,650,243	1,650,243	1,566,782	(83,461)
EXPENDITURES				
Current				
General Administration	346,633	346,633	392,169	(45,536)
Judicial	-	-	-	-
Legal	-	-	-	-
Financial Administration	-	-	-	-
Public Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Conservation	-	-	-	-
Miscellaneous	-	-	-	-
Principal Payment	20,601	20,601	20,601	-
Interest Expense	951	951	951	-
Capital Outlay	50,000	50,000	-	50,000
TOTAL EXPENDITURES	418,185	418,185	413,720	4,464
Excess(Deficiency) of Rev Over(Under) Expenditures	1,232,058	1,232,058	1,153,062	(78,997)
Other Finance Sources(Uses)				
Issuance of Debt	-	-	-	-
Transfers In	1,000	1,000	8,145	7,145
Transfers Out	(1,370,000)	(1,370,000)	(1,673,115)	(303,115)
Issuance of Debt	-	-	-	-
Total Other Finance Sources(Uses)	(1,369,000)	(1,369,000)	(1,664,969)	(295,969)
Excess(Deficiency) of Revenue Over(Under) Expenses & Other Financial Sources(Uses)	(136,942)	(136,942)	(511,907)	(374,966)
Fund Balance - Beginning of Period	979,668	979,668	979,668	-
Fund Balance - End of Period	\$ 842,727	\$ 842,727	\$ 467,761	\$ (374,966)

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

NEWTON COUNTY, TEXAS
Statement of Net Position - Proprietary Funds
December 31, 2020

Exhibit G

	Business-Type Activities		
	<u>Enterprise Fund</u>	<u>Component Unit</u>	
	Correctional Facility	Public Facility Corporation	<u>Total</u>
<u>Assets</u>			
Current Assets			
Cash and Cash Equivalents	\$ 7,970	\$ 146,080	\$ 154,050
Investments	-	-	-
Accounts Receivables - Net of Allowances for Uncollectibles	-	-	-
Total Current Assets	<u>7,970</u>	<u>146,080</u>	<u>154,050</u>
Non-Current Assets			
Restricted Cash and Investments	-	-	-
Original Issue Discount	-	-	-
Less: Accumulated Accretion	-	-	-
Total Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>9,090,284</u>	<u>9,090,284</u>
Total Non-Current Assets	<u>-</u>	<u>9,090,284</u>	<u>9,090,284</u>
Total Assets	<u>7,970</u>	<u>9,236,364</u>	<u>9,244,334</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts Payable	-	-	-
Bonds Payable - Current Portion (Note 1 and 3)	-	9,490,000	9,490,000
Total Current Liabilities	<u>-</u>	<u>9,490,000</u>	<u>9,490,000</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>-</u>	<u>9,490,000</u>	<u>9,490,000</u>
<u>Net Position</u>			
Invested in Capital Assets	-	-	-
Unrestricted	7,970	(253,636)	(245,666)
Total Net Position	<u>\$ 7,970</u>	<u>\$ (253,636)</u>	<u>\$ (245,666)</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, 2020

Exhibit H

	Business-Type Activities		
	Enterprise Fund	Component Unit	
	Correctional Facility	Public Facility Corporation	Total
<u>Operating Revenue</u>			
Project Revenues	\$ -	\$ -	\$ -
Total Operating Revenues	-	-	-
<u>Operating Expenses</u>			
Management Fees	-	-	-
Depreciation	-	251,227	251,227
Insurance	-	6,226	6,226
Legal and Professional	-	144,774	
Trust Fees	-	-	-
Operating Expense	800	8,227	9,027
Bond Interest	-	-	-
Total Operating Expenses	800	410,454	411,254
Operating Income (Loss)	(800)	(410,454)	(411,254)
<u>Nonoperating Revenues (Expenses)</u>			
Interest Income	3,349	1,460	4,809
Miscellaneous Income (Expenses)	-	-	-
Total Nonoperating Revenues (Expenses)	3,349	1,460	4,809
Transfers	(376,295)	-	(376,295)
Change in Net Position	(373,746)	(408,994)	(782,740)
Total Net Position at Beginning of Year	381,716	155,358	537,074
Total Net Position at End of Year	\$ 7,970	\$ (253,636)	\$ (245,666)

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, 2020

Exhibit I

	Business-Type Activities		Total
	Enterprise Fund Correctional Facility	Component Unit Public Facility Corporation	
Cash Flows From Operating Activities			
Receipts from Customers	\$ -	\$ -	\$ -
Payment for Goods and Services	<u>(5,097)</u>	<u>(159,227)</u>	<u>(164,324)</u>
Net Cash Provided (Used) by Operating Activities	<u>(5,097)</u>	<u>(159,227)</u>	<u>(164,324)</u>
Cash Flows from Non-Capital Financing Sources (Uses)			
Miscellaneous	-	-	-
Transfers	<u>(376,295)</u>	<u>-</u>	<u>(376,295)</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	3,349	1,460	4,809
(Purchase)/Sale of Capital Assets	-	-	-
(Purchase)/Sale of Investments	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase(Decrease) in Cash and Cash Equivalents	<u>(378,043)</u>	<u>(157,767)</u>	<u>(535,810)</u>
Cash and Cash Equivalents at Beginning 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>
Cash and Cash Equivalents at End of Year			
Unrestricted Cash and Cash Equivalents	7,970	146,080	154,050
	<u>7,970</u>	<u>146,080</u>	<u>154,050</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss) Adjustments	(800)	(410,454)	(411,254)
Depreciation	-	251,227	251,227
Increase (Decrease) in Other Miscellaneous Items	<u>(4,297)</u>	<u>-</u>	<u>(4,297)</u>
	<u>\$ (5,097)</u>	<u>\$ (159,227)</u>	<u>\$ (164,324)</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, 2020

Exhibit J

	Sheriff Office	Criminal District Attorney	District Clerk Fee Fund	District Clerk Trust	County Clerk Fee Fund	County Clerk Trust Fund	Tax Assessor Collector	Total
<u>Assets</u>								
Cash	\$ 712	\$23,006	\$349,986	\$ 86,224	\$21,077	\$124,498	\$1,709,149	\$2,314,652
Total Assets	<u>712</u>	<u>23,006</u>	<u>349,986</u>	<u>86,224</u>	<u>21,077</u>	<u>124,498</u>	<u>1,709,149</u>	<u>2,314,652</u>
<u>Liabilities</u>								
Liabilities								
Payable to Newton								-
County Beneficiaries	712	23,006	349,986	86,224	21,077	124,498	1,709,149	2,314,652
Total Liabilities	<u>712</u>	<u>23,006</u>	<u>349,986</u>	<u>86,224</u>	<u>21,077</u>	<u>124,498</u>	<u>1,709,149</u>	<u>2,314,652</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, 2020

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.

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- 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.
- Fema Grant – This fund accounts for grants received and spent on disaster recovery efforts.
- 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, 2020 was minimal.

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

Receivables and Payables

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

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

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

Capital Assets

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

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

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

<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, 2020, the following funds had deficit fund balances.

Fund 33 Commissioner Spec Pct 3 \$(36,248), Fund 50 Solid Waste Disposal \$(11,515), Fund 53 Newton County Library \$(2,410)

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the net position of the County of Newton, Texas's plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by Texas County and District Retirement System (TCDRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits

The carrying amount of the County's deposits as of December 31, 2020 was \$4,939,535, and the bank balances were \$5,607,320. Of the bank balance, \$250,000 was covered by FDIC insurance and up to

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\$18,848,637 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 \$2,314,652.

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, \$750,799, is invested with First Financial Trust; \$750,799 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, 2020 for the governmental funds of the County:

	General	Road & Bridge	Other	Total
Property taxes	\$ 1,678,146	\$ -	\$ -	\$ 1,678,146
Accounts	19,359	4,206	1,463,780	1,487,345
	1,697,505	4,206	1,463,780	3,165,491
Allowance for Uncollectibles	(60,000)	-	-	(60,000)
	<u>\$ 1,637,505</u>	<u>\$ 4,206</u>	<u>\$ 1,463,780</u>	<u>\$ 3,105,491</u>

Receivables for the Business-Type Enterprise Funds:

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

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

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

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

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

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

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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, 2020 for governmental activities was as follows:

Asset	Balance	Additions	Deletions	Balance	Life
Land	\$ 1,054,872	\$ -	\$ -	\$ 1,054,872	N/A
Buildings	17,174,346	-	-	17,174,346	50
Equipment	8,591,610	1,228,253	58,952	9,760,911	7
Infrastructure	17,562,021	-	-	17,562,021	40
	<u>\$ 44,382,849</u>	<u>\$ 1,228,253</u>	<u>\$ 58,952</u>	<u>\$ 45,552,150</u>	
Accumulated Depreciation	Prior	Additions	Deletions	Ending A/D	Book Value
Land	\$ -	\$ -	\$ -	\$ -	\$ 1,050,855
Buildings	10,731,183	81,011	-	10,812,194	6,362,152
Equipment	4,810,094	972,282	51,961	5,730,415	4,030,496
Infrastructure	16,564,056	34,371	-	16,598,427	963594
	<u>\$ 32,105,333</u>	<u>\$ 1,087,664</u>	<u>\$ 51,961</u>	<u>\$ 33,141,036</u>	<u>12,411,114</u>

Governmental Activities:

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

Government Activities:

General Government	\$ 489,449
Public Safety	152,273
Public Facilities	<u>445,942</u>
Total Depreciation Expense - Government Activities	<u>\$ 1,087,664</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	3,549,964	251,227	-	3,801,191
Total	<u>\$ 9,341,511</u>	<u>\$ (251,227)</u>	<u>\$ -</u>	<u>\$ 9,090,284</u>

The amount \$251,150 of depreciation is recorded for component unit. The building is vacant; and secured by the revenue bond debt of \$9,490,000. Additional information is located in Note 1 page 22. No additions or deletions were made.

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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, 2020.

Description	Interest Rate	Beginning Balance 1/1/2020	Debt Issuance	Principal Payments	Interest Payments	Other Adjustments	Ending Balance 12/31/2020	Due in One Year	Maturity
Copier - DA Conf Room	6.10%	3,660	-	611	363	-	2,978	834	2024
Sharp Copier	6.10%	2,453	-	1,240	140	445	1,658	1,316	2022
Sharp Copier	6.10%	6,924	-	1,845	915	-	5,079	2,142	2023
Sharpe Copier - Judge	6.10%	4,760	-	1,357	623	-	3,403	1,575	2022
Sharp Copier	6.10%	6,625	-	1,550	980	-	5,075	2,008	2023
Sharp Copier - Comm 3	6.10%	2,461	-	863	97	445	1,153	916	2022
Sharp Copier	6.10%	4,925	-	1,122	920	317	4,120	1,358	2023
Copier - Comm Pct 3	6.10%	-	7,146	586	604	-	6,559	1,118	2025
Sheriff - 2 Printers	6.10%	1,633	-	615	210	-	1,018	764	2022
Sheriff - secr copier	6.10%	1,136	-	553	59	105	688	587	2022
Tax Assessor - TAC	6.10%	1,995	-	653	427	-	1,342	837	2022
Copier - JP 1	6.10%	6,021	-	1,604	796	1	4,416	1,862	2022
Motor Vehicle - Dewey	6.10%	3,785	-	641	559	-	3,144	751	2024
Indigent - Copier Upgrade	6.10%	-	4,932	822	258	202	4,312	893	2025
Auditor Spare Copier	6.10%	1,348	-	722	26	(626)	-	-	2020
Court Room 2nd Floor	6.10%	-	4,204	345	355	-	3,859	666	2025
Color Kyocera Copier	6.10%	2,041	-	640	440	-	1,401	820	2022
Treasurer - Copier	6.10%	4,265	-	1,488	552	-	2,777	1,727	2022
Copier - Library Dewey	6.10%	6,246	-	1,058	922	-	5,188	1,240	2024
Printer - SO Jail Cap	6.10%	3,832	-	632	568	-	3,200	741	2024
Copier - Comm Pct 2	6.10%	3,853	-	718	383	-	3,135	878	2024
Copier - Extension	6.10%	5,920	-	1,003	437	-	4,917	1,086	2024
Copier - MV Bleakwood	6.10%	5,425	-	919	401	-	4,506	995	2024
TAC - 2 copiers	6.10%	7,893	-	1,337	583	-	6,556	1,448	2024
Copier/Printer Dist Clk	6.10%	8,441	-	1,402	937	-	7,039	1,580	2024
Sharp Copier - Co Clk	6.10%	4,794	-	2,101	359	399	3,091	2,286	2022
Sharp Copier - History	6.10%	6,537	-	1,137	963	-	5,400	1,332	2024
Sharp Copier	6.10%	5,147	-	1,255	504	1	3,891	1,536	2023
Copier/Printer JP 4	6.10%	5,481	-	897	783	-	4,584	1,052	2024
Copier - JP 2	6.10%	461	-	622	96	161	-	-	2020
JP 2 - Copier Upgrade	6.10%	-	3,783	-	-	-	3,783	549	2025
JP 3 - Printer	6.10%	-	2,102	147	153	-	1,955	329	2025
Copier - JP 3 Upgrade	6.10%	4,936	-	836	365	-	4,100	906	2024
2020 Peterbilt 348 Grapple	3.04%	-	210,718	-	-	-	210,718	68,140	2024
Software - Co&Dist Clk	4.18%	174,770	-	56,072	7,209	-	118,698	58,282	2022
2019 Ford F250 Comm2	4.06%	40,603	-	20,601	951	-	20,002	20,002	2022
2019 Peterbilt	3.95%	130,057	-	41,840	4,994	-	88,217	43,297	2024
2018 John Deer Grader	3.20%	146,235	-	71,612	5,895	-	74,623	74,623	2021
2019 John Deere Grader	3.61%	240,200	-	78,603	7,335	-	161,597	80,040	2022
John Deere Trac/Boom	3.61%	129,501	-	-	-	(129,501)	-	-	2020
Kubota Tractor/Terrain BM	3.56%	-	133,500	-	-	-	133,500	65,580	2022
Kubota Mini Excavator	3.39%	-	50,295	-	-	-	50,295	24,726	2022
Case Backhoe	3.18%	45,980	-	45,606	1,518	(374)	-	-	2020
Case Backhoe	3.04%	31,125	-	30,964	970	(159)	-	-	2020
2 Cat 12M3 Graders	5.35%	398,034	-	42,072	21,830	10,007	365,970	44,322	2023
Wheel Excavator	3.35%	-	245,961	-	-	-	245,961	27,725	2025
2015 Dump Tuck	3.20%	30,409	-	30,536	885	127	-	-	2020
Motor Grader	3.20%	119,409	-	23,818	18,240	115,548	211,139	31,280	2023
2020 Peterbilt 348 Truck	3.04%	-	122,948	-	-	-	122,948	39,758	2023
2019 Kenworth T880	4.18%	86,630	-	42,529	3,751	-	44,102	44,102	2021
		<u>\$ 1,695,951</u>	<u>\$ 785,589</u>	<u>\$ 515,574</u>	<u>\$ 89,356</u>	<u>\$ (2,902)</u>	<u>\$ 1,962,097</u>	<u>\$ 658,009</u>	

Debt is secured by the equipment and asset.

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Debt services requirements to maturity are as follows:

Year	Principal	Interest	Total
2021	658,009	89,035	747,044
2022	533,827	62,431	596,258
2023	589,892	37,503	627,395
2024	46,465	8,076	54,541
2025	133,904	5,710	139,614
	<u>\$ 1,962,097</u>	<u>\$ 202,755</u>	<u>\$ 2,164,852</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
2021	\$ 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	\$ 1,646,197	\$ 2,724,262
Prison Guard Detail	-	20,390
Enterprise Fund Correctional Facility	-	376,295
Road & Bridge - General	8,145	1,673,114
Road & Bridge Pct. 1	627,533	-
Road & Bridge Pct.2	340,150	-
Road & Bridge Pct. 3	445,127	-
Road & Bridge Pct. 4	415,072	-
VAW Grant	15,000	-
Commissioners Special Pct. 1	168,787	-
Commissioners Special Pct. 2	111,385	-
Commissioners Special Pct. 3	264,461	-
Commissioners Special Pct. 4	636,237	-
Solid Waste Disposal	274,793	-
Voter Registration	57,124	-
Library	165,800	-
Historical Operating	46,433	-
Historical Book Fund	-	7,667
Powell Hotel Fund	-	1,998
Hazard Mitigation Grant	1,340,549	183,527
Courthouse Emergency Grant	-	220,275
FEMA	117,033	882,243
TDRA Grant	326,041	525,460
Federal Forest Fund	-	4,767
Debt Service	-	385,869
Debt Service	<u>\$ 7,005,867</u>	<u>\$ 7,005,867</u>

Interfund transfers are generally utilized to accomplish budgetary goals for various services and functions of the County including debt service. During 2020, transfers in excess of budget were made due to recent hurricanes and significant rainfall, primarily in South Newton County. The County received \$926,874 of insurance proceeds for damages shown in Fund 72, FEMA Grants.

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 county for 2020 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.

Membership Information

<u>Members</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>
Number of inactive employees entitled to but not yet receiving benefits	112	112
Number of active employees	113	118
Average monthly salary*	\$2,462	\$2,922
Average age*	53.40	52.60
Average length of service in years*	8.90	7.64
<u>Inactive Employees (or their Beneficiaries) Receiving Benefits</u>		
Number of benefit recipients:	56	61
<u>Average monthly benefit:</u>	<u>\$820</u>	<u>\$879</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, 2020, Newton County reported a net pension liability / (asset) of \$297,004. The net pension liability was determined by an actuarial valuation as of December 31, 2020. 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, 2020, Newton County recognized pension expense of \$327,231. At December 31, 2020, Newton County reported deferred outflows and inflows of resources as follows:

Deferred Outflows - \$693,445
Deferred Inflows – \$461,886

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, 2020 funding valuation (see Appendix C, following for details), except as noted below and throughout this report. Please see the Newton County December 31, 2020 Summary Valuation report for further details.

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymtotic
Corridor	None
Inflation	Same as funding valuation: See Appendix C
Salary Increases	Same as funding valuation: See Appendix C
Investment Rate of Return	7.60%
Cost-of-living Adjustments	Cost-of-Living Adjustments for Newton County are not considered to be substantively automatic under GASB 68. Therefore, no assumptions for future cost-of-living adjustment is included in the GASB calculations. No Assumption for future cost-of-

living adjustments is included in the funding valuation.

Retirement Age	Same as funding valuation: See Appendix C
Turnover	Same as funding valuation: See Appendix C
Mortality	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, 2020 financial reporting metrics are the same as those used in the December 31, 2020 actuarial valuation analysis for Newton County.

The following is a description of the assumptions used in the December 31, 2020 actuarial valuation analysis for Newton County. This information may also be found in the Newton County December 31, 2020 Summary Valuation report.

Appendix C
Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

The assumed long-term investment return of 7.5% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.5% 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 3.00% (made up of 2.50% 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	3.00%

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, 2019	December 31, 2020
Discount rate ⁽²⁾	8.10%	7.60%
Long-term expected rate of return, net of investment expense ⁽²⁾	8.10%	7.60%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply

⁽²⁾ *this rate reflects the long-term rate of return funding valuation assumption of 7.5%, plus 0.10% adjustment to be gross of administrative expense as required by GASB 68.*

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

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

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

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

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

EXHIBIT K
NOTES TO THE FINANCIAL STATEMENTS

- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3) The employer's assets are projected to exceed its actuarial liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

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

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

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

Projection of Fiduciary Net Position*						
Calendar Year Ending**	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses***	Projected Investment Earnings	Projected Ending Fiduciary Net Position
	(a)	(b)	(c)	(d)	(e)	(a)+(b)-(c)-(d)+(e)
2021	\$ 14,067,654	\$ 634,775	\$ 941,973	\$ 14,068	\$ 1,057,157	\$ 14,803,545
2022	14,803,545	603,547	816,885	14,804	1,116,559	15,691,962
2023	15,691,963	564,889	876,469	15,692	1,180,381	16,545,072
2024	16,545,071	541,258	941,354	16,545	1,241,883	17,370,313
2025	17,370,313	507,903	1,024,550	17,370	1,300,223	18,136,519
2026	18,136,518	468,405	1,120,783	18,137	1,353,362	18,819,365
2027	18,819,366	452,007	1,150,559	18,819	1,403,511	19,505,506
2028	19,505,505	426,035	1,194,863	19,506	1,453,010	20,170,181
2029	20,170,181	399,810	1,249,897	20,170	1,500,470	20,800,394
2030	20,800,394	374,397	1,386,444	20,800	1,542,300	21,309,847
2040	24,369,216	257,354	1,906,166	24,369	1,789,644	24,485,679
2050	24,703,844	204,085	1,972,529	24,704	1,810,600	24,721,296
2060	26,222,127	226,430	1,666,414	26,222	1,938,186	26,694,107
2070	36,484,809	291,922	1,076,753	36,485	2,742,207	38,405,700
2080	67,544,382	391,380	531,154	67,544	5,125,639	72,462,703
2090	139,961,676	525,982	200,394	139,962	10,644,012	150,791,314
2100	295,247,746	706,876	36,375	295,248	22,452,827	318,075,826

* Projection values include no assumption for future cost-of-living adjustments. Fiduciary Net Position is projected to be positive for all future years.

** 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 7.60% 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 (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Increase 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 16,174,297	\$ 14,364,658	\$ 12,843,138
Fiduciary net position	14,067,654	14,067,654	14,067,654
Net pension liability/asset	\$ 2,106,643	\$ 297,004	\$ (1,224,516)

Pension Plan Fiduciary Net Position

Changes in Net Pension Liability / Asset			
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2019	\$ 12,682,564	\$ 12,791,545	\$ (108,981)
Changes for the year:			
Service Cost	410,846	-	410,846
Interest on pension liability (1)	1,032,386	-	1,032,386
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	161,316	-	161,316
Effect of assumptions changes or inputs	787,169	-	787,169
Refund of Contributions	(113,243)	(113,243)	-
Benefit Payments	(596,380)	(596,380)	-
Administrative expenses	-	(10,294)	10,294
Member contributions	-	305,579	(305,579)
Net investment income	-	1,321,380	(1,321,380)
Employer contributions	-	368,882	(368,882)
Other (3)	0	185	(185)
Balances as of December 31, 2020	\$ 14,364,658	\$ 14,067,654	\$ 297,004

(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, 2020, the County paid \$4,452 for the purchase of computer software and \$96,000 for monthly contracted IT specialist support, for a total of \$100,452. 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 – PRIOR PERIOD ADJUSTMENT

An adjustment was made to account for grant receivables at year-end December 31, 2019.

	Fund 29	Fund 68	Total
Balance at December 31, 2019, as previously reported	\$ -	\$ -	\$ -
Prior period adjustment for:			
Grant receivables at December 31, 2019	20,798	207,219	228,017
Balance at December 31, 2019, as restated	\$ 20,798	\$207,219	\$228,017

NOTE 8 – SUBSEQUENT EVENTS

Events occurring subsequent to December 31, 2020 were evaluated by management and reviewed through September 27, 2021, the date of report issuance. The following subsequent events were noted.

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.

AGREED JUDGEMENT – NEWTON COUNTY APPRASAIL DISTRICT - TAXABLE VALUE OF PROPERTY

A tax litigation suit was brought by Plaintiff challenging the Defendants (Newton County Appraisal District) valuation of Plaintiff’s property. Plaintiff and Defendant entered into an Agreed Judgement whereby settlement was reached regarding the appraised value of the property. Newton County, having an interest in the taxable value and prior tax paid to the County by the Defendant, is liable for the County’s portion of Plaintiff’s prior tax paid. The agreement calls for the refund of prior taxes paid to be paid 50% in 2021 and 25% in subsequent years 2022 and 2023.

DISSOLUTION AND CONVEYANCE OF PROPERTY – NEWTON COUNTY PUBLIC FACILAITIES CORPORATION

On March 8, 2021, the Newton Public Facilities Corporation entered into a Release of Deed of Trust and Security Agreement with U.S. Bank National Association, as trustee under that certain Trust Indenture dated February 1, 2002, and as beneficiary under that certain Deed of Trust and Financing Statement dated February 1, 2002. On March 22, 2021, the Board of Directors of the Newton County Public Facilities Corporation voted to dissolve and terminate the Newton County Facilities Corporation as a nonprofit public corporation along with the resignation of its Board of Directors. On June 21, 2021, the Newton County Public Facilities Corporation conveyed the property to Newton County by executing a Special Warranty Deed.

REQUIRED
SUPPLEMENTAL
INFORMATION

NEWTON COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2020

Exhibit L

Schedule of Changes in Net Pension Liability and Related Ratios

	Year ended December 31												
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability													
Service Cost	\$ 410,846	\$ 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	1,032,386	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	787,169	-	-	64,619	-	125,075	-	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	161,316	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	(709,623)	(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	1,682,094	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	12,682,564	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)	\$ 14,364,658	\$ 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
Fiduciary Net Position													
Employer Contributions	\$ 368,882	\$ 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	305,579	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	1,321,380	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	(709,623)	(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	(10,294)	(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	185	(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	1,276,109	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	12,791,545	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	\$ 14,067,654	\$ 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)	\$ 297,004	\$ (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	97.93%	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	\$ 4,365,408	\$ 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	6.80%	-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, 2020

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contributions (1)	Actual Employer Contributions (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2007	109,746	145,497	(35,751)	2,078,523	7.00%
2008	127,409	161,863	(34,454)	2,312,322	7.00%
2009	145,122	171,597	(23,475)	2,451,383	7.00%
2010	188,596	188,596	-	2,641,403	7.10%
2011	200,252	200,252	-	2,684,362	7.50%
2012	211,586	211,286	-	2,751,126	7.70%
2013	218,306	218,306	-	2,695,144	8.10%
2014	241,137	241,137	-	2,853,654	8.50%
2015	230,217	243,170	(12,954)	2,877,707	8.50%
2016	235,721	248,048	(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%
2020	326,096	368,882	(42,786)	4,365,408	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, 2020

Exhibit M

	14	15	19	21	22	23	24	25	29	30	31	32
	Prison Guard Detail	Indigent Defense Grant	District Attorney State Fund	Road & Bridge Pct 1	Road & Bridge Pct 2	Road & Bridge Pct 3	Road & Bridge Pct 4	Courthouse Security	VAW Grant	Right Of Way	Commissioner Spec Pct 1	Commissioner Spec Pct 2
<u>Assets</u>												
Cash and Cash Equivalents	\$ -	\$ -	\$ 23,653	\$ 90,691	\$ 194,771	\$ 78,930	\$ 40,157	\$ 94,411	\$ 559	\$ 202,675	\$ 334,786	\$ 751,015
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expense	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	20,798	-	527	527
Total Assets	\$ -	\$ -	\$ 23,653	\$ 90,691	\$ 194,771	\$ 78,930	\$ 40,157	\$ 94,411	\$ 21,357	\$ 202,675	\$ 335,313	\$ 751,542
<u>Liabilities</u>												
Accounts Payable	-	-	12	122	319	456	344	-	83	-	8,670	11,571
Accrued Vacation/Comp Time	-	-	-	2,714	4,499	2,637	6,629	-	-	-	-	-
Total Liabilities	-	-	12	2,836	4,818	3,093	6,973	-	83	-	8,670	11,571
<u>Fund Balance</u>												
Unassigned	-	-	23,641	87,855	189,953	75,837	33,184	94,411	21,274	202,675	326,643	739,971
Total Fund Balance	-	-	23,641	87,855	189,953	75,837	33,184	94,411	21,274	202,675	326,643	739,971
Total Liabilities and Fund Balance	\$ -	\$ -	\$ 23,653	\$ 90,691	\$ 194,771	\$ 78,930	\$ 40,157	\$ 94,411	\$ 21,357	\$ 202,675	\$ 335,313	\$ 751,542

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2020

Exhibit M

	33	34	36	37	38	39	40	41	42	43	44	48
	Commissioner Spec Pct 3	Commissioner Spec Pct 4	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4	Sheriff Contraband
<u>Assets</u>												
Cash and Cash Equivalents	\$ 22,008	\$ 212,578	\$ 71,308	\$ 72,591	\$ 3,241	\$ 67,474	\$ 154,220	\$ 26,780	\$ 45,188	\$ 4,663	\$ 36,653	\$ 16,319
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expense	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	527	527	75	75	75	75	-	-	-	-	-	-
Total Assets	\$ 22,535	\$ 213,105	\$ 71,383	\$ 72,666	\$ 3,316	\$ 67,549	\$ 154,220	\$ 26,780	\$ 45,188	\$ 4,663	\$ 36,653	\$ 16,319
<u>Liabilities</u>												
Accounts Payable	58,783	16,210	-	-	-	-	577	-	-	-	-	5
Accrued Vacation/Comp Time	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	58,783	16,210	-	-	-	-	577	-	-	-	-	5
<u>Fund Balance</u>												
Unassigned	(36,248)	196,895	71,383	72,666	3,316	67,549	153,643	26,780	45,188	4,663	36,653	16,314
Total Fund Balance	(36,248)	196,895	71,383	72,666	3,316	67,549	153,643	26,780	45,188	4,663	36,653	16,314
Total Liabilities and Fund Balance	\$ 22,535	\$ 213,105	\$ 71,383	\$ 72,666	\$ 3,316	\$ 67,549	\$ 154,220	\$ 26,780	\$ 45,188	\$ 4,663	\$ 36,653	\$ 16,319

NEWTON COUNTY, TEXAS
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2020

Exhibit M

	50	51	52	53	55	56	58	59	60	66	67	80
	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library	Historical Operating	Historical Book Fund	Dist Attny Hot Check	Dist Attny Contraband	Powell Hotel Fund	Records Management	Pretrial Diversion	Civic Center Operations
<u>Assets</u>												
Cash and Cash Equivalents	\$ 1,320	\$ 8,696	\$ 10,354	\$ 127	\$ 551	\$ -	\$ 3,028	\$ 6,832	\$ -	\$ 12,442	\$ 37,036	\$ 2,390
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expense	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	2,033	-	-	64	1,248	-	-	-	-	-	-	-
Total Assets	\$ 3,353	\$ 8,696	\$ 10,354	\$ 191	\$ 1,799	\$ -	\$ 3,028	\$ 6,832	\$ -	\$ 12,442	\$ 37,036	\$ 2,390
<u>Liabilities</u>												
Accounts Payable	14,053	68	-	771	434	-	-	-	-	-	-	188
Accrued Vacation/Comp Time	815	2,729	-	1,830	416	-	-	-	-	-	-	-
Total Liabilities	14,868	2,797	-	2,601	850	-	-	-	-	-	-	188
<u>Fund Balance</u>												
Unassigned	(11,515)	5,899	10,354	(2,410)	949	-	3,028	6,832	-	12,442	37,036	2,202
Total Fund Balance	(11,515)	5,899	10,354	(2,410)	949	-	3,028	6,832	-	12,442	37,036	2,202
Total Liabilities and Fund Balance	\$ 3,353	\$ 8,696	\$ 10,354	\$ 191	\$ 1,799	\$ -	\$ 3,028	\$ 6,832	\$ -	\$ 12,442	\$ 37,036	\$ 2,390

NEWTON COUNTY, TEXAS
 Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2020

Exhibit M

	88	92	93	97	Total
	State Fee Account	Justice Court Technology	Federal Forest Fund	Debt Service	Nonmajor Governmental Funds
<u>Assets</u>					
Cash and Cash Equivalents	\$ 30,823	\$ 6,786	\$ 6,425	\$ 50,266	\$ 2,721,747
Investments	-	-	-	-	-
Prepaid Expense	-	-	-	-	-
Accounts Receivable	-	-	-	93,342	\$ 119,893
Total Assets	<u>\$ 30,823</u>	<u>\$ 6,786</u>	<u>\$ 6,425</u>	<u>\$ 143,608</u>	<u>\$ 2,841,640</u>
<u>Liabilities</u>					
Accounts Payable	30,823	-	-	-	143,489
Accrued Vacation/Comp Time	-	-	-	-	22,269
Total Liabilities	<u>30,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,758</u>
<u>Fund Balance</u>					
Unassigned	-	6,786	6,425	143,608	2,675,882
Total Fund Balance	<u>-</u>	<u>6,786</u>	<u>6,425</u>	<u>143,608</u>	<u>2,675,882</u>
Total Liabilities and Fund Balance	<u>\$ 30,823</u>	<u>\$ 6,786</u>	<u>\$ 6,425</u>	<u>\$ 143,608</u>	<u>\$ 2,841,640</u>

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2020

Exhibit N

	14	15	19	21	22	23	24	25	29	30	31	32
	Prison Guard Detail	Indigent Defense Grant	Dist. Attny State Fund	Road & Bridge Pct 1	Road & Bridge Pct 2	Road & Bridge Pct 3	Road & Bridge Pct 4	Courthouse Security	VAW Grant	Right of Way	Commissioner Spec Pct 1	Commissioner Spec Pct 2
<u>Revenue</u>												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,744	\$ 191,744
Intergovernmental	-	-	27,500	-	-	-	-	4,154	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Interest	179	-	264	1,247	2,340	1,139	518	925	51	1,510	6,263	9,840
Other Revenue	-	-	-	-	-	-	-	-	-	-	3,412	-
Grants	-	-	-	-	-	-	-	-	45,000	-	-	-
Total Revenue	179	-	27,764	1,247	2,340	1,139	518	5,079	45,051	1,510	201,419	201,584
<u>Expenditures</u>												
Current												
General Administration	-	-	-	-	-	-	-	-	-	5,000	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	27,288	-	-	-	-	-	62,376	-	-	-
Public Facilities	-	-	-	-	-	-	-	3,479	-	-	517,948	407,434
Public Safety	-	-	-	472,025	270,236	334,953	298,425	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	192,056	45,606	73,037	54,355	-	-	-	-	-
Interest Expense	-	-	-	18,224	1,518	22,800	19,125	-	-	-	-	-
Capital Outlay	-	-	-	191,974	-	245,961	122,948	-	-	-	-	67,875
Total Expenditures	-	-	27,288	874,279	317,360	676,751	494,853	3,479	62,376	5,000	517,948	475,309
Excess (Deficiency) of Revenues Over (Under) Expenditures	179	-	476	(873,032)	(315,020)	(675,612)	(494,335)	1,600	(17,325)	(3,490)	(316,529)	(273,725)
<u>Other Financing Sources (Uses)</u>												
Transfers In	-	-	-	627,533	340,150	445,127	415,072	-	15,000	-	168,787	111,385
Transfers In (Out)	(20,390)	-	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	183,795	-	245,961	122,948	-	-	-	-	-
Total Other Financing Sources (Uses)	(20,390)	-	-	811,328	340,150	691,088	538,020	-	15,000	-	168,787	111,385
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(20,211)	-	476	(61,704)	25,130	15,476	43,685	1,600	(2,325)	(3,490)	(147,742)	(162,340)
Fund Balance As Previously Reported	20,211	-	23,165	149,559	164,822	60,360	(10,502)	92,811	2,800	206,166	474,384	902,311
Prior Period Adjustment - Note 7	-	-	-	-	-	-	-	-	20,798	-	-	-
Fund Balance, as Restated	20,211	-	23,165	149,559	164,822	60,360	(10,502)	92,811	23,598	206,166	474,384	902,311
Fund Balance end of year	\$ -	\$ -	\$ 23,641	\$ 87,855	\$ 189,952	\$ 75,836	\$ 33,183	\$ 94,411	\$ 21,273	\$ 202,676	\$ 326,642	\$ 739,971

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, 2020

Exhibit N

	33	34	36	37	38	39	40	41	42	43	44	48
	Commissioner Spec Pct 3	Commissioner Spec Pct 4	Dedicated Road Pct 1	Dedicated Road Pct 2	Dedicated Road Pct 3	Dedicated Road Pct 4	Record Preservation	Lateral Road Pct 1	Lateral Road Pct 2	Lateral Road Pct 3	Lateral Road Pct 4	Sheriff Contraband
<u>Revenue</u>												
Taxes	\$ 191,744	\$ 191,744	\$ 27,392	\$ 27,392	\$ 27,392	\$ 27,392	\$ -	\$ 6,730	\$ 6,730	\$ 6,730	\$ 6,730	\$ -
Intergovernmental	-	-	-	-	-	-	40,574	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Interest	1,809	2,509	730	680	355	1,117	1,376	264	400	87	340	173
Other Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	193,553	194,253	28,122	28,072	27,747	28,509	41,950	6,994	7,130	6,817	7,070	173
<u>Expenditures</u>												
Current												
General Administration	-	-	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	415,539	802,392	31,727	190	45,350	60,000	12,972	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	9,304	-	10,000	6,890	1,354
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	-	3,503	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	1,296	-	-	-	-	-
Capital Outlay	78,698	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	494,237	802,392	31,727	190	45,350	60,000	17,771	9,304	-	10,000	6,890	1,354
Excess (Deficiency) of Revenues Over (Under) Expenditures	(300,684)	(608,139)	(3,605)	27,882	(17,603)	(31,491)	24,179	(2,310)	7,130	(3,183)	180	(1,181)
<u>Other Financing Sources (Uses)</u>												
Transfers In	264,461	636,237	-	-	-	-	-	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	264,461	636,237	-	-	-	-	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financir Sources Over (Under) Expenditures and Other Financing Uses	(36,223)	28,098	(3,605)	27,882	(17,603)	(31,491)	24,179	(2,310)	7,130	(3,183)	180	(1,181)
Fund Balance As Previously Reported	(25)	168,797	74,988	44,784	20,919	99,041	129,464	29,090	38,058	7,846	36,473	17,495
Prior Period Adjustment - Note 7	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance, as Restated	(25)	168,797	74,988	44,784	20,919	99,041	129,464	29,090	38,058	7,846	36,473	17,495
Fund Balance end of year	\$ (36,248)	\$ 196,895	\$ 71,383	\$ 72,666	\$ 3,316	\$ 67,550	\$ 153,643	\$ 26,780	\$ 45,188	\$ 4,663	\$ 36,653	\$ 16,314

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, 2020

Exhibit N

	50	51	52	53	55	56	58	59	60	66	67	80
	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library	Historical Operating	Historical Book Fund	Dist Attny Hot Ck Fund	Dist Attny Contraband	Powell Hotel Fund	Records Management	Pretrial Diversion	Civic Center Operations
<u>Revenue</u>												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	30,770	-	4,700	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	-	-	-	-	812	2,800	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Interest	251	657	78	1,318	365	-	30	68	-	119	359	23
Other Revenue	2,541	20	-	4,612	3,660	-	163	-	-	-	-	1,150
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	33,562	677	4,778	5,930	4,025	-	193	68	-	931	3,159	1,173
<u>Expenditures</u>												
Current												
General Administration	-	55,898	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	269,635	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	173,582	50,464	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	42,529	-	-	1,256	1,137	-	-	-	-	-	-	-
Interest Expense	3,751	-	-	505	963	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	315,915	55,898	-	175,343	52,564	-	-	-	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(282,353)	(55,221)	4,778	(169,413)	(48,539)	-	193	68	-	931	3,159	1,173
<u>Other Financing Sources (Uses)</u>												
Transfers In	274,793	57,124	-	165,800	46,433	-	-	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-	(7,667)	-	-	(1,998)	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	274,793	57,124	-	165,800	46,433	(7,667)	-	-	(1,998)	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,560)	1,903	4,778	(3,613)	(2,106)	(7,667)	193	68	(1,998)	931	3,159	1,173
Fund Balance As Previously Reported	(3,955)	3,996	5,576	1,202	3,054	7,667	2,836	6,764	1,998	11,511	33,877	1,029
Prior Period Adjustment - Note 7	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance, as Restated	(3,955)	3,996	5,576	1,202	3,054	7,667	2,836	6,764	1,998	11,511	33,877	1,029
Fund Balance end of year	\$ (11,515)	\$ 5,899	\$ 10,354	\$ (2,411)	\$ 948	\$ -	\$ 3,029	\$ 6,832	\$ -	\$ 12,442	\$ 37,036	\$ 2,202

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, 2020

Exhibit N

	88	92	93	97	Total Nonmajor Governmental Funds
	State Fee Acct.	Justice Court Technology	Federal Forest Fund	Debt Service	
<u>Revenue</u>					
Taxes	\$ -	\$ -	\$ -	\$ 424,331	\$ 1,327,795
Intergovernmental	-	-	15,959	-	123,657
Fines and Fees	-	4,714	-	-	8,326
Miscellaneous	-	-	-	-	0
Interest	-	62	-	1,330	38,776
Other Revenue	-	-	-	60	15,618
Grants	-	-	-	-	45,000
Total Revenue	-	4,776	15,959	425,721	1,559,172
<u>Expenditures</u>					
Current					
General Administration	-	-	-	-	60,898
Judicial	-	-	-	-	-
Legal	-	16,025	-	-	105,689
Public Facilities	-	-	-	-	2,297,031
Public Safety	-	-	-	-	1,403,187
Health and Welfare	-	-	-	-	269,635
Conservation	-	-	4,767	-	4,767
Culture and Recreation	-	-	-	-	224,046
Debt Service	-	-	-	-	-
Principle Payment	-	2,503	-	-	415,982
Interest Expense	-	1,397	-	-	69,579
Capital Outlay	-	-	-	-	707,456
Total Expenditures	-	19,925	4,767	-	5,558,270
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(15,149)	11,192	425,721	(3,999,098)
<u>Other Financing Sources (Uses)</u>					
Transfers In	-	-	-	-	3,567,902
Transfers In (Out)	-	-	(4,767)	(385,869)	(420,691)
Issuance of Debt	-	5,886	-	-	558,590
Total Other Financing Sources (Uses)	-	5,886	(4,767)	(385,869)	3,705,801
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(9,263)	6,425	39,852	(293,297)
Fund Balance As Previously Reported	-	16,049	-	103,760	2,948,381
Prior Period Adjustment - Note 7	-	-	-	-	20,798
Fund Balance, as Restated	-	16,049	-	103,760	2,969,179
Fund Balance end of year	\$ -	\$ 6,786	\$ 6,425	\$ 143,612	\$ 2,675,882

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, 2020. 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, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Charles E. Reed & Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
September 27, 2021

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, 2020, 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 27, 2021.

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 27, 2021

Newton County Texas
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2020

Schedule I

	Federal CFDA Number	Grant #	Amount of Award	Amount Expended
<u>National Endowment for the Humanities</u>				
Direct Programs				
Humanities Texas	45.129	SO-268702-20	5,000	2,620
Total National Endowment for the Humanities			5,000	2,620
<u>US Department of Commerce</u>				
Direct Programs				
Economic Development Admin	11.307	08-79-05307	2,070,000	112,900
Total U S Department of Commerce			2,070,000	112,900
<u>Department of Homeland Security</u>				
<i>Pass through agency: Governors Department of Emergency Management</i>				
Disaster Grant - Public Assistance	97.036	DR 4332-TX	1,282,057	789,562
Disaster Grant - Public Assistance	97.036	DR 4572-TX	200,000	200,000
Disaster Grant - Public Assistance	97.036	DR 4266-TX	466,560	20,911
Disaster Grant - Public Assistance	97.036	DR 4266-TX	3,368,173	92,203
			5,316,790	1,102,676
<i>Pass through agency: Governors Department of Emergency Management</i>				
Hazard Mitigation Grant	97.039	DR 1791-136	2,064,635	32,800
Hazard Mitigation Grant	97.039	DR 4223-056	2,330,872	264,852
Hazard Mitigation Grant	97.039	DR 4266-011	5,890,189	840,311
Hazard Mitigation Grant	97.039	DR 4226-002	107,251	142,740
Hazard Mitigation Grant	97.039	DR 4266-003	23,555	59,846
Hazard Mitigation Grant	97.039	DR 4332	291,188	88,935
Hazard Mitigation Grant	97.039	DR 4332 CDBG	9,614,943	198,064
			20,322,633	1,627,548
<i>Pass through agency: Office of the Governor</i>				
Homeland Security Grant Program	97.067	365801	3,977	3,499
Total Department of Homeland Security			25,643,400	2,733,723
<u>Department of Housing and Urban Development</u>				
<i>Pass through agency: Texas General Land Office</i>				
CDBG Disaster Recovery	14.269	18-533-000-B277	18,035,447	5,030,817
CDBG Disaster Recovery	14.269	18-535000-B279	9,810,187	5,574,541
CDBG Disaster Recovery	14.269	18-384-000-B093	2,000,000	588,268
CDBG Disaster Recovery	14.269	18-385-000-B094	2,000,000	581,068
Total Department of Housing and Urban Development			31,845,634	11,774,694
<u>Department of Criminal Justice</u>				
<i>Pass through agency: Office of the Governor</i>				
Violence against Women	16.588	WF-18-V30-25592-08	45,000	41,622
Violence against Women	16.588	WF-20-V30-25592-09	39,337	20,798
Total Department of Criminal Justice			84,337	62,420
<u>US Department of the Treasury</u>				
<i>Pass through agency: Governors Department of Emergency Management</i>				
Coronavirus Cares Act (COVID-19)				
Corona Virus Relief Fund - CRF for Newton County	21.019	2020-CF-21019	618,365	618,365
<i>Pass through agency: Texas Secretary of State</i>				
Coronavirus Cares Act (COVID-19)				
HAVA Cares Act	90.404		13,976	6,096
Total US Department of the Treasury			632,341	624,461
Total Federal Money Expended				<u>\$ 15,310,818</u>

Newton County Texas
 Schedule of State of Texas Expenditures
 For the Year Ended December 31, 2020

Schedule II

	Grant ID	Amount of Award	Amount Expended
<u>Texas Comptroller</u>			
Texas Task Force on Indigent Defense	212-20-176	15,845	15,845
Total of Texas Comptroller		15,845	15,845
<u>Office of Attorney General</u>			
Texas SAVNS/VINE Program	2111607	8,923	2,231
Texas SAVNS/VINE Program	2003929	8,971	8,971
Total of Attorney General		17,894	11,202
Deep East Texas Council of Governments			
Voice Recorder Maintenance		2,914	2,914
Total Deep East Texas Council of Governments		2,914	2,914
Total State of Texas Expended			\$ 29,961

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, 2020

Section I-Summary of Auditor's Results

Financial Statements

Type if auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Material weakness identified? Yes No

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

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
97.036	Department of Homeland Security Hazard Mitigation Grant	\$1,102,676
97.039	Department of Homeland Security Emergency Management Grant	1,626,548
14.269	Department of Housing and Urban Development CDBG Disaster Recovery	11,774,694

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