

NEWTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2023

NEWTON COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended December 31, 2023

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INTRODUCTORY SECTION

**NEWTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2023
DIRECTORY OF OFFICIALS**

COMMISSIONERS' COURT:

Ronald Cochran	County Judge
Danny Bentsen	Commissioner, Precinct No. 1
Phillip White	Commissioner, Precinct No. 2
Prentiss Hopson	Commissioner, Precinct No. 3
Leanord Powell, Jr.	Commissioner, Precinct No. 4

OTHER COUNTY OFFICIALS:

Courtney Tracy Ponthier	District Attorney
Nikcole Windham	District Clerk
Sandra K. Duckworth	County Clerk
Melissa Burks	County Tax Assessor and Collector
Ginger Sims	County Treasurer
Sherry Moore	County Auditor
Colton Havard	Sheriff
Stephanie Ducote	Librarian
Gwen Simmons	Indigent Health Care

JUSTICE OF PEACE:

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

CONSTABLES:

Greg Harbison	Constable, Precinct No. 1
Robert Burby	Constable, Precinct No. 2
Lewis White	Constable, Precinct No. 3
H. M. Wonders	Constable, Precinct No. 4

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the County of Newton, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County of Newton, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Newton, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County of Newton, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Newton, Texas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, the Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 39, the Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge General Fund on page 40, the Schedule of Changes in Net Pension Liability and Related Ratios on page 41 and the Schedule of Employer Contributions on page 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Newton, Texas' basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *Texas Uniform Grants Management Standards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor 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 March 17, 2026, 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 solely 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 the effectiveness of the County of Newton, Texas' 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
March 17, 2026

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, 2023. 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 2023 by \$27,462,756. Of this amount, \$7,378,341 is considered unrestricted. The unrestricted net position of the County's governmental activities is \$7,378,341 and may be used to meet the government's ongoing obligations.
- The County's total net position decreased by \$98,317 in 2023.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$5,303,275. Of this balance, \$446,039 is considered unassigned and \$4,857,236 is considered assigned on December 31, 2023.
- The General Fund reported a fund balance of \$1,420,231 at the end of the current fiscal year. The unassigned fund balance for the General Fund was \$1,420,231 or 15.98% of total general fund expenditures (including transfers out).
- The County's total debt decreased by \$551,391 during the current fiscal year. Debt was issued in the current fiscal year in the amount of \$291,136.

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 basic governmental fund financial statements can be found on pages 12-15 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 one proprietary fund. An enterprise funds which is used to report business-type activities for which a fee is charged to external uses for goods and services. The assets were transferred to the governmental funds during 2023.

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

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's budget compliance and progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found beginning on page 39 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 \$27,462,756 at the close of the most recent fiscal year.

A portion of the County’s net position, \$20,084,415 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			
	2023	2022	2023	2022
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
Current and other assets	\$ 15,291,252	\$ 11,688,777	\$ -	\$ 323,960
Capital assets	19,478,875	11,081,685	-	8,668,276
Total assets	<u>34,770,127</u>	<u>22,770,462</u>	<u>\$ -</u>	<u>\$ 8,992,236</u>
Deferred outflows of resources	\$ 60,099	\$ 306,142	\$ -	\$ -
Long-term liabilities	657,894	1,209,285	-	-
Other liabilities	6,623,179	3,351,298	-	668
Total liabilities	<u>\$ 7,281,073</u>	<u>\$ 4,560,583</u>	<u>\$ -</u>	<u>\$ 668</u>
Deferred Inflows of resources	\$ 86,397	\$ 143,150	\$ -	\$ -
Net position:				
Invested in capital assets, net of related debt	20,084,415	9,872,400	-	8,668,276
Restricted	-	-	-	-
Unrestricted	7,378,341	8,500,471	-	323,292
	<u>\$ 27,462,756</u>	<u>\$ 18,372,871</u>	<u>\$ -</u>	<u>\$ 8,991,568</u>

The unrestricted net position \$7,378,341 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

	2023	2022	2023	2022
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities
REVENUES				
Charges for services	\$ 1,019,403	\$ 1,012,980	\$ -	\$ 346,300
Operating grants and contributions	96,667	-	-	-
Capital Grants	5,917,236	5,604,798	-	-
General revenues:				
Property taxes	9,805,512	9,077,817	-	-
Intergovernmental (See Exhibit B)	100,945	96,222	-	-
Miscellaneous	30,704	58,177	-	-
Interest income	137,957	69,767	-	-
Nonoperating Revenues	-	-	-	-
Other	566,463	438,540	-	-
Total Revenues	<u>\$ 17,674,887</u>	<u>\$ 16,358,301</u>	<u>\$ -</u>	<u>\$ 346,300</u>
EXPENSES				
General government	\$ 1,006,633	\$ 2,040,510	\$ -	\$ -
Judicial	1,163,442	1,101,463	-	-
Legal	519,882	516,224	-	-
Financial administration	756,181	858,739	-	-
Public facilities	3,402,807	3,172,324	170,782	193,789
Public safety	9,380,021	6,265,714	-	-
Health and welfare	883,747	1,036,600	-	-
Conservation	23,786	34,544	-	-
Culture and recreation	185,071	189,964	-	-
Miscellaneous	32,428	106,391	-	-
Interest on long-term debt	51,790	84,090	-	-
Total Expenses before transfers	<u>\$ 17,405,788</u>	<u>\$ 15,406,563</u>	<u>\$ 170,782</u>	<u>\$ 193,789</u>
Excess of Revenues over Expenses	\$ 269,099	\$ 951,738	\$ (170,782)	\$ 152,511
Transfers	8,820,786	-	(8,820,786)	-
Increase (decrease) in net position	<u>\$ 9,089,885</u>	<u>\$ 951,738</u>	<u>\$ (8,991,568)</u>	<u>\$ 152,511</u>
Net Position as Previously Reported	<u>\$ 18,372,871</u>	<u>\$ 19,395,463</u>	<u>\$ 8,991,568</u>	<u>\$ 8,839,057</u>
Prior Period Adjustment	-	(1,974,330)	-	-
Net Position as Restated	<u>\$ 18,372,871</u>	<u>\$ 17,421,133</u>	<u>\$ 8,991,568</u>	<u>\$ 8,839,057</u>
Net Position End of Year	<u>\$ 27,462,756</u>	<u>\$ 18,372,871</u>	<u>\$ -</u>	<u>\$ 8,991,568</u>

The government's total net position decreased by \$98,317 during the current fiscal year. The County's governmental activities increased and business-type activities decreased due primarily to the transfer of assets from the correctional facility to the general government.

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, both unassigned and assigned 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, 2023, the County's governmental funds reported combined ending fund balances of \$5,303,275 a decrease of \$743,489 in comparison with the prior year. Of this amount, \$446,039 was classified as unassigned fund balance and \$4,857,236 was classified as assigned fund balance, both of which are available for spending at the government's discretion.

The General Fund is the chief operating fund of the County. At December 31, 2023, unassigned and total fund balance of the General Fund was \$1,420,231. As a measure of liquidity of the General Fund, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures (including transfers out). Fund balance represents 15.98% of total General Fund expenditures (including transfers out).

The fund balance of the General Fund increased by \$136,710 during 2023. It was budgeted at a decrease of \$126,921 during this year. Therefore, comparison to budget shows positive variance. Revenue had a positive variance of \$408,330 and expenditures had a negative variance of \$(331,828), transfers a positive variance of \$68,322 and issuance of debt a positive variance of \$118,807.

The budget for the general fund was amended; the changes were: an increase in the revenue budget by \$130,000 and an increase in the expenditure budget by \$256,921. The comparison between and the actual results significant variations were: other revenue received was more than budget by \$304,258, general administration spent more than budget by (\$191,497), public facilities spent more than budget by (\$283,311), public safety spent less than budget by \$213,111, capital outlay was more than budget by (\$185,395).

Enterprise funds – The County has one enterprise fund – Correctional Facility 081, a detention center, which was acquired from the dissolution of the Newton County Public Facility Corporation on June 21, 2021. The remaining assets of the detention center were transferred to the general government during the year ending December 31, 2023. The building will be used to provide additional office space for the County. See additional information about the financial reporting entity and history of the enterprise fund in the notes to the financial statements, note 1 on page 20.

Capital Assets and Debt Administration

Capital assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2023, amounts to \$19,478,875 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements, and equipment.

	CAPITAL ASSETS (net of depreciation)		
	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,394,400	\$ -	\$ 1,394,400
Construction in Progress	179,312	-	179,312
Other capital assets	17,905,163	-	17,905,163
	<u>\$ 19,478,875</u>	<u>\$ -</u>	<u>\$ 19,478,875</u>

Additional information on the County's capital assets can be found in Note 1 on page 23 and Note 2 on pages 28-29.

Long-term debt - At December 31, 2023, the County had \$657,894 total long-term debt outstanding of which \$308,571 was due within one year.

	DEBT OUTSTANDING	
	Governmental Activities	Business-Type Activities
Lease Liability	\$ 55,543	\$ -
Notes Payable	602,351	-
	<u>\$ 657,894</u>	<u>\$ -</u>

The County's total liabilities and deferred inflows of resources outstanding at December 31, 2023, increased by \$2,663,069 from December 31, 2022, primarily due to an increase in grant related construction contracts payable, however this increase was offset by an increase in the related grant reimbursements receivable. Additional information on the County's debt can be found in Note 3, beginning on page 29.

Economic Factors and Next Year's Budgets and Rates

Unemployment remained similar to prior year at 7%; the tax rate for 2022-2023 was .719914, and property values increased. 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 2023 is similar to 2022.
- 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, 2023

Exhibit A

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 6,802,340	\$ -	\$ 6,802,340
Investments	721,691	-	721,691
Receivables:			
Accounts Receivable	4,913,190	-	4,913,190
Property Taxes Receivable	1,991,441	-	1,991,441
Allowance for Uncollectible Taxes	(60,000)	-	(60,000)
Net Pension Asset	872,644	-	872,644
Leased Assets - Net	49,946	-	49,946
Capital Assets			
Land	1,394,400	-	1,394,400
Construction in Progress	179,312	-	179,312
Capital Assets - Net	17,905,163	-	17,905,163
Total Assets	\$ 34,770,127	\$ -	\$ 34,770,127
<u>Deferred Outflows of Resources</u>			
Deferred Outflows on Pensions	60,099	-	60,099
Total Deferred Outflows of Resources	\$ 60,099	\$ -	\$ 60,099
<u>Liabilities</u>			
Accounts Payable	6,472,252	-	6,472,252
Accrued Payables	150,927	-	150,927
Long Term Liabilities	-	-	-
Due Within One Year			
Lease Liability	26,177	-	26,177
Notes Payable	282,394	-	282,394
Due After One Year			
Lease Liability	29,366	-	29,366
Notes Payable	319,957	-	319,957
Total Liabilities	\$ 7,281,073	\$ -	\$ 7,281,073
<u>Deferred Inflows of Resources</u>			
Deferred Inflows on Pensions	86,397	-	86,397
Total Deferred Inflows of Resources	\$ 86,397	\$ -	\$ 86,397
<u>Net Position</u>			
Investment in Capital Assets- Net of Debt	20,084,415	-	20,084,415
Restricted	-	-	-
Unrestricted	7,378,341	-	7,378,341
Total Net Position	\$ 27,462,756	\$ -	\$ 27,462,756

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

NEWTON COUNTY, TEXAS
Statement of Activities
For the year ended December 31, 2023

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	\$ 1,006,633	\$ -	\$ 50,000	\$ -	\$ (956,633)	\$ -	\$ (956,633)
Judicial	1,163,442	1,019,403	-	-	(144,039)	-	(144,039)
Legal	519,882	-	46,667	-	(473,215)	-	(473,215)
Financial Administration	756,181	-	-	-	(756,181)	-	(756,181)
Public Facilities	3,402,807	-	-	374,199	(3,028,608)	-	(3,028,608)
Public Safety	9,380,021	-	-	5,543,037	(3,836,984)	-	(3,836,984)
Health & Welfare	883,747	-	-	-	(883,747)	-	(883,747)
Conservation	23,786	-	-	-	(23,786)	-	(23,786)
Culture & Recreation	185,071	-	-	-	(185,071)	-	(185,071)
Miscellaneous	32,428	-	-	-	(32,428)	-	(32,428)
Interest on Long-term Debt	51,790	-	-	-	(51,790)	-	(51,790)
Total Governmental Activities	17,405,788	1,019,403	96,667	5,917,236	(10,372,482)	-	(10,372,482)
Business-type Activities:							
Prison Facilities	\$ (170,782)	\$ -	\$ -	\$ -	\$ -	\$ (170,782)	\$ (170,782)
Total Business-type Activities	\$ (170,782)	\$ -	\$ -	\$ -	\$ -	\$ (170,782)	\$ (170,782)
General Revenues:							
Property Taxes					\$ 9,805,512	\$ -	\$ 9,805,512
Intergovernmental					100,945	-	100,945
Miscellaneous					30,704	-	30,704
Nonoperating Revenues (Expenses)					-	-	-
Interest					137,957	-	137,957
Other					566,463	-	566,463
Transfers					8,820,786	(8,820,786)	-
Total General Revenues					19,462,367	(8,820,786)	10,641,581
Change in Net Position					9,089,885	(8,991,568)	98,317
Net Position at beginning of year					18,372,871	8,991,568	27,364,439
Net Position at end of year					\$ 27,462,756	\$ -	\$ 27,462,756

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

Balance Sheet

Governmental Funds

December 31, 2023

	5,10,98,99	20	68	70	72	76			
	General Fund	Road & Bridge General	Hazard Mitigation Grant	Courthouse Emergency Grant	FEMA Grant	TDRA Grant	ARPA Grant	Total Non-Major Funds	Total Governmental Funds
<u>Assets</u>									
Cash and Cash Equivalents	\$ 1,839,557	\$ 534,856	\$ 59,903	\$ 91,266	\$ 208,677	79,781	\$ 642,411	\$ 3,345,889	\$ 6,802,340
Investments	721,691	-	-	-	-	-	-	-	721,691
Prepaid Expenses	-	-	-	-	-	-	-	-	-
Property Taxes Receivable	1,991,441	-	-	-	-	-	-	-	1,991,441
Allowance for Uncollectible Taxes	(60,000)	-	-	-	-	-	-	-	(60,000)
Accounts Receivable	31,181	-	38,500	325,615	228,210	4,254,099	-	35,585	4,913,190
Total Assets	\$ 4,523,870	\$ 534,856	\$ 98,403	\$ 416,881	\$ 436,887	\$ 4,333,880	\$ 642,411	\$ 3,381,474	\$ 14,368,662
<u>Liabilities</u>									
Accounts Payable	543,900	7,211	1,072,408	209,427	261,365	4,248,982	-	128,959	6,472,252
Due to Other Government	-	-	-	-	-	-	-	-	-
Accrued Vacation/Comp Time	117,531	-	-	-	-	-	-	33,396	150,927
Total Liabilities	661,431	7,211	1,072,408	209,427	261,365	4,248,982	-	162,355	6,623,179
<u>Deferred Inflows of Resources</u>									
Deferred Inflows- Property Tax	1,853,380	-	-	-	-	-	-	-	1,853,380
Unavailable Revenue - Property Tax	588,828	-	-	-	-	-	-	-	588,828
Total Deferred Inflows of Resources	2,442,208	-	-	-	-	-	-	-	2,442,208
<u>Fund Balances</u>									
Unassigned	1,420,231	-	(974,005)	-	-	-	-	(187)	446,039
Assigned	-	527,645	-	207,454	175,522	84,898	642,411	3,219,306	4,857,236
Total Fund Balance	1,420,231	527,645	(974,005)	207,454	175,522	84,898	642,411	3,219,119	5,303,275
Total Liabilities and Fund Balances	\$ 4,523,870	\$ 534,856	\$ 98,403	\$ 416,881	\$ 436,887	\$ 4,333,880	\$ 642,411	\$ 3,381,474	\$ 14,368,662

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, 2023

Total Fund Balances of Governmental Funds		\$ 5,303,275
Capital assets and leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Leased Assets	49,946	
Capital Assets	<u>19,478,875</u>	19,528,821
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Lease Liability	(55,543)	
Notes Payable	<u>(602,351)</u>	(657,894)
Net Pension Asset(Liability)		872,644
Deferred Outflows and Inflows of Resources		
Deferred Outflow on Pension	60,099	
Deferred Inflow on Pension	<u>(86,397)</u>	(26,298)
Other Long Term Assets not available to pay for current period expenditures, and therefore, are deferred in the funds - Unavailable & deferred Revenue - Property Tax	588,828	
	<u>1,853,380</u>	<u>2,442,208</u>
Net Position of Governmental Activities- Exhibit A		<u><u>\$ 27,462,756</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, 2023

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	ARPA Grants	Total Non-Major Funds	Total Governmental Funds
Revenue									
Taxes	\$ 6,719,956	\$ 1,205,272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,628,037	\$ 9,553,265
Intergovernmental	27,091	-	-	-	-	-	-	73,854	100,945
Fines and Fees	358,118	529,491	-	-	-	-	-	129,089	1,016,698
Licenses and Permits	2,705	-	-	-	-	-	-	-	2,705
Miscellaneous	30,704	-	-	-	-	-	-	-	30,704
Interest	83,549	8,119	-	1,408	-	-	-	44,881	137,957
Other Revenue	472,758	6	-	-	-	-	-	93,699	566,463
Grants	50,000	-	88,000	286,199	-	5,543,037	-	46,667	6,013,903
Total Revenue	\$ 7,744,881	\$ 1,742,888	\$ 88,000	\$ 287,607	\$ -	\$ 5,543,037	\$ -	\$ 2,016,227	\$ 17,422,640
Expenditures									
Current									
General Administration	974,238	364,419	-	-	-	-	-	59,565	1,398,222
Judicial	1,163,442	-	-	-	-	-	-	-	1,163,442
Legal	421,617	-	-	-	-	-	-	101,793	523,410
Financial Administration	756,181	-	-	-	-	-	-	-	756,181
Public Facilities	1,170,530	-	139,199	336,704	353,087	-	-	1,236,197	3,235,717
Public Safety	2,110,785	-	-	-	-	5,522,871	-	1,235,682	8,869,338
Health and Welfare	557,330	-	-	-	-	-	-	277,955	835,285
Conservation	-	-	-	-	-	-	-	23,786	23,786
Culture and Recreation	-	-	-	-	-	-	-	182,324	182,324
Miscellaneous	32,428	-	-	-	-	-	-	-	32,428
Debt Service									
Principal Payment	161,770	72,132	-	-	-	-	-	608,288	842,190
Interest Expense	7,635	4,262	-	-	-	-	-	39,893	51,790
Capital Outlay	435,395	41,370	-	-	-	-	-	389,677	866,442
Total Expenditures	\$ 7,791,351	\$ 482,183	\$ 139,199	\$ 336,704	\$ 353,087	\$ 5,522,871	\$ -	\$ 4,155,160	\$ 18,780,555
Excess (Deficiency) of Revenues									
Over (Under) Expendi	\$ (46,470)	\$ 1,260,705	\$ (51,199)	\$ (49,097)	\$ (353,087)	\$ 20,166	\$ -	\$ (2,138,933)	\$ (1,357,915)
Other Financing Sources									
Transfers In	1,158,415	23,177	112,358	-	-	2,231	-	2,267,654	3,563,835
Transfers (Out)	(1,094,042)	(1,149,192)	(218,012)	-	(360)	(12,331)	(85,061)	(681,546)	(3,240,544)
Issuance of Debt	118,807	-	-	-	-	-	-	172,328	291,135
Total Other Financing S	\$ 183,180	\$ (1,126,015)	\$ (105,654)	\$ -	\$ (360)	\$ (10,100)	\$ (85,061)	\$ 1,758,436	\$ 614,426
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing									
	136,710	134,690	(156,853)	(49,097)	(353,447)	10,066	(85,061)	(380,497)	(743,489)
Fund Balance -									
Beginning of Year	1,283,521	392,955	(817,152)	256,551	528,969	74,832	727,472	3,599,616	6,046,764
Fund Balance - End of Year	\$ 1,420,231	\$ 527,645	\$ (974,005)	\$ 207,454	\$ 175,522	\$ 84,898	\$ 642,411	\$ 3,219,119	\$ 5,303,275

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, 2023

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

Net change in fund balances - total governmental funds (Exhibit D)	(743,489)	
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/amortization expense. The amount by which capital outlays exceeded depreciation/amortization in the current period:		
Capital Outlay	866,442	
Lease Adjustment	79,954	
Correctional Facility Assets Transfer	8,497,495	
Depreciation	(966,748)	
Amortization	(30,004)	
Capital Asset Disposition	-	8,447,139
Actuarially calculated additional pension expense not using current-period financial resources		
Change in Asset/Liability	771,887	
Change in deferred inflow/outflow	(189,290)	582,597
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	(291,135)	
Payment of Principal	842,190	
Debt adjustment	336	551,391
Revenues in statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
change in unavailable revenue	114,218	
change in deferred tax	138,029	252,247
Change in Net Position of Governmental Activities (Exhibit B)		\$ 9,089,885

NEWTON COUNTY, TEXAS
Statement of Net Position - Proprietary Funds
December 31, 2023

Exhibit E

	Business-Type Activities Enterprise Fund Correctional Facility 081	Total
<u>Assets</u>		
Current Assets		
Cash and Cash Equivalents	\$ -	\$ -
Investments	-	-
Accounts Receivables - Net of Allowances for Uncollectibles	-	-
Total Current Assets	-	-
Non-Current Assets		
Restricted Cash and Investments	-	-
Original Issue Discount	-	-
Less: Accumulated Accretion	-	-
Total Capital Assets, Net of Accumulated Depreciation	-	-
Total Non-Current Assets	-	-
Total Assets	-	-
<u>Liabilities</u>		
Current Liabilities		
Accounts Payable	-	-
Bonds Payable - Current Portion (Note 1 and 3)	-	-
Total Current Liabilities	-	-
Long-Term Liabilities		
Bonds Payable - Noncurrent Portion (Note 1 and 3)	-	-
Total Long-term Liabilities	-	-
Total Liabilities	-	-
<u>Net Position</u>		
Invested in Capital Assets	-	-
Unrestricted	-	-
Total Net Position	\$ -	\$ -

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, 2023

Exhibit F

	Business-Type Activities Enterprise Fund <u>Correctional Facility 081</u>	<u>Total</u>
<u>Operating Revenue</u>		
Project Revenues	\$ -	\$ -
Total Operating Revenues	<u>\$ -</u>	<u>\$ -</u>
<u>Operating Expenses</u>		
Management Fees	-	-
Depreciation	170,782	170,782
Insurance	-	-
Legal and Professional	-	-
Repairs and Maintenance	-	-
Operating Expense	-	-
Total Operating Expenses	<u>\$ 170,782</u>	<u>\$ 170,782</u>
Operating Income (Loss)	<u>\$ (170,782)</u>	<u>\$ (170,782)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest Income	-	-
Insurance Proceeds	-	-
Gain on Bond Settlement	-	-
Miscellaneous Income (Expenses)	-	-
Total Nonoperating Revenues (Expenses)	<u>\$ -</u>	<u>\$ -</u>
Transfers	(8,820,786)	(8,820,786)
Change in Net Position	(8,991,568)	(8,991,568)
Total Net Position at Beginning of Year	<u>\$ 8,991,568</u>	<u>\$ 8,991,568</u>
Total Net Position at End of Year	<u>\$ -</u>	<u>\$ -</u>

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

NEWTON COUNTY, TEXAS
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2023

Exhibit G

	Business-Type Activities	
	<u>Enterprise Fund</u>	
	<u>Correctional Facility 081</u>	<u>Total</u>
Cash Flows From Operating Activities		
Receipts from Customers	\$ -	\$ -
Payment for Goods and Services	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>-</u>	<u>-</u>
Cash Flows from Non-Capital Financing Sources (Uses)		
Accounts Payable	(669)	(669)
Transfers	<u>(323,291)</u>	<u>(323,291)</u>
Net Cash Provided (Used) by Non-Capital Financing Sources	<u>(323,960)</u>	<u>(323,960)</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(323,960)	(323,960)
Cash and Cash Equivalents at Beginning of Year		
Unrestricted Cash and Cash Equivalents	<u>323,960</u>	<u>323,960</u>
Cash and Cash Equivalents at End of Year		
Unrestricted Cash and Cash Equivalents	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (170,782)	\$ (170,782)
Depreciation	170,782	170,782
Increase (Decrease) in Other Miscellaneous Items	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ -</u></u>	<u><u>\$ -</u></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, 2023

Exhibit H

	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	\$ 804	\$ 3,721	\$691,568	\$112,906	\$21,049	\$126,074	\$1,672,323	\$2,628,445
Total Assets	<u>804</u>	<u>3,721</u>	<u>691,568</u>	<u>112,906</u>	<u>21,049</u>	<u>126,074</u>	<u>1,672,323</u>	<u>2,628,445</u>
<u>Liabilities</u>								
Liabilities								
Payable to Newton County Beneficiaries	804	3,721	691,568	112,906	21,049	126,074	1,672,323	-
Total Liabilities	<u>804</u>	<u>3,721</u>	<u>691,568</u>	<u>112,906</u>	<u>21,049</u>	<u>126,074</u>	<u>1,672,323</u>	<u>2,628,445</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, 2023

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 enterprise fund – Correctional Facility 081, a detention center, which was acquired from the dissolution of the Newton County Public Facility Corporation on June 21, 2021. The remaining assets of the detention center were transferred to the general government during the year ending December 31, 2023. The building will be used to provide additional office space for the County.

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 lessened the local tax burden. The Project Revenue Bonds were 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 Facility Corporation defaulted on its principal payments to Bond Holders and was servicing interest due to the Bondholders from money that remained in the reserve fund. The Newton County Facility Corporation could not service the principal payments to the Bondholders. The remaining amount of bonds outstanding was \$9,490,000. On March 8, 2021, the County and the Bond Holders entered into a General Release Agreement whereby the County settled the total debt outstanding for \$100,000 and an assignment of insurance proceeds arising from theft and damage to the facility. On June 21, 2021, the Newton County Public Facility Corporation conveyed to the County the property, plant and equipment known as the detention center to the County. The Newton County Public Facility Corporation was dissolved by a majority vote of the board members.

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The County has the following major governmental funds:

- *General Fund* - The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.
- *Road and Bridge General Fund* – The Road & Bridge Fund is used to maintain county roads, bridges, ditches, etc. throughout the County.
- *Hazard Mitigation Grant Fund* – This fund accounts for grants for mitigation of hazards.
- *TDRA Grant Fund* – This fund accounts primarily for grants for disaster recovery and mitigation.

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, 2023, 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.

Leased Assets and Lease Liability

Leases, other than short-term leases and leases that transfer ownership at the end of the contract without termination options (financed purchases) are recorded as leased assets with a corresponding lease liability in the government-wide financial statements. The lease liability is measured at the present value of the payments expected to be made during the lease term. The leased asset right of use asset is measured equal to the lease liability plus any prepayment or certain initial direct costs.

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 asset lives are not capitalized.

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

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

Use of Estimates

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

Compensated Absences

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

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 bridge funds. The County first applies restricted funds then unrestricted to expenditures.

Government-Wide Net Assets / Fund Balances – Governmental Funds

The County 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 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 do 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 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, additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, additional action is essential to either remove or revise a commitment.

Fund Deficit

As of December 31, 2023, the following funds had deficit fund balances: Fund 68 Hazard Mitigation \$(974,005) and Fund 80 Civic Center \$(187).

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 - DETAILED NOTES ON ALL FUNDS

Deposits

The carrying amount of the County's deposits as of December 31, 2023, was \$6,802,340, and the bank balances were \$9,298,281. Of the bank balance, \$250,000 was covered by FDIC insurance and up to \$16,941,361 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 fund balances totaled \$2,628,445.

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, \$721,691, are invested with First Financial Trust; \$721,691 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

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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, 2023, for the governmental funds of the County:

	General	Grants	Other	Total
Property taxes	\$ 1,991,441	\$ -	\$ -	\$ 1,991,441
Accounts	31,181	4,846,424	35,585	4,913,190
	2,022,622	4,846,424	35,585	6,904,631
Allowance for Uncollectibles	(60,000)	-	-	(60,000)
	<u>\$ 1,962,622</u>	<u>\$ 4,846,424</u>	<u>\$ 35,585</u>	<u>\$ 6,844,631</u>

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

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

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

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

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

In the fund financial statements, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are

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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 2022 tax rate was \$.7285860 per \$100.00 valuation assessed at 100% of market value. The 2023 tax rate is set at \$.7199140 per \$100 valuation.

Leased Assets

Leased Asset activity for the year ended December 31, 2023, was as follows:

General Government					
Leased Asset	Balance	Additions	Deletions	Balance	Life
Copiers	\$ 173,731	\$ -	\$ -	\$ 173,731	5yr
Total Leased Assets	173,731	-	-	173,731	
Less: Amortization	93,781	30,004	-	123,785	
Total	\$ 79,950	\$ (30,004)	\$ -	\$ 49,946	

Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

General Government					
Asset	Balance	Additions	Deletions	Balance	Life
Land	\$ 1,053,152	\$ 341,248	\$ -	\$ 1,394,400	N/A
Buildings	17,144,346	8,748,143	-	25,892,489	50
Equipment	10,297,826	578,500	49,710	10,826,616	7
Infrastructure	17,562,021	-	-	17,562,021	40
Construction in Progress	483,265	185,954	489,907	179,312	
	\$ 46,540,610	\$ 9,853,845	\$ 539,617	\$ 55,854,838	
Accumulated Depreciation	Prior	Additions	Deletions	Ending A/D	Book Value
Land	\$ -	\$ -	\$ -	\$ -	\$ 1,394,400
Buildings	10,907,132	60,242	-	10,967,374	14,925,115
Equipment	7,528,311	872,135	49,710	8,350,736	2,475,880
Infrastructure	17,023,482	34,371	-	17,057,853	504,168
Book Value of C/P	-	-	-	-	179,312
	\$ 35,458,925	\$ 966,748	\$ 49,710	\$ 36,375,963	19,478,875

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Governmental Activities:

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

Government Activities:

General Government	\$	228,417
Public Safety		510,837
Public Facilities		175,804
Health and Welfare		48,462
Culture and Recreation		3,228
Total Depreciation Expense - Government Activities	\$	966,748

Enterprise Fund:

Enterprise Fund

Asset	Balance	Additions	Deletions	Balance
Land	\$ 300,000	\$ -	\$ 300,000	\$ -
Building	8,539,057	-	8,539,057	-
Total Assets	\$ 8,839,057	\$ -	\$ -	\$ -
Less Accumulated Depreciation	170,781	170,781	341,562	-
TOTAL	\$ 8,668,276	\$ (170,781)	\$ -	\$ -

Lease Liability

Lease liability activity during the year ending December 31, 2023, was as follows:

Description	Interest Rate	Beginning			Ending			Due in One Year
		Balance 1/1/2023	Debt Issuance	Principal Payments	Interest Payments	Other Adjustments	Balance 12/31/2023	
Copiers	6.10%	88,035	-	32,494	6,531	2	55,543	26,177
Total Copiers		\$ 88,035	\$ -	\$32,494	\$ 6,531	\$ 2	\$ 55,543	\$ 26,177

Lease service requirements to maturity are as follows:

Year	Principal	Interest	Total
2024	\$ 26,177	\$ 3,273	\$ 29,450
2025	\$ 13,235	\$ 1,519	\$ 14,754
2026	\$ 10,971	\$ 681	\$ 11,652
2027	\$ 5,160	\$ 98	\$ 5,258
2028	\$ -	\$ -	\$ -
	\$ 55,543	\$ 5,571	\$ 61,114

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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 were outstanding at December 31, 2023.

Long-Term Debt activity during the year ending December 31, 2023, was as follows:

Description	Interest Rate	Beginning		Debt Issuance	Principal Payments	Interest Payments	Other Adjustments	Ending		Due in One Year Maturity
		Balance 1/1/2023						Balance 12/31/2023		
2020 Peterbilt 348 Grapple	3.04%	72,280	-	-	72,098	2,210	(182)	-	-	2023
2021 Ford F-250 SD	2.96%	34,332	-	-	16,933	1,022	-	17,399	17,399	2024
2023 F150 Police Resp	6.25%	-	59,404	59,404	25,000	-	-	34,404	10,780	2026
2023 F150 Police Resp	6.25%	-	59,404	59,404	25,000	-	-	34,404	10,780	2026
2021 Peterbilt 337	2.96%	146,240	-	-	72,132	4,262	-	74,108	74,108	2024
2021 Ford F-250 SD (pct 1)	2.96%	31,651	-	-	15,579	959	-	16,072	16,072	2024
2023 John Deere/Tiger	5.95%	-	172,328	172,328	-	-	-	172,328	30,601	2028
2021 Ford F-250 SD (pct2)	2.96%	31,651	-	-	15,579	959	-	16,072	16,072	2024
2 Cat 12M3 Graders	5.35%	274,953	-	-	274,953	14,710	-	-	-	2023
Wheel Excavator	3.35%	190,243	-	-	29,071	7,427	-	161,172	30,190	2025
2021 Mack Pinnacle	2.96%	83,121	-	-	40,992	2,429	-	42,129	42,129	2024
2021 Ford F-250 SD (pct 3)	2.96%	31,651	-	-	15,579	959	-	16,072	16,072	2024
2021 Ford F-350 SD (pct 3)	2.96%	35,823	-	-	17,632	1,086	-	18,191	18,191	2024
Motor Grader	5.05%	146,998	-	-	146,998	7,940	-	-	-	2023
2020 Peterbilt 348 Truck	3.04%	42,306	-	-	42,151	1,296	(155)	-	-	2023
		<u>\$1,121,249</u>	<u>\$ 291,136</u>	<u>\$ 809,697</u>	<u>\$ 45,259</u>	<u>\$</u>	<u>(337)</u>	<u>\$ 602,351</u>	<u>\$282,394</u>	

Debt is secured by the equipment and assets.

Debt services requirements to maturity are as follows:

Year	Principal	Interest	Total
2024	\$ 282,394	\$ 26,926	\$ 309,320
2025	\$ 186,310	\$ 16,907	\$ 203,217
2026	\$ 58,692	\$ 8,027	\$ 66,719
2027	\$ 36,394	\$ 4,460	\$ 40,854
2028	\$ 38,561	\$ 2,293	\$ 40,854
	<u>\$ 602,351</u>	<u>\$ 58,613</u>	<u>\$ 660,964</u>

Individual Interfund Transactions

Transfers are as follows

Fund	Transfers In	Transfers Out
Governmental Funds		
General	\$ 1,158,415	\$ 1,094,042
ARPA Grants	-	85,061
Road & Bridge - General	23,177	1,149,192
Road & Bridge Pct. 1	287,298	-
Road & Bridge Pct.2	303,836	-
Road & Bridge Pct. 3	759,234	-
Road & Bridge Pct. 4	434,296	-
VAW Grant	34,600	-
Commissioners Special Pct. 4	-	3,500
Record Preservation	1,504	-
Lateral Road Pct. 1	3,500	-
Solid Waste Disposal	200,000	-
Voter Registration	57,124	-
Library	135,550	-
Historical Operating	50,712	-
Hazard Mitigation Grant	112,358	218,012
FEMA	-	360
TDRA Grant	2,231	12,331
Civic Center	-	1,442
Federal Forest Fund	-	23,177
Debt Service	-	653,427
	<u>\$ 3,563,835</u>	<u>\$ 3,240,544</u>
Enterprise Funds		323,291
	<u>\$ 3,563,835</u>	<u>\$ 3,563,835</u>

Interfund transfers are generally utilized to accomplish budgetary goals for various services and functions of the County including debt service. In addition, the County transferred out the book value of non-cash assets including buildings and land to governmental activities. Total transfers between enterprise funds and governmental activities is \$8,820,786.

NOTE 3 - 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 4 – 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 calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The newton County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contributions rates are set by the county and are currently 7%. Contributions to the pension plan from the count for 2017 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tdrs.org/employer.

Membership Information

Members	December 31, 2022	December 31, 2023
Number of inactive employees entitled to but not yet receiving benefits	133	129
Number of active employees	109	115
Average monthly salary*	\$ 2,664	\$ 2,755
Average age*	52.70	51.91
Average length of service in years*	8.02	8.17
Inactive employees (or their beneficiaries) receiving benefits		
Number of benefit recipients	75	77
Average monthly benefit	\$ 898	\$ 862

**Averages reported for all active employees.*

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions
As of December 31, 2023, Newton County reported a net pension liability / (asset) of \$(872,644). The net pension liability / (asset) was determined by an actuarial valuation as of December 31, 2022. 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, 2023, Newton County recognized pension income of \$243,433. At December 31, 2023, Newton County reported deferred outflows and inflows of resources as follows:

Deferred Outflows - \$60,099
Deferred Inflows – \$86,397

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, 2023 funding valuation (see Appendix C, following for details), except as noted below and throughout this report. Please see the Newton County December 31, 2023 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 (Level percent of pay) ⁽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-asymptotic
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% (Gross of administrative expenses)
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 the replacement life entry age cost method is used for the funding actuarial valuation, which differs from the GASB-required approach in that it assumes that the current benefit provisions always applied.

Appendix C-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, 2023

financial reporting metrics are the same as those used in the December 31, 2023 actuarial valuation analysis for Newton County.

The following is a description of the assumptions used in the December 31, 2023 actuarial valuation analysis for Newton County. This information may also be found in the Newton County December 31, 2023 Summary Valuation report.

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 1.7% 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

	<u>December 31, 2022</u>	<u>December 31, 2023</u>
Discount rate (2)	7.60%	7.60%
Long-term expected rate of return, net of investment expense (2)	7.60%	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.

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:

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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.

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 benefit 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.

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").

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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)
2024	17,162,824	584,451	925,137	17,163	1,291,025	18,096,000
2025	18,096,002	533,635	1,061,215	18,096	1,354,940	18,905,266
2026	18,905,266	495,002	1,123,795	18,905	1,412,638	19,670,206
2027	19,670,206	473,867	1,163,617	19,670	1,468,471	20,429,257
2028	20,429,258	449,946	1,200,013	20,429	1,523,881	21,182,643
2029	21,182,643	423,729	1,256,984	21,183	1,578,007	21,906,212
2030	21,906,211	399,331	1,327,071	21,906	1,629,446	22,586,011
2040	27,848,130	275,543	1,822,785	27,848	2,057,700	28,330,740
2050	32,958,426	251,138	1,974,240	32,958	2,439,332	33,641,698
2060	43,931,915	292,943	1,653,297	43,932	3,286,440	45,814,069
2070	74,651,065	383,803	1,009,464	74,651	5,647,356	79,598,109
2080	148,552,304	515,128	496,436	148,552	11,285,131	159,707,575
2090	309,406,761	692,288	154,984	309,407	23,523,415	333,158,073
2100	647,706,470	930,378	15,083	647,706	49,235,674	697,209,733

* 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% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 18,292,971	\$ 16,290,181	\$ 14,607,249
Fiduciary net position	17,162,824	17,162,825	17,162,824
Net pension liability/asset	\$ 1,130,147	\$ (872,644)	\$ (2,555,575)

Pension Plan Fiduciary Net Position

EXHIBIT I
NOTES TO THE FINANCIAL STATEMENTS

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, 2022	\$ 15,702,527	\$ 15,803,284	\$ (100,757)
Changes for the year:			
Service Cost	450,137	-	450,137
Interest on pension liability (1)	1,191,550	-	1,191,550
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(87,591)	-	(87,591)
Effect of assumptions changes or inputs	-	-	-
Refund of Contributions	(153,344)	(153,344)	-
Benefit Payments	(813,098)	(813,098)	-
Administrative expenses	-	(8,961)	8,961
Member contributions	-	273,835	(273,835)
Net investment income	-	1,733,300	(1,733,300)
Employer contributions	-	339,164	(339,164)
Other (3)	-	(11,355)	11,355
Balances as of December 31, 2023	<u>\$ 16,290,181</u>	<u>\$ 17,162,825</u>	<u>\$ (872,644)</u>

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

(2) No plan changes valued.

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

NOTE 5– ENTERPRISE FUND

As noted in the discussion of the financial reporting entity in Note 1, the County has one enterprise fund, Correctional Facility 081, a detention center, which was acquired from the dissolution of the Newton County Public Facility Corporation, on June 21, 2021. During the year ended December 31, 2023, the assets of this enterprise fund were transferred to the general government. The building will be used to provide additional office space for the County.

NOTE 6– SUBSEQUENT EVENTS

Events occurring subsequent to December 31, 2023, were evaluated by management and reviewed through March 17, 2026, the date of report issuance. The following subsequent events were noted.

REQUESTS FOR REIMBURSEMENT OF INELIGIBLE COST

The county has received notice from the Texas Departments of Emergency Management (TDEM) that grant money received by the County was not supported by proper documentation from prior year projects. At December 31, 2023, \$1,034,868 for fund 68 and \$261,607 for fund 72 is included as a liability in the County's financial statements. The County has received an extension of time to submit additional documentation to justify the expenditures. At the date of this report \$227,877 has been reimbursed to TDEM from fund 68 and \$243,046 has been reimbursed to TDEM from fund 72, the amount of additional reimbursement from the County, if any, is unknown. As of the date of the report an additional \$225,000 has been reimbursed to TDEM from Fund 68 for a total of \$452,877.

GRANT FUNDING

During the year ending December 31, 2025, certain grant funding stopped because of delinquent financial audit reporting, in addition, the County is unable to apply for new grants without the completed audits. The County expects to have their audit status current by the deadline of their December 31, 2025, year-end financial statements.

REQUIRED
SUPPLEMENTAL
INFORMATION

NEWTON COUNTY, TEXAS
Statement of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the year ended December 31, 2023

	Original Budget Original	Final Budget Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUE				
Taxes	\$ 6,706,391	\$ 6,706,391	\$ 6,719,956	\$ 13,565
Intergovernmental	25,200	25,200	27,091	1,891
Fines and Fees	357,560	357,560	358,118	558
Licenses & Permits	100	100	2,705	2,605
Miscellaneous	38,500	38,500	30,704	(7,796)
Interest	40,300	40,300	83,549	43,249
Grants	-	-	50,000	50,000
Other Revenue	38,500	168,500	472,758	304,258
Total Revenue	7,206,551	7,336,551	7,744,881	408,330
EXPENDITURES				
Current				
General Administration	872,741	782,741	974,238	(191,497)
Judicial	1,125,796	1,125,796	1,163,442	(37,646)
Legal	451,040	451,040	421,617	29,423
Financial Administration	771,048	812,586	756,181	56,405
Public Facilities	887,219	887,219	1,170,530	(283,311)
Public Safety	2,323,838	2,323,896	2,110,785	213,111
Health and Welfare	458,775	649,100	557,330	91,770
Conservation	460	460	-	460
Miscellaneous	50,000	50,000	32,428	17,572
Principal Payment	117,832	117,832	161,770	(43,938)
Interest Expense	8,853	8,853	7,635	1,218
Capital Outlay	135,000	250,000	435,395	(185,395)
TOTAL EXPENDITURES	7,202,602	7,459,523	7,791,351	(331,828)
Excess(Deficiency) of Rev Over(Under) Expenditures	3,949	(122,972)	(46,470)	76,502
Other Finance Sources(Uses)				
Transfers In	255,417	255,417	1,158,415	902,998
Transfers Out	(259,366)	(259,366)	(1,094,042)	(834,676)
Issuance of Debt	-	-	118,807	118,807
Total Other Finance Sources(Uses)	(3,949)	(3,949)	183,180	187,129
Excess(Deficiency) of Revenue Over(Under) Expenses & Other Financial Sources(Uses)	-	(126,921)	136,710	263,631
Fund Balance - Beginning of Period	1,283,521	1,283,521	1,283,521	-
Fund Balance - End of Period	\$ 1,283,521	\$ 1,156,600	\$ 1,420,231	\$ 263,631

The accompanying notes are an integral part of this financial statement

NEWTON COUNTY, TEXAS
Statement of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual - Road and Bridge General Fund
For the year ended December 31, 2023

Exhibit J-2

	Original Budget Original	Final Budget Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUE				
Taxes	\$ 1,179,278	\$ 1,179,278	\$ 1,205,272	\$ 25,994
Intergovernmental	-	-	-	-
Fines and Fees	508,000	508,000	529,491	21,491
Licenses & Permits	-	-	-	-
Miscellaneous	-	-	-	-
Interest	8,000	8,000	8,119	119
Grants	-	-	-	-
Other Revenue	-	-	6	6
Total Revenue	1,695,278	1,695,278	1,742,888	47,610
EXPENDITURES				
Current				
General Administration	435,653	435,653	364,419	71,234
Judicial	-	-	-	-
Legal	-	-	-	-
Financial Administration	-	-	-	-
Public Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Conservation	-	-	-	-
Miscellaneous	-	-	-	-
Principal Payment	72,054	72,054	72,132	(78)
Interest Expense	2,382	2,382	4,262	(1,880)
Capital Outlay	-	41,370	41,370	-
TOTAL EXPENDITURES	510,089	551,459	482,183	69,276
Excess(Deficiency) of Rev Over(Under) Expenditures	1,185,189	1,143,819	1,260,705	116,886
Other Finance Sources(Uses)				
Transfers In	78,894	76,936	23,177	(53,759)
Transfers Out	(1,149,192)	(1,149,192)	(1,149,192)	-
Issuance of Debt	-	-	-	-
Total Other Finance Sources(Uses)	(1,070,298)	(1,072,256)	(1,126,015)	(53,759)
Excess(Deficiency) of Revenue Over(Under) Expenses & Other Financial Sources(Uses)	114,891	71,563	134,690	63,127
Fund Balance - Beginning of Period	392,955	392,955	392,955	-
Fund Balance - End of Period	\$ 507,846	\$ 464,518	\$ 527,645	\$ 63,127

The accompanying notes are an integral part of this financial statement

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, however, no budget is adopted for certain special revenue funds where funds are designated for specific purposes as identified in the grant award documents which adopt grant year or project length financial plans. 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 expenditure exceeds 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.
- Expenditures in the general fund were over appropriations in the current year because the Texas Association of Counties cancelled the County's property insurance and they were forced to obtain insurance from outside sources. Property insurance for the year ended December 31, 2023 and 2022, was \$557,895 and \$98,602, respectively, and increase of \$459,293.

	Schedule of Changes in Net Pension Liability and Related Ratios									
	Year ended December 31									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 450,137	\$ 499,490	\$ 561,073	\$ 410,846	\$ 361,769	\$ 369,897	\$ 355,450	\$ 400,458	\$ 366,497	\$ 356,677
Interest on total pension liability	1,191,550	1,143,867	1,103,653	1,032,386	959,003	909,307	850,736	792,498	754,382	705,683
Effect on plan changes	-	-	-	-	-	-	-	-	(45,725)	-
Effect on assumption changes or inputs	-	-	(77,039)	787,169	-	-	64,619	-	125,075	-
Effect of economic/demographic (gains) or losses	(87,591)	(84,011)	(184,390)	161,316	183,368	(101,536)	(49,448)	(106,848)	(323,707)	63,562
Benefit payments/refunds of contributions	(966,442)	(801,739)	(823,035)	(709,623)	(587,276)	(525,939)	(499,957)	(551,531)	(471,101)	(407,319)
Net change in total pension liability	\$ 587,654	\$ 757,607	\$ 580,262	\$ 1,682,094	\$ 916,864	\$ 651,729	\$ 721,400	\$ 534,577	\$ 402,422	\$ 718,603
Total pension liability - beginning	15,702,526	14,944,920	14,364,658	12,682,564	11,765,700	11,113,971	10,392,571	10,392,571	9,455,572	8,736,969
Total pension liability - ending (a)	\$ 16,290,180	\$ 15,702,527	\$ 14,944,920	\$ 14,364,658	\$ 12,682,564	\$ 11,765,700	\$ 11,113,971	\$ 10,392,571	\$ 9,857,994	\$ 9,455,572
Fiduciary Net Position										
Employer Contributions	339,164	351,326	\$ 362,506	\$ 368,882	\$ 289,784	\$ 264,855	\$ 250,532	\$ 248,048	\$ 243,170	\$ 241,137
Member Contributions	273,835	283,655	300,301	305,579	239,755	219,405	207,542	205,485	201,439	199,756
Investment income net of investment expenses	1,733,300	(980,536)	3,071,556	1,321,380	1,814,007	(211,124)	1,446,072	689,044	(8,658)	607,206
Benefit payments/refunds of contributions	(966,442)	(801,739)	(823,035)	(709,623)	(587,276)	(525,939)	(499,957)	(551,531)	(471,101)	(407,319)
Administrative expenses	(8,962)	(9,261)	(9,180)	(10,294)	(9,748)	(8,872)	(7,520)	(7,493)	(6,762)	(7,053)
Other	(11,355)	(9,297)	(665)	185	(818)	(106)	(632)	7,241	(115,540)	9,979
Net change in fiduciary net pension	1,359,540	(1,165,852)	2,901,483	1,276,109	1,745,704	(261,781)	1,396,037	590,794	(157,451)	643,705
Fiduciary net pension - beginning	15,823,283	16,969,137	14,067,654	12,791,545	11,045,841	11,307,622	9,911,585	9,320,792	9,478,243	8,834,537
Fiduciary net pension - ending	17,182,823	15,803,285	\$ 16,969,137	\$ 14,067,654	\$ 12,791,545	\$ 11,045,841	\$ 11,307,622	\$ 9,911,585	\$ 9,320,792	\$ 9,478,243
Net pension liability/asset = (a) - (b)	(892,643)	(100,758)	\$ (2,024,216)	\$ 297,004	\$ (108,981)	\$ 719,858	\$ (193,651)	\$ 480,986	\$ 537,202	\$ (22,671)
Fiduciary net position as a % of total pension liability	105.36%	100.64%	113.54%	97.93%	100.86%	93.88%	101.74%	95.37%	94.55%	100.24%
Pensionable covered payroll	3,911,932	4,052,215	\$ 4,290,012	\$ 4,365,408	\$ 3,245,068	\$ 3,134,361	\$ 2,964,890	\$ 2,935,500	\$ 2,877,707	\$ 2,853,654
Net pension liability as a % of covered payroll	-22.31%	-2.49%	-47.18%	6.80%	-3.18%	22.97%	-6.53%	16.39%	18.67%	-0.79%

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, 2023

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
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%
2021	323,038	362,506	(39,468)	4,290,012	8.40%
2022	351,326	351,326	-	4,052,215	8.70%
2023	288,309	339,164	(50,855)	3,911,932	8.70%

(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, 2023

Exhibit L

	19	21	22	23	24	25	29	30	31	32	33
	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	Commissioner Spec Pct 3
<u>Assets</u>											
Cash and Cash Equivalents	\$ 26,135	\$ 203,059	\$ 47,142	\$ 104,020	\$ 45,832	\$ 108,063	\$ 15,534	\$ 208,366	\$ 294,549	\$ 540,503	\$ 131,759
Investments	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expense	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	16,667	-	-	-	-
Total Assets	\$ 26,135	\$ 203,059	\$ 47,142	\$ 104,020	\$ 45,832	\$ 108,063	\$ 32,201	\$ 208,366	\$ 294,549	\$ 540,503	\$ 131,759
<u>Liabilities</u>											
Accounts Payable	35	7,744	12,832	6,563	12,202	-	249	-	7,586	24,391	21,514
Accrued Vacation/Comp Tin	-	3,293	9,897	5,589	6,639	-	-	-	-	-	-
Total Liabilities	35	11,037	22,729	12,152	18,841	-	249	-	7,586	24,391	21,514
<u>Fund Balance</u>											
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Assigned	26,100	192,022	24,413	91,868	26,991	108,063	31,952	208,366	286,963	516,112	110,245
Total Fund Balance	26,100	192,022	24,413	91,868	26,991	108,063	31,952	208,366	286,963	516,112	110,245
Total Liabilities and Fund Balance	\$ 26,135	\$ 203,059	\$ 47,142	\$ 104,020	\$ 45,832	\$ 108,063	\$ 32,201	\$ 208,366	\$ 294,549	\$ 540,503	\$ 131,759

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

NEWTON COUNTY, TEXAS
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2023

Exhibit L

	34	36	37	38	39	40	41	42	43	44	48
	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	\$ 541,166	\$ 139,108	\$ 84,685	\$ 49,714	\$ 30,068	\$ 195,719	\$ 47,155	\$ 63,655	\$ 24,357	\$ 8,692	\$ 16,717
Investments	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expense	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	506	52	8,633	52	52	-	-	-	-	-	-
Total Assets	\$ 541,672	\$ 139,160	\$ 93,318	\$ 49,766	\$ 30,120	\$ 195,719	\$ 47,155	\$ 63,655	\$ 24,357	\$ 8,692	\$ 16,717
<u>Liabilities</u>											
Accounts Payable	115	-	-	-	-	1,545	-	-	-	-	-
Accrued Vacation/Comp Tin	-	-	-	-	-	198	-	-	-	-	-
Total Liabilities	115	-	-	-	-	1,743	-	-	-	-	-
<u>Fund Balance</u>											
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Assigned	541,557	139,160	93,318	49,766	30,120	193,976	47,155	63,655	24,357	8,692	16,717
Total Fund Balance	541,557	139,160	93,318	49,766	30,120	193,976	47,155	63,655	24,357	8,692	16,717
Total Liabilities and Fund Balance	\$ 541,672	\$ 139,160	\$ 93,318	\$ 49,766	\$ 30,120	\$ 195,719	\$ 47,155	\$ 63,655	\$ 24,357	\$ 8,692	\$ 16,717

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

NEWTON COUNTY, TEXAS
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2023

Exhibit L

	50	51	52	53	55	58	59	60	66	67	80
	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library	Historical Operating	Dist Attny Hot Check	Dist Attny Contraband	Cons pct 4 Contraband	Records Management	Pretrial Diversion	Civic Center Operations
<u>Assets</u>											
Cash and Cash Equivalents	\$ 32,304	\$ 20,636	\$ 28,996	\$ 12,627	\$ 8,947	\$ 3,743	\$ 11,391	\$ -	\$ 12,837	\$ 42,986	\$ -
Investments	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expense	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	6,422	-	-	67	1,865	-	-	-	-	-	-
Total Assets	\$ 38,726	\$ 20,636	\$ 28,996	\$ 12,694	\$ 10,812	\$ 3,743	\$ 11,391	\$ -	\$ 12,837	\$ 42,986	\$ -
<u>Liabilities</u>											
Accounts Payable	9,677	3,925	768	577	1,122	-	2,630	-	-	457	187
Accrued Vacation/Comp Tin	3,120	138	-	3,088	1,434	-	-	-	-	-	-
Total Liabilities	12,797	4,063	768	3,665	2,556	-	2,630	-	-	457	187
<u>Fund Balance</u>											
Unassigned	-	-	-	-	-	-	-	-	-	-	(187)
Assigned	25,929	16,573	28,228	9,029	8,256	3,743	8,761	-	12,837	42,529	-
Total Fund Balance	25,929	16,573	28,228	9,029	8,256	3,743	8,761	-	12,837	42,529	(187)
Total Liabilities and Fund Balance	\$ 38,726	\$ 20,636	\$ 28,996	\$ 12,694	\$ 10,812	\$ 3,743	\$ 11,391	\$ -	\$ 12,837	\$ 42,986	\$ -

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

NEWTON COUNTY, TEXAS
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2023

Exhibit L

	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	\$ 14,031	\$ 1,223	\$ -	\$ 230,170	\$ 3,345,889
Investments	-	-	-	-	-
Prepaid Expense	-	-	-	-	-
Accounts Receivable	85	-	-	1,184	\$ 35,585
Total Assets	<u>\$ 14,116</u>	<u>\$ 1,223</u>	<u>\$ -</u>	<u>\$ 231,354</u>	<u>\$ 3,381,474</u>
<u>Liabilities</u>					
Accounts Payable	14,116	724	-	-	128,959
Accrued Vacation/Comp Tin	-	-	-	-	33,396
Total Liabilities	<u>14,116</u>	<u>724</u>	<u>-</u>	<u>-</u>	<u>162,355</u>
<u>Fund Balance</u>					
Unassigned	-	-	-	-	(187)
Assigned	-	499	-	231,354	3,219,306
Total Fund Balance	<u>-</u>	<u>499</u>	<u>-</u>	<u>231,354</u>	<u>3,219,119</u>
Total Liabilities and Fund Balance	<u>\$ 14,116</u>	<u>\$ 1,223</u>	<u>\$ -</u>	<u>\$ 231,354</u>	<u>\$ 3,381,474</u>

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

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2023

Exhibit M

	19	21	22	23	24	25	29	30	31	32	33
	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	Commissioner Spec Pct 3
<u>Revenue</u>											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212,941	\$ 212,941	\$ 212,941
Intergovernmental	27,500	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	5,946	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Interest	282	2,568	1,005	791	966	1,037	42	2,764	3,788	6,756	2,556
Other Revenue	-	500	-	-	-	-	-	1,500	-	53,630	-
Grants	-	-	-	-	-	-	46,667	-	-	-	-
Total Revenue	27,782	3,068	1,005	791	966	6,983	46,709	4,264	216,729	273,327	215,497
<u>Expenditures</u>											
Current											
General Administration	-	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	27,789	-	-	-	-	-	64,446	-	-	-	-
Public Facilities	-	-	-	-	-	-	-	-	214,122	308,430	316,869
Public Safety	-	246,620	368,770	256,727	310,280	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	15,579	15,579	378,227	189,149	-	-	-	-	-	-
Interest Expense	-	959	959	26,612	9,236	-	-	-	-	-	-
Capital Outlay	-	172,328	-	-	-	-	-	-	14,440	58,141	35,200
Total Expenditures	27,789	435,486	385,308	661,566	508,665	-	64,446	-	228,562	366,571	352,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7)	(432,418)	(384,303)	(660,775)	(507,699)	6,983	(17,737)	4,264	(11,833)	(93,244)	(136,572)
<u>Other Financing Sources (Uses)</u>											
Transfers In	-	287,298	303,836	759,234	434,296	-	34,600	-	-	-	-
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	172,328	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	459,626	303,836	759,234	434,296	-	34,600	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7)	27,208	(80,467)	98,459	(73,403)	6,983	16,863	4,264	(11,833)	(93,244)	(136,572)
Fund Balance beginning of year	26,107	164,814	104,880	(6,591)	100,394	101,080	15,089	204,102	298,796	609,356	246,817
Fund Balance end of year	\$ 26,100	\$ 192,022	\$ 24,413	\$ 91,868	\$ 26,991	\$ 108,063	\$ 31,952	\$ 208,366	\$ 286,963	\$ 516,112	\$ 110,245

The accompanying notes are an integral part of these financial statements.

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2023

Exhibit M

	34	36	37	38	39	40	41	42	43	44	48
	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	\$ 212,941	\$ 30,420	\$ 30,420	\$ 30,420	\$ 30,420	\$ -	\$ 5,869	\$ 5,869	\$ 5,870	\$ 5,870	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	-	-	-	-	-	42,300	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Interest	6,671	1,382	852	593	371	1,976	429	593	199	220	195
Other Revenue	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	219,612	31,802	31,272	31,013	30,791	44,276	6,298	6,462	6,069	6,090	195
<u>Expenditures</u>											
Current											
General Administration	-	-	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	277,322	5,353	5,353	22,831	30,168	55,749	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	46,099	3,224
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	-	-	3,884	-	-	-	-	-
Interest Expense	-	-	-	-	-	856	-	-	-	-	-
Capital Outlay	109,568	-	-	-	-	-	-	-	-	-	-
Total Expenditures	386,890	5,353	5,353	22,831	30,168	60,489	-	-	-	46,099	3,224
Excess (Deficiency) of Revenues Over (Under) Expenditures	(167,278)	26,449	25,919	8,182	623	(16,213)	6,298	6,462	6,069	(40,009)	(3,029)
<u>Other Financing Sources (Uses)</u>											
Transfers In	-	-	-	-	-	1,504	-	-	-	3,500	-
Transfers In (Out)	(3,500)	-	-	-	-	-	-	-	-	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(3,500)	-	-	-	-	1,504	-	-	-	3,500	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(170,778)	26,449	25,919	8,182	623	(14,709)	6,298	6,462	6,069	(36,509)	(3,029)
Fund Balance beginning of year	712,335	112,711	67,399	41,584	29,497	208,685	40,857	57,193	18,288	45,201	19,746
Fund Balance end of year	\$ 541,557	\$ 139,160	\$ 93,318	\$ 49,766	\$ 30,120	\$ 193,976	\$ 47,155	\$ 63,655	\$ 24,357	\$ 8,692	\$ 16,717

The accompanying notes are an integral part of these financial statements.

NEWTON COUNTY, TEXAS
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 for the year ended December 31, 2023

Exhibit M

	50	51	52	53	55	58	59	60	66	67	80
	Solid Waste Disposal	Voter Registration	Law Library	Newton Co Library	Historical Operating	Dist Attny Hot Ck Fund	Dist Attny Contraband	Con Pet 4 Contraband	Records Management	Pretrial Diversion	Civic Center Operations
<u>Revenue</u>											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Fines and Fees	65,603	-	6,403	-	-	470	530	-	875	3,011	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Interest	1,589	455	251	703	286	37	137	-	113	415	11
Other Revenue	20,619	2,110	-	5,388	9,952	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	87,811	2,565	6,654	6,091	10,238	507	667	-	988	3,426	11
<u>Expenditures</u>											
Current											
General Administration	-	59,565	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-
Legal	-	-	768	-	-	-	6,608	-	453	1,168	-
Public Facilities	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	3,962	-	-	-
Health and Welfare	277,955	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	132,594	49,730	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
Principle Payment	-	-	-	350	1,830	-	-	-	-	-	-
Interest Expense	-	-	-	130	270	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	277,955	59,565	768	133,074	51,830	-	6,608	3,962	453	1,168	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(190,144)	(57,000)	5,886	(126,983)	(41,592)	507	(5,941)	(3,962)	535	2,258	11
<u>Other Financing Sources (Uses)</u>											
Transfers In	200,000	57,124	-	135,550	50,712	-	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-	-	-	-	-	-	(1,442)
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	200,000	57,124	-	135,550	50,712	-	-	-	-	-	(1,442)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	9,856	124	5,886	8,567	9,120	507	(5,941)	(3,962)	535	2,258	(1,431)
Fund Balance beginning of year	16,073	16,449	22,342	462	(864)	3,236	14,702	3,962	12,302	40,271	1,244
Fund Balance end of year	\$ 25,929	\$ 16,573	\$ 28,228	\$ 9,029	\$ 8,256	\$ 3,743	\$ 8,761	\$ -	\$ 12,837	\$ 42,529	\$ (187)

The accompanying notes are an integral part of these financial statements.

NEWTON COUNTY, TEXAS
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
for the year ended December 31, 2023

Exhibit M

	88	92	93	97	Total Nonmajor Governmental Funds
	State Fee Acct.	Justice Court Technology	Federal Forest Fund	Debt Service	
<u>Revenue</u>					
Taxes	\$ -	\$ -	\$ -	\$ 631,115	\$ 1,628,037
Intergovernmental	-	-	46,354	-	73,854
Fines and Fees	-	3,951	-	-	129,089
Miscellaneous	-	-	-	-	-
Interest	-	13	-	4,835	44,881
Other Revenue	-	-	-	-	93,699
Grants	-	-	-	-	46,667
Total Revenue	-	3,964	46,354	635,950	2,016,227
<u>Expenditures</u>					
Current					
General Administration	-	-	-	-	59,565
Judicial	-	-	-	-	-
Legal	-	561	-	-	101,793
Public Facilities	-	-	-	-	1,236,197
Public Safety	-	-	-	-	1,235,682
Health and Welfare	-	-	-	-	277,955
Conservation	-	-	23,786	-	23,786
Culture and Recreation	-	-	-	-	182,324
Debt Service	-	-	-	-	-
Principle Payment	-	3,690	-	-	608,288
Interest Expense	-	871	-	-	39,893
Capital Outlay	-	-	-	-	389,677
Total Expenditures	-	5,122	23,786	-	4,155,160
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,158)	22,568	635,950	(2,138,933)
<u>Other Financing Sources (Uses)</u>					
Transfers In	-	-	-	-	2,267,654
Transfers In (Out)	-	-	(23,177)	(653,427)	(681,546)
Issuance of Debt	-	-	-	-	172,328
Total Other Financing Sources (Uses)	-	-	(23,177)	(653,427)	1,758,436
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(1,158)	(609)	(17,477)	(380,497)
Fund Balance beginning of year	-	1,657	609	248,831	3,599,616
Fund Balance end of year	\$ -	\$ 499	\$ -	\$ 231,354	\$ 3,219,119

The accompanying notes are an integral part of these financial statements.

SINGLE AUDIT SECTION

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

To the Commissioners of
the County of Newton, Texas

Report on Compliance for Each Major Federal Program

We have audited the County of Newton, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement and Texas Uniform Grant Management Standards* that could have a direct and material effect on each of the County of Newton, Texas' major federal programs for the year ended December 31, 2023. 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.

In our opinion, the County of Newton, Texas complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

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 Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Texas Uniform Grant Management Standards. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County of Newton, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County of Newton, Texas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County of Newton, Texas' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County of Newton, Texas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County of Newton, Texas' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding County of Newton, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County of Newton, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County of Newton, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the County of Newton, Texas' response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County of Newton, Texas' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the County of Newton, Texas' response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County of Newton, Texas' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Yours very truly,

Charles E. Reed & Associates, P.C.

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

March 17, 2026

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 Commissioners of
the County of 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, 2023, 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 March 17, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Newton, Texas's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Newton, Texas's 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Newton, Texas's 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

County of Newton, Texas's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County of Newton, Texas's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County of Newton, Texas's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Yours very truly,

Charles E. Reed & Associates, P.C.

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

March 17, 2026

	<u>Assistance Listing Number</u>	Grant I.D.	<u>Amount of Award</u>	<u>Amount Expended</u>
<u>Department of Homeland Security</u>				
<i>Pass through agency: Texas Division of Emergency Management</i>				
Hazard Mitigation Grant	97.039	DR-4332-144	20,843	-
Hazard Mitigation Grant	97.039	DR-4332-155	70,575	-
Hazard Mitigation Grant	97.039	DR-4332-0185	9,375	-
Total Department of Homeland Security			100,793	-
<u>Department of Health and Human Services</u>				
<i>Pass through agency: Texas Division of Emergency Management</i>				
Building Resilient Infrastructure and Communities Grant	93.047	EMT-2020-BR-104	66,000	66,000
Total Department of Health and Human Services			66,000	66,000
<u>Department of Justice</u>				
<i>Pass-Through Agency: Texas Office of the Governor</i>				
Violence Against Women	16.588	2559211	45,000	30,000
Violence Against Women	16.588	2559212	50,000	16,667
Total Department of Justice			95,000	46,667
<u>Department of Housing and Urban Development</u>				
<i>Pass through agency: Texas General Land Office</i>				
CDBG Disaster Recovery-DR4223 093	14.228	18-384-000-B093	2,000,000	-
CDBG Disaster Recovery-DR4223 094	14.288	18-385-000-B094	2,000,000	-
CDBG Local Hazard Mitigation Program	14.228	22-130-020-D847	35,661	22,000
CDBG Mitigation Program Infrastructure Projects	14.228	22-082-018-D220	3,650,658	-
CDBG Disaster Recovery Housing Projects - DR4266	14.228	18-533-000-B277	10,447,771	612,849
CDBG Disaster Recovery Infrastructure Projects - DR42	14.228	18-535-000-B279	19,922,350	4,888,868
CDBG Disaster Recovery Infrastructure Projects - DR43	14.228	20-065-101-C274	1,609,719	6,855
CDBG Disaster Recovery-DR4332	14.228	20-066-015-C108	8,005,224	2,000
			47,671,383	5,532,572
<i>Pass through agency: Texas Department of Agriculture</i>				
CDBG Disaster Recovery	14.228	7220330	275,000	-
CDBG Community Development Fund - 2021	14.228	CDV21-0101	350,000	-
			625,000	-
Total Department of Housing and Urban Development			48,296,383	5,532,572
<u>US Department of the Treasury</u>				
<i>Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act of 2021</i>				
Local Assistance and Tribal Consistency Fund	21.027	2020-CF-21019	2,640,669	214,220
	21.032		50,000	50,000
Total US Department of the Treasury			2,690,669	264,220
Total Federal Money Expended				\$5,909,459

NEWTON COUNTY, TEXAS
 Schedule of State of Texas Expenditures
 For the Year Ended December 31, 2023

Schedule II

	<u>Grant I.D.</u>	<u>Amount of Award</u>	<u>Amount Expended</u>
<u>Office of Attorney General</u>			
Texas SAVNS/VINE Program	2344900-2023	7,568	5,676
Texas SAVNS/VINE Program	2344900-2024	7,795	1,949
Total Office of Attorney General		<u>15,363</u>	<u>7,625</u>
<u>Texas Historical Commission</u>			
Courthouse Restoration		1,100,000	286,199
Total Texas Historical Commission		<u>1,100,000</u>	<u>286,199</u>
<u>Texas Office of the Governor - Criminal Justice Division</u>			
SH-Bullet-Resistant Shield Grant Program	4629001	26,040	24,840
Total Office of the Governor - Criminal Justice Division		<u>26,040</u>	<u>24,840</u>
Total State of Texas Expended			<u><u>318,664</u></u>

Notes to the Schedule of Expenditures of Federal and State Awards
For the year ended December 31, 2023

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal and State 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 accounts 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) and Texas Uniform Grant Management Standards. 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.

NEWTON COUNTY, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2023

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:

CFDA Number

Name of Federal Program or Cluster

14.228	Department of Housing and Urban Development CDBG Disaster Recovery	\$5,525,717
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The dollar threshold used to distinguish between Type A and Type B federal and state programs Federal - \$750,000
State - \$750,000

Auditee qualified as low-risk auditee? ___Yes ✓No

Section II-Financial Statements Findings**Section III - Federal Award Findings and Questioned Costs****2023-001 Internal Control - Control Activities - Reporting**

Criteria: OMB's Uniform Guidance 2 CFR 200.512 requires a Data Collection form to be filed the earlier of 30 days after receipt of the Single Audit Report of nine months after year-end for those entities expending more than \$750,000 of federal funds.

Condition: The County of Newton, Texas did not file the required Data Collection form within the required time period.

Cause: Due to a change in staffing of management level positions, including the County Treasurer and County Judge, the County of Newton, Texas was unable to compile its internal reports and prepare its financial statements in a timely manner for audit. Due to the timing of the preparation of the financial statements, the County of Newton, Texas was unable to submit the Data Collection form timely and was not in compliance with reporting requirements.

Effect: The noncompliance with compliance attributes required under the Uniform Guidance 2 CFR 200 may affect the County of Newton, Texas's current grant contracts and the opportunity to qualify for future grants.

Recommendation: The County of Newton, Texas's Commissioner's should adopt and management should implement internal controls over oversight, monitoring and reporting to ensure compliance requirements as per the Uniform Guidance 2 CFR 200.

Section IV-Status of Prior Year Findings**2022-001 – Internal Control – Interim Reconciliation of General Ledger Accounts and Agency and Trust Funds**

The County has adopted and implemented internal controls, including the hiring of an external CPA, to ensure proper reconciliations are performed.

2022-002 – Internal Control – Interim Reconciliation and Reporting

The County has adopted and implemented internal controls, including the hiring of an external CPA and grant administrators, to ensure proper approval is obtained for grant reimbursement requests.

2022-003 – Internal Control – Control Activities - Reporting

The County continues to implement policies and procedures to monitor the timely filing of the data collection form. The County continues its efforts to bring current the compliance requirements per the Uniform Guidance 2 CFR 200.

THE COUNTY OF NEWTON, TEXAS
CORRECTIVE ACTION PLAN
For the year ended December 31, 2023

Schedule V

2023-001 Internal Control – Control Activities - Reporting

Corrective Action Plan:

The Commissioner's of the County of Newton, Texas has reviewed the finding indicated as 2023-001 and agree with the finding. The Commissioner's have adopted controls, and employed external accounting support, to ensure that the County will comply in all material respects with its reporting requirements as per the Uniform Guidance 2 CFR 200.

Anticipated Completion Date:
September 30, 2026

Responsible Parties: Sherry Moore, County Auditor and Commissioners