

KINNEY COUNTY, TEXAS

Annual Financial Report

For the Fiscal Year Ended

September 30, 2020

Kinney County, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2020

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FINANCIAL SECTION

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the County Judge and Commissioner's Court
Kinney County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kinney County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Kinney County, Texas's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kinney County, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, the road and bridge fund and the jail detention facility revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

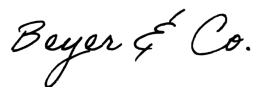
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the employees' retirement system information on pages 3–10 and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2021, on our consideration of Kinney County, Texas's 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 Kinney County, Texas's 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 Kinney County, Texas's internal control over financial reporting and compliance.



BEYER & COMPANY
Certified Public Accountants
March 5, 2021

Management's Discussion and Analysis

Financial Highlights

- . The assets of Kinney County, Texas exceeded its liabilities at the close of the most recent fiscal year by \$9,234,594 (Net Position). Of this amount, \$3,895,861 (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total Net Position increased by \$203,297. This is the result of an increase in Maintenance and Operations Taxes of \$616,779 and careful budget management.
- . As of the close of the current fiscal year, Kinney County, Texas's governmental funds reported combined ending fund balances of \$4,345,347 a decrease of \$460,305 in comparison with the prior year. Approximately 51% of this total amount, \$2,222,887, is available for spending at the government's discretion (unassigned fund balance).
- . At the end of the current fiscal year, the unassigned fund balance for the general fund was \$2,525,323, or 46 percent of total general fund expenditures, the restricted fund balance for the road and bridge fund was \$30,451, or 12 percent of total road and bridge fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Kinney County, Texas's basic financial statements. Kinney County, Texas'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 Kinney County, Texas's finances, in a manner like a private-sector business.

The statement of Net Position presents information on all of Kinney County, Texas'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 Kinney County, Texas is improving or deteriorating.

The statement of activities presents information showing how the government's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of Kinney County, Texas 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 and charges (business-type activities). The governmental activities of Kinney County, Texas include general administration, public safety, public transportation, health and welfare, public facilities, legal, elections, financial administration, conservation, capital projects, and culture and recreation.

The government-wide financial statements include only Kinney County, Texas itself (known as the primary government).

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statement: 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. Kinney County, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of Kinney County, Texas are governmental funds and agency 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 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.

Kinney County, Texas maintains sixty (60) 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, the road and bridge fund, the jail and detention facility revenue fund, the investment fund, the FEMA grant fund, and the stonegarden grant 2019 fund, all of which are major funds. Data from the other fifty-four (54) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. Kinney County, Texas adopts an annual appropriated budget for its general fund, the road and bridge fund, the jail and detention facility revenue fund, the investment fund, the FEMA grant fund, and the stonegarden grant 2019 fund.

The basic governmental fund financial statements can be found on pages 13-20 of this report. The agency fund can be found on page 21.

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 on pages 22-59 of this report.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Kinney County, Texas's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 60 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and agency funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 61-74 of this report.

The combined statement of the agency funds can be found on page 75 - 78 of this report.

The single audit section can be found on pages 79 – 89 of this report.

Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of Kinney County, Texas, assets exceeded liabilities by \$9,234,594 at the close of the most recent fiscal year.

A portion of Kinney County, Texas's Net Position (39 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Kinney County, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Kinney County, Texas's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

KINNEY COUNTY, TEXAS
NET POSITION

	Governmental Activities		Total	
	2020	2019	2020	2019
Current and Other Assets	\$5,879,747	\$6,244,566	\$5,879,747	\$6,244,566
Capital Assets:	3,589,203	2,856,462	3,589,203	2,856,462
Total Assets	9,468,950	9,101,028	9,468,950	9,101,028
Total Deferred Outflows of Resources	271,477	741,807	271,477	741,807
Long-Term Liabilities	69,051	66,398	69,051	66,398
Other Liabilities	114,885	519,111	114,885	519,111
Total Liabilities	183,936	585,509	183,936	585,509
Total Deferred Inflows of Resources	321,897	226,029	321,897	226,029
Invested in Capital Assets, Net of Related Debt	3,589,203	2,856,462	3,589,203	2,856,462
Restricted	1,749,530	1,432,225	1,749,530	1,432,225
Unrestricted	3,895,861	4,742,610	3,895,861	4,742,610
Total Net Position	\$9,234,594	\$9,031,297	\$9,234,594	\$9,031,297

An additional portion of Kinney County, Texas's Net Position (19 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position (\$3,895,861) may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, Kinney County, Texas reported a positive balance in the governmental activities. For the prior fiscal year, Kinney County, Texas reported positive balances in Net Position, both for the government, as well as for its separate governmental activities.

The government's total Net Position increased by \$203,297. This is the result of an increase in Maintenance and Operations Taxes of \$616,779 and careful budget management.

KINNEY COUNTY, TEXAS
CHANGE IN NET POSITION

	Governmental Activities		Total	
	2020	2019	2020	2019
Revenues:				
Program Revenues:				
Charges for Services	\$965,421	\$1,034,594	\$965,421	\$1,034,594
Operating Grants and Contributions	1,900,692	2,396,750	1,900,692	2,396,750
Capital Grants and Contributions	0	711,748	0	711,748
General Revenues:				
Maintenance and Operations Taxes	3,141,099	2,524,320	3,141,099	2,524,320
Sales Taxes	207,688	1,084,227	207,688	1,084,227
Other Taxes	4,436	4,849	4,436	4,849
Unrestricted Investment Earnings	51,671	89,675	51,671	89,675
Miscellaneous	395,867	897,887	395,867	897,887
Total Revenue	6,666,874	8,744,050	6,666,874	8,744,050
Expenses:				
General Administration	1,351,426	1,150,600	1,351,426	1,150,600
Judicial	560,682	520,065	560,682	520,065
Legal	147,530	131,009	147,530	131,009
Financial Administration	290,336	325,695	290,336	325,695
Public Facilities	1,071,225	981,472	1,071,225	981,472
Public Safety	2,524,855	2,434,382	2,524,855	2,434,382
Public Transportation	242,422	273,242	242,422	273,242
Culture and Recreation	55,026	125,134	55,026	125,134
Health and Welfare	188,459	219,179	188,459	219,179
Conservation - Agriculture	31,616	81,216	31,616	81,216
Total Expenses	6,463,577	6,241,994	6,463,577	6,241,994
Increase in Net Position Before Transfers and Special Items Transfers	203,297	2,502,056	203,297	2,502,056
Increase in Net Position	203,297	2,502,056	203,297	2,502,056
Net Position at 09/30/2019	9,031,297	6,529,241	9,031,297	6,529,241
Net Position at 09/30/2020	\$9,234,594	\$9,031,297	\$9,234,594	\$9,031,297

Expenses and Program Revenues - Governmental Activities

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General Administration	\$1,351,426	\$63,240	\$23,818	
Judicial	560,682	480,661		
Legal	147,530	100	2,333	
Financial Administration	290,336	12,840		
Public Facilities	1,071,225			711,748
Public Safety	2,524,855	233,804	1,763,127	
Public Transportation	242,422	167,706	13,022	
Culture and Recreation	55,026	7,070	1,236	
Health and Welfare	188,459		97,156	
Conservation - Agriculture	31,616			
Total Government Activities	\$6,463,577	\$965,421	\$1,900,692	\$711,748

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$965,421	14%
Operating Grants and Contributions	1,900,692	29%
Maintenance and Operations Taxes	3,141,099	47%
Sales Taxes	207,688	3%
Other Taxes	4,436	0%
Unrestricted Investment Earnings	51,671	1%
Miscellaneous	395,867	6%
	<u>\$6,666,874</u>	<u>100%</u>

For the most part, increases/decreases in expenses closely paralleled inflation and growth/decline in the demand for services.

Financial Analysis of the Government's Funds

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

Governmental funds:

The focus of Kinney County, Texas's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Kinney County, Texas's financing requirements. Unassigned 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 the close of the current fiscal year, Kinney County, Texas's governmental funds reported combined ending fund balances of \$4,345,347 a decrease of \$460,305 in comparison with the prior year. Approximately 51% of this total amount, \$2,222,887, is available for spending at the government's discretion (unassigned fund balance).

The general fund is the chief operating fund of Kinney County, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,525,323, while total fund balance reached \$2,542,337. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 46 percent of total general fund expenditures, while total fund balance represents 47 percent of that same amount.

The fund balance of Kinney County, Texas's general fund decreased by \$602,726 during the current fiscal year. Key factors in this increase are as follows:

. This is the is a result of sales taxes decreasing by \$876,539.

At the end of the current fiscal year, unassigned fund balance of the road and bridge fund was \$0, while total fund balance reached \$31,493. As a measure of the road and bridge fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 0 percent of total road and bridge fund expenditures, while total fund balance represents 13 percent of that same amount.

The fund balance of Kinney County, Texas's road and bridge fund increased by \$16,117 during the current fiscal year. This increase is immaterial.

There is no analysis given for the Investment fund and the Jail and Detention Facility Revenue fund because they are reserve funds.

There is no analysis given for the FEMA grant fund because it is a grant fund and comparison from year to year is impractical.

There is no analysis given for the Stonegarden grant fund because it is a grant fund and comparison from year to year is impractical.

Budgetary Highlights

There was an increase between the original budget and the final amended budget in the general fund of \$268,694. The principal increase was in the Non-Departmental department which increased by \$196,928. This was precipitated by an increase in Contingency Equipment of \$70,000 and an increase in County Wide Vehicles of \$100,000.

There was an increase between the original budget and the final amended budget in the road and bridge fund of \$1,285. This increase is immaterial.

Capital Asset and Debt Administration

Capital assets:

Kinney County, Texas's investment in capital assets for its governmental activities as of September 30, 2020, amounts to \$3,589,203 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and park facilities. The total increase in Kinney County, Texas's investment in capital assets for the current fiscal year was 26 percent.

The major capital asset events during the current fiscal year included in the following: The County had no major construction projects during the year except for roof construction projects on several of the County's buildings.

KINNEY COUNTY, TEXAS CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Total	
	2020	2019	2020	2019
Land	\$126,796	\$126,796	\$126,796	\$126,796
Construction in Progress	0	0	0	0
Intangible	32,803	38,979	32,803	38,979
Building and Improvements	2,079,294	1,856,546	2,079,294	1,856,546
Machinery and Equipment	1,350,310	834,141	1,350,310	834,141
Infrastructure	0	0	0	0
Total	<u>\$3,589,203</u>	<u>\$2,856,462</u>	<u>\$3,589,203</u>	<u>\$2,856,462</u>

Additional information on Kinney County, Texas's capital assets can be found in note IV C on page 36 of this report.

Long-term debt:

At the end of the current fiscal year, Kinney County, Texas had no bonded debt.

Future Outlook

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the County. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Requests for Information

This financial report is designed to provide a general overview of Kinney County, Texas's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditors' Office, P.O. Box 1219, Brackettville, Texas 78832-1219.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

KINNEY COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government	
	Governmental	
	Activities	Total
<i>ASSETS</i>		
Cash and Cash Equivalents	\$4,260,411	\$4,260,411
Receivables (net of allowance for uncollectibles)	871,629	871,629
Net Pension Receivable	728,627	728,627
Prepaid Items	19,080	19,080
Capital assets not being depreciated:		
Land	126,796	126,796
Total Capital assets being depreciated, net		
Intangible	32,803	32,803
Building and Improvements	2,079,294	2,079,294
Machinery, Vehicles, and Equipment	1,350,310	1,350,310
Total Assets	<u>\$9,468,950</u>	<u>\$9,468,950</u>
 DEFERRED OUTFLOWS OF RESOURCES		
GASB 68		
Deferred Outflow of Resources-Contributions (after 12/31/19)	259,155	259,155
Deferred Outflow-Changes of Assumptions	12,322	12,322
Total Deferred Outflows of Resources	<u>271,477</u>	<u>271,477</u>
 LIABILITIES:		
Accounts Payable	\$87,499	\$87,499
Accrued Wages	4,053	4,053
Unearned Revenues	23,333	23,333
Noncurrent Liabilities:		
Due Within One Year	69,051	69,051
Due in More Than One Year	0	0
Total Liabilities	<u>183,936</u>	<u>183,936</u>
 DEFERRED INFLOWS OF RESOURCES		
GASB 68		
Deferred Inflow-Net difference between projected and actual earnings	208,616	208,616
Deferred Inflow-Differences between expected and actual experience	113,281	113,281
Total Deferred Inflows of Resources	<u>321,897</u>	<u>321,897</u>
 NET POSITION		
Invested in Capital Assets, Net of Related Debt	3,589,203	3,589,203
Restricted		
Administration - County	81,467	81,467
Administration - County Clerk	6,639	6,639
Archives	29,319	29,319
Health and Welfare	22,745	22,745
Judicial	59,719	59,719
Legal	7,714	7,714
Public Safety	1,317,604	1,317,604
Public Transportation	224,323	224,323
Unrestricted	3,895,861	3,895,861
Total Net Position	<u>\$9,234,594</u>	<u>\$9,234,594</u>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary Government						
Government Activities:						
General Administration	\$1,351,426	\$63,240	\$23,818		(\$1,264,368)	(\$1,264,368)
Judicial	560,682	480,661			(80,021)	(80,021)
Legal	147,530	100	2,333		(145,097)	(145,097)
Financial Administration	290,336	12,840			(277,496)	(277,496)
Public Facilities	1,071,225				(1,071,225)	(1,071,225)
Public Safety	2,524,855	233,804	1,763,127		(527,924)	(527,924)
Public Transportation	242,422	167,706	13,022		(61,694)	(61,694)
Culture and Recreation	55,026	7,070	1,236		(46,720)	(46,720)
Health and Welfare	188,459		97,156		(91,303)	(91,303)
Conservation - Agriculture	31,616				(31,616)	(31,616)
Total Government Activities	<u>6,463,577</u>	<u>965,421</u>	<u>1,900,692</u>	<u>0</u>	<u>(3,597,464)</u>	<u>(3,597,464)</u>
Total Primary Government	<u>\$6,463,577</u>	<u>\$965,421</u>	<u>\$1,900,692</u>	<u>\$0</u>	<u>(3,597,464)</u>	<u>(3,597,464)</u>
General Revenues						
Taxes						
Property Taxes, Levies for General Purposes					3,141,099	3,141,099
Sales					207,688	207,688
Other					4,436	4,436
Unrestricted Investment Earnings					51,671	51,671
Miscellaneous					<u>395,867</u>	<u>395,867</u>
Total General Revenues and Transfers					<u>3,800,761</u>	<u>3,800,761</u>
Change in Net Position					<u>203,297</u>	<u>203,297</u>
Net Position - Beginning					<u>9,031,297</u>	<u>9,031,297</u>
Net Position - Ending					<u>\$9,234,594</u>	<u>\$9,234,594</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

KINNEY COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Road and Bridge	Jail and Detention Facility Revenue	Investment Fund	FEMA Grant	Stonegarden Grant 2019	Other Governmental Funds	Total Governmental Funds
<i>ASSETS</i>								
Cash and Cash Equivalents	\$2,485,501	\$29,042	\$992,823	\$350,000			\$599,471	\$4,456,837
Receivables (net of allowance for uncollectibles)	160,037	3,843	118,645				24,951	307,476
Due from Other Funds	91,305						7,554	98,859
Prepaid Expenses	17,014	1,042					1,024	19,080
Total Assets	<u>\$2,753,857</u>	<u>\$33,927</u>	<u>\$1,111,468</u>	<u>\$350,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$633,000</u>	<u>\$4,882,252</u>
<i>LIABILITIES AND FUND BALANCES:</i>								
<i>Liabilities:</i>								
Accounts Payable	\$62,981	\$2,434				\$3,602	\$18,482	\$87,499
Bank Overdraft					104,278	84,862	7,286	196,426
Accrued Wages	3,702						351	4,053
Due to Other Funds							98,859	98,859
Total Liabilities	<u>66,683</u>	<u>2,434</u>	<u>0</u>	<u>0</u>	<u>104,278</u>	<u>88,464</u>	<u>124,978</u>	<u>386,837</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>								
Deferred Property Taxes	121,504						5,231	126,735
Unavailable Revenue-County Attorney Grant	23,333							23,333
Total deferred inflows of resources	<u>144,837</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,231</u>	<u>150,068</u>
<i>Fund Balances:</i>								
<i>Non-Spendable</i>								
Prepaid Items	17,014	1,042					1,024	19,080
<i>Restricted</i>								
Administration - County							81,467	81,467
Administration - County Clerk							6,639	6,639
Archives							29,319	29,319
Health and Welfare							22,745	22,745
Judicial							59,719	59,719
Legal							7,714	7,714
Public Safety			1,111,468				206,136	1,317,604
Public Transportation		30,451					193,872	224,323
<i>Committed</i>								
Administration - County				350,000			213	350,213
Culture and Recreation							3,637	3,637
Unassigned	2,525,323				(104,278)	(88,464)	(109,694)	2,222,887
Total Fund Balance	<u>2,542,337</u>	<u>31,493</u>	<u>1,111,468</u>	<u>350,000</u>	<u>(104,278)</u>	<u>(88,464)</u>	<u>502,791</u>	<u>4,345,347</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$2,753,857</u>	<u>\$33,927</u>	<u>\$1,111,468</u>	<u>\$350,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$633,000</u>	<u>\$4,882,252</u>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED SEPTEMBER 30, 2020

Total Fund Balances - governmental funds balance sheet	4,345,347
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Amounts reported for governmental activities in the Statement of Net Position
("SNP") are different because:

Capital assets used in governmental activities are not reported in the funds.	3,589,203
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,242,360
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	126,735
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(69,051)
Net Position of governmental activities - Statement of Net Position	<u>\$9,234,594</u>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Road and Bridge	Jail and Detention Facility Revenue	Investment Fund	FEMA Grant	Stonegarden Grant 2019	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>								
Taxes								
Property	\$3,094,098						\$131,962	\$3,226,060
Sales	207,688							207,688
Other	4,436							4,436
Licenses and Permits		167,406						167,406
Intergovernmental	68,422	3,797	1,059,674			182,539	586,260	1,900,692
Charges for Services	291,488						340,182	631,670
Fines and Forfeitures	196,887							196,887
Interest	38,539	188	9,135				3,809	51,671
Miscellaneous	255,373	7,957	24,308				108,229	395,867
Total Revenues	4,156,931	179,348	1,093,117	0	0	182,539	1,170,442	6,782,377
<i>EXPENDITURES</i>								
Current:								
General Administration	1,282,794						73,822	1,356,616
Judicial	269,159						292,832	561,991
Legal	149,152						66	149,218
Financial Administration	340,983							340,983
Public Facilities	954,707							954,707
Public Safety	2,222,883		23,621			271,003	539,222	3,056,729
Public Transportation		249,731						249,731
Culture and Recreation	146,332							146,332
Health and Welfare							223,385	223,385
Conservation - Agriculture	95,418							95,418
Capital Projects -								
Capital Outlay and Other					104,278		3,294	107,572
Total Expenditures	5,461,428	249,731	23,621	0	104,278	271,003	1,132,621	7,242,682
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,304,497)	(70,383)	1,069,496	0	(104,278)	(88,464)	37,821	(460,305)
OTHER FINANCING SOURCES (USES):								
Transfers In	849,126	86,500					169,739	1,105,365
Transfers Out	(147,355)	0	(870,000)				(88,010)	(1,105,365)
Total Other Financing Sources (Uses)	701,771	86,500	(870,000)	0	0	0	81,729	0
Net Changes in Fund Balances	(602,726)	16,117	199,496	0	(104,278)	(88,464)	119,550	(460,305)
Fund Balances - Beginning	3,145,063	15,376	911,972	350,000	0		383,241	4,805,652
Fund Balances - Ending	\$2,542,337	\$31,493	\$1,111,468	\$350,000	(\$104,278)	(\$88,464)	\$502,791	\$4,345,347

The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2020

Net Changes in Fund Balances - total governmental funds (\$460,305)

Amounts reported for governmental activities in the Statement of Net Position
("SNP") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	732,741
(Increase) decrease in Net Pension Receivable from beginning of period to end of period.	615,215
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(30,542)
GASB 68	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	21,483
Deferred Inflow-Changes of assumptions. This is the change in these amounts this year.	(12,323)
Deferred Inflow-Net difference between projected and actual earnings. This is the change in these amounts this year.	(688,106)
Deferred Outflow-Differences between expected and actual experience. This is the change in these amounts this year.	112,748
(Increase) decrease in compensated absences from beginning of period to end of period.	(2,653)
(Increase) decrease in Net Pension Liability from beginning of period to end of period.	0
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(84,961)

Change in Net Position of governmental activities - Statement of Activities	<u>\$203,297</u>
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The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<i>REVENUES</i>				
Taxes				
Property	\$3,188,125	\$3,188,125	\$3,094,098	(\$94,027)
Sales	120,000	120,000	207,688	87,688
Other	2,900	2,900	4,436	1,536
Intergovernmental	74,033	74,033	68,422	(5,611)
Charges for Services	224,520	224,520	291,488	66,968
Fines and Forfeitures	162,300	162,300	196,887	34,587
Interest	20,000	20,000	38,539	18,539
Miscellaneous	107,880	107,880	255,373	147,493
Total Revenues	3,899,758	3,899,758	4,156,931	257,173
<i>EXPENDITURES</i>				
Current:				
General Administration				
County Judge	178,751	179,608	169,323	10,285
County-District Clerk	164,983	167,892	154,773	13,119
Non-Departmental	946,367	1,143,295	847,425	295,870
P.C. Bridge Salaries	7,000	7,000	449	6,551
Roads and Bridges	118,563	119,853	110,824	9,029
Judicial				
District Court	111,719	111,719	115,463	(3,744)
Justice of the Peace	153,133	153,994	153,696	298
Legal				
County Attorney	142,455	150,442	149,152	1,290
Financial Administration				
County Auditor	105,851	106,279	100,932	5,347
County Treasurer	119,454	120,312	116,788	3,524
Tax Assessor-Collector	144,072	144,929	123,263	21,666
Public Facilities				
Civic Center	29,900	29,900	21,245	8,655
County Courthouse and Annex	952,474	953,959	930,357	23,602
Filippone Building	5,235	5,235	3,105	2,130

(continued)

(continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Ambulance	\$637,323	\$683,491	\$635,526	\$47,965
Constable	73,437	73,865	65,942	7,923
Drug Task Force	48,183	48,111	29,494	18,617
Fire	52,500	52,500	46,316	6,184
Sheriff	1,130,322	1,136,747	1,445,605	(308,858)
Culture and Recreation				
County Library	145,626	146,483	135,412	11,071
Parks	28,281	28,281	10,920	17,361
Conservation - Agriculture				
Agriculture Extension Service	100,088	100,516	95,418	5,098
Total Expenditures	<u>\$5,395,717</u>	<u>\$5,664,411</u>	<u>\$5,461,428</u>	<u>\$202,983</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(1,495,959)	(1,764,653)	(1,304,497)	460,156
OTHER FINANCING SOURCES (USES):				
Transfers In	1,214,619	1,214,619	849,126	(365,493)
Transfers Out	(381,307)	(382,163)	(147,355)	234,808
Total Other Financing Sources (Uses)	<u>833,312</u>	<u>832,456</u>	<u>701,771</u>	<u>(130,685)</u>
Net Changes in Fund Balances	(\$662,647)	(\$932,197)	(602,726)	\$329,471
Fund Balances - Beginning	<u>3,145,064</u>	<u>3,145,064</u>	<u>3,145,063</u>	
Fund Balances - Ending	<u>\$2,482,417</u>	<u>\$2,212,867</u>	<u>\$2,542,337</u>	<u>\$329,471</u>

The notes to the financial statements are an integral part of this statement.

KINNEY COUNTY, TEXAS
ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses and Permits	\$145,000	\$145,000	\$167,406	\$22,406
Intergovernmental			3,797	3,797
Interest	250	250	188	(62)
Miscellaneous			7,957	7,957
Total Revenues	145,250	145,250	179,348	34,098
EXPENDITURES				
Current				
Public Transportation	376,655	377,940	249,731	128,209
Total Expenditures	376,655	377,940	249,731	128,209
Excess (Deficiency) of Revenues Over (Under) Expenditures	(231,405)	(232,690)	(70,383)	162,307
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	231,405	232,690	86,500	(146,190)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	231,405	232,690	86,500	(146,190)
Net Changes in Fund Balances	0	0	16,117	16,117
Fund Balances - Beginning			15,376	15,376
Fund Balances - Ending	\$0	\$0	\$31,493	\$31,493

The notes to the financial statements are an integral part of this statement.

KINNEY COUNTY, TEXAS
JAIL DETENTION FACILITY REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<i>REVENUES</i>				
Intergovernmental	\$960,000	\$960,000	\$1,059,674	\$99,674
Interest	2,500	2,500	9,135	6,635
Miscellaneous			24,308	24,308
Total Revenues	962,500	962,500	1,093,117	130,617
<i>EXPENDITURES</i>				
Current:				
Public Safety	162,500	162,500	23,621	138,879
Total Expenditures	162,500	162,500	23,621	138,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	800,000	800,000	1,069,496	269,496
OTHER FINANCING SOURCES (USES):				
Transfers In				0
Transfers Out	(800,000)	(800,000)	(870,000)	(70,000)
Total Other Financing Sources (Uses)	(800,000)	(800,000)	(870,000)	(70,000)
Net Changes in Fund Balances	0	0	199,496	199,496
Fund Balances - Beginning			911,972	911,972
Fund Balances - Ending	\$0	\$0	\$1,111,468	\$1,111,468

The notes to the financial statements are an integral part of this statement.

KINNEY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2020

ASSETS

Cash and Cash Equivalents	\$2,529,163
Receivables	<u>1,988</u>
Total Assets	<u><u>\$2,531,151</u></u>

LIABILITIES:

Accounts Payable	\$99,621
Due to Others	<u>2,431,530</u>
Total Liabilities	<u><u>\$2,531,151</u></u>

The accompanying notes are an integral part of this statement.

Note: The Agency funds were the only fiduciary fund type of the County in the 2020 year.

KINNEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies

A. Reporting entity

Kinney County operates under a County Judge – Commissioners’ Court type of government and provides the following services throughout the County: public safety (fire, ambulance, and law enforcement), public transportation (highways and roads), health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services. The accounting policies of Kinney County, Texas, (the County) conform to generally accepted accounting principles. The County also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the County are organized based on funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled.

B. Government-Wide and Fund Financial Statements

The County’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the County accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all the County’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the County are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities, which are presented as internal balances and eliminated in the total primary government column. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The County has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, sales tax, intergovernmental revenues, and charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The road and bridge fund accounts for the activities of the government's road and bridge operations.

The investment fund is used to administer monies to help pay for general County operations.

The Jail and Detention Facility Revenue fund is used to administer monies used in the day-to-day operations of the local detention facility.

The FEMA Grant fund is used to administer various FEMA grants the County may receive.

The Stone garden Grant 2019 fund is used to administer various Stone garden grants the County may receive.

C. Fiduciary Funds

Agency Funds - These funds are established to account for assets held by the County as an agent for individuals, private organizations, other governments, and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The government's cash and cash equivalents are 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 Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value.

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2020 and 10 percent of the delinquent outstanding property taxes at September 30, 2020.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the County bills the taxpayers. The County begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

Inventories of materials and supplies held by the General Fund are considered immaterial and thus are not accounted for in the Balance Sheet. In the General Fund, disbursements for supplies and materials are expenditures at the time of purchase. There were no inventory items at September 30, 2020. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide but not in the fund financial statements.

4. Restricted Assets

There were no restricted assets at September 30, 2020.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The County had no major construction projects during the year except for roof construction projects on several of the County's buildings.

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

<i>Assets</i>	<i>Years</i>
Buildings	40
Building Improvements	20
Leasehold Improvements	30
Land Improvements	30
Electrical Generation Systems	22
Electrical Systems	10
Plumbing Systems	10
Central Air/Heat Systems	10
Equipment	06
Office Furnishings	07
Law Enforcement Equipment	05
Life Safety Equipment	05
Works of Art	Permanent
Land	Permanent
Land Improvements	Permanent
Library Materials	Permanent
Vehicles	05
Office Equipment	06
Computer Equipment	03
Furniture	07

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government-wide financial statements.

7. Fund Balances – Governmental Funds

As of September 30, 2020, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of Commissioner's Court. Commissioner's Court is the highest level of decision-making authority for the County. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Commissioner's Court.

Unassigned — all other spendable amounts.

As of September 30, 2020, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Prepaid Items	\$19,080
Restricted	
Administration - County	81,467
Administration - County Clerk	6,639
Archives	29,319
Health and Welfare	22,745
Judicial	59,719
Legal	7,714
Public Safety	1,317,604
Public Transportation	224,323
Committed	
Administration - County	350,213
Culture and Recreation	3,637
Unassigned	2,222,887
Total Fund Balance	<u>\$4,345,347</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Commissioner's Court or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the Commissioner's Court adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year-end to be at least equal to 25 percent of the subsequent year's budgeted General Fund expenditures.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is deferred under GASB 68.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government only has one item that qualifies for reporting in this category. It is deferred under GASB 68.

The County reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the County and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

9. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. 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 applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "long-term liabilities (compensated absences), are not due and payable in the current period and therefore are not reported in the funds." The details of this \$69,051 difference are as follows:

Compensated Absences	<u>\$69,051</u>
	<u>\$69,051</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds" report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$3,589,203 difference are as follows:

Capital Assets Not Being Depreciated	\$126,796
Capital Assets Being Depreciated	9,213,160
Depreciation Expense	(5,750,753)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$3,589,203</u>

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$126,735 difference are as follows:

Property Taxes Receivable	\$135,783
Allowance for Doubtful Accounts	<u>(9,048)</u>
Net	<u>\$126,735</u>

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this \$1,242,360 difference are as follows:

Fines Receivable	\$909,834
Allowance for Doubtful Accounts	(345,681)
Net Pension Receivable	728,627
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/19)	259,155
Deferred Inflow-Differences between expected and actual experience	(113,281)
Deferred Outflow-Changes of assumptions	12,322
Deferred Inflow-Differences between projected and actual experience	<u>(208,616)</u>
Net	<u>\$1,242,360</u>

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of this \$732,741 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	1,313,628
Capital Outlay - Deletions - Net	(115,254)
Depreciation Expense	(465,633)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u><u>\$732,741</u></u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

The original budget is adopted by the Commissioner's Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioner's Court. The final amended budget is used in this report.

The budget should not be exceeded in any expenditure category under State law. Unused appropriations lapse at the end of each year.

The County Judge is, by statute, the Budget Officer of the County. He usually requests and relies on the assistance of the County Auditor to prepare the annual budget. After being furnished budget guidelines by the Commissioner's Court, the County Judge prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the Commissioner's Court.

The Commissioner's Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioner's Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the County Judge's prepared estimate of revenues and available cash. The final budget can be legally amended by the Commissioner's Court to whatever extent the Court desires if the amended figures do not exceed the County Judge's estimate of revenues and available cash.

When the Budget has been adopted by the Commissioner's Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the Commissioner's Court advised of the condition of the various funds and accounts. The level of control for each legally adopted annual operating budget is the fund.

Budgets for all budgeted General and Special Revenue Funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2020 fiscal year were adopted for the General Fund, the Road and Bridge Fund and the Jail and Detention Facility Revenue Fund.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2020, expenditures did not exceed appropriations in any fund.

C. Deficit fund equity: There were no deficit fund balances as of September 30, 2020 except for the following:

FEMA Grant - \$104,278
Kinney Stonegarden 2019 - \$88,464
Border Star JAG fund - \$67,527
City Deputy - \$94
COPS Grant - \$306
KSCO LBSP Grant - \$5,343
Operation Stonegarden - \$32,058
Operation Stonegarden Grant 2013 - \$4,366

These negative fund balances are expected to be liquidated by future resources of the funds.

IV. Detailed Notes on All Funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

Deposits:

Custodial Credit Risk - Deposits: The County's deposits and certificates of deposit are entirely with the county depository covered by federal depository insurance (FDIC) or by collateral held by the government's agent in the government's name. The County's deposits of \$3,225,619 were exposed to custodial credit risk because its deposits were not fully covered by either depository insurance or \$2,381,328 securities pledged in the name of the County. They were under collateralized by \$594,291. The book amount of the cash at September 30, 2020 is \$3,060,081.

Investments:

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds.

TexPool and Tex Star Funds use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool and Tex Star Funds do not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. TexPool and Tex Star Funds have a credit rating of AAAm from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal.

TexPool and Tex Star Funds invest a high-quality portfolio of debt securities investments that are legally permissible for local governments in the state.

All funds participate in a pooling of cash and investment income to maximize investment opportunities. Each fund may liquidate its equity in the pool on demand.

The County's investments are authorized by the County. The County is authorized to invest in obligations of the U.S. Government and its agencies or instrumentalities; direct obligations of Texas and its agencies and instrumentalities; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating; insured or collateralized certificates of deposit; fully collateralized repurchase agreements; and government pools.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County's investments by fair value level are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The County has no Level 1 investments (investments valued using prices quoted in active markets for identical securities) or Level 3 investments (investments valued using significant unobservable inputs). As of September 30, 2020, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
Texpool	\$2,568,871	Less than 1 year	Less than 1 year
Tex Star Funds	\$1,160,622	Less than 1 year	Less than 1 year

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit Risk. The County's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The County's investments were rated as follows: TexPool Funds - AAAm and Tex Star Funds - AAAm.

Concentration of Credit Risk. The County places no limit on the amount the County may invest in any one issuer. 31 percent of the County's investments are in Texpool and 69 percent of the County's investments are in Tex Star Funds.

B. Receivables

Receivables as of year-end for the government's individual major funds and non-major, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Road and Bridge	Jail and Detention Facility Revenue	Other Governmental Funds	Total
<u>Receivables</u>					
Taxes	\$130,179			\$5,604	\$135,783
Accounts	7,737	3,843	118,645	2,633	132,858
Intergovernmental	30,796			17,087	47,883
Fees and Fines	909,834				909,834
Gross Receivables	1,078,546	3,843	118,645	25,324	1,226,358
Less: Allowance for Uncollectibles	354,356			373	354,729
Net Total Receivables	\$724,190	\$3,843	\$118,645	\$24,951	\$871,629

The receivables are expected to be collected within one year.

C. Capital Assets

Capital asset activity for the year ended September 30, 2020 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$126,796			\$126,796
Construction in Progress	0			0
Total capital assets not being depreciated:	126,796	0	0	126,796
Capital assets being depreciated:				
Intangible	61,763			61,763
Building and Improvements	2,975,859	442,250	122,813	3,295,296
Machinery, Equipment and Vehicles	3,523,978	871,378	121,399	4,273,957
Infrastructure	1,582,144			1,582,144
Total capital assets being depreciated:	8,143,744	1,313,628	244,212	9,213,160
Less: Accumulated Depreciation for:				
Intangible	22,784	6,176		28,960
Building and Improvements	1,119,313	110,081	13,392	1,216,002
Machinery, Equipment and Vehicles	2,689,837	349,376	115,566	2,923,647
Infrastructure	1,582,144			1,582,144
Total Accumulated Depreciation	5,414,078	465,633	128,958	5,750,753
Total Capital Assets Depreciated, Net	2,729,666	847,995	115,254	3,462,407
Governmental Activities capital assets, Net	\$2,856,462	\$847,995	\$115,254	\$3,589,203

Construction commitments

The County had no major construction projects during the year except for roof construction projects on several of the County's buildings.

The depreciation expensed for the year ended September 30, 2020 is as follows:

Governmental Activities	
Judicial	\$1,008
Financial Administration	51,400
Public Facilities	20,396
Public Safety	310,089
Public Transportation	43,441
Culture and Recreation	30,463
Health and Welfare	5,233
Conservation - Agriculture	3,603
Total Depreciation Expense - Governmental Activities	<u>\$465,633</u>

D. Interfund Receivables, Payables, and Transfers

Due to/from other funds are as follows:

<i>ACCOUNT</i>	<i>AMOUNT</i>	<i>REASON</i>	<i>EXPECTED TO BE LIQUIDATED</i>
GENERAL FUND			
DUE FROM VARIOUS NON-DEPARTMENTAL FUNDS	\$91,305	FUND GENERAL OPERATIONS	WITHIN YEAR
VARIOUS NON-DEPARTMENTAL FUNDS			
DUE FROM VARIOUS NON-DEPARTMENTAL FUNDS	7,554	FUND GENERAL OPERATIONS	WITHIN YEAR
	<u>\$98,859</u>		

These amounts above were for operating capital and are expected to be repaid during the 2020 fiscal year.

There were no interfund balances as of September 30, 2020.

There were no advances at September 30, 2020.

The transfers for the year ended September 30, 2020 are as follows:

	TRANSFER IN			TOTAL
	GENERAL FUND	ROAD AND BRIDGE FUND	OTHER GOVERN- MENTAL FUNDS	
TRANSFER OUT				
GENERAL FUND			\$168,229	\$168,229
JAIL AND DETENTION FACILITY FUNDS	870,000			870,000
OTHER GOVERNMENTAL FUNDS		86,500	1,510	88,010
TOTALS	<u>\$870,000</u>	<u>\$86,500</u>	<u>\$169,739</u>	<u>\$1,126,239</u>

The above transfers are non-recurring. The transfers into the General Fund and the Road and Bridge Fund are for daily operations.

E. Long-Term Debt

The government had no long-term debt during the audit year and at September 30, 2020 except for the following:

	Beginning			Ending	Due Within	Due After
Governmental Activities:	Balance	Additions	Reductions	Balance	One Year	One Year
Compensated Absences	\$66,398	\$69,051	\$66,398	\$69,051	\$69,051	\$0
	\$66,398	\$69,051	\$66,398	\$69,051	\$69,051	\$0

F. Leases

Operating Leases:

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$14,157 for the year ended September 30, 2020. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30	Amount
2021	\$ 12,124
2022	11,410
2023	10,654
2024	7,065
Total	<u>\$41,253</u>

Rent expenditures were \$0 for the year ended September 30, 2020. Rental income was \$3,250 for the year ended September 30, 2020.

V. Other Information

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage, and subrogation).

1. General Liability Insurance

The County is insured for general, police officers and automobile liability.

The County has joined with other governments in the Texas Association of Counties Risk Management Pool. The County pays an annual premium to Risk Management for auto vehicle insurance coverage. The agreement with Risk Management provides that Risk Management will be self-sustaining through member premiums and will reinsure through commercial companies for claims more than \$100,000 to \$300,000 for each insurance event. The County anticipates no contingent losses.

Texas Association of Counties Risk Management Pool has published its own financial report that can be obtained from the Texas Association of Counties Risk Management Pool.

The County continues to carry commercial fidelity bonds for elected officials and for management.

2. Property and Casualty Insurance

Property, casualty, mobile equipment insurance is provided by Texas Association of Counties Risk Management Pool.

3. Workers' Compensation Insurance

The County insures against workers' compensation claims through Texas Association of Counties Risk Management Pool.

4. Group Health and Life Insurance

The County maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

5. Unemployment Compensation Insurance

The County insures for unemployment compensation claims through an agreement with the Texas Association of Counties.

B. Related Party Transaction

The County had the following related party transactions during the year.

Commissioner Pct #3 owns D&D Hardware where the County occasionally purchases various items. The total amount of the purchases for the 2019-2020 year was \$16,983.10. There were no amounts owed to the company by the County at year end nor did the Commissioner owe any amounts to the County at year end.

Assistant County Auditor – Mother-in-law provides janitorial services for the Civic Center. The total amount of the services for the 2019-2020 year was \$5,865.00. There were no amounts owed to the Mother-in-law by the County at year end nor did the Mother-in-law owe any amounts to the County at year end.

C. Subsequent Events

On December 14, 2020, the County accepted a bid from CFC Roofing, Inc. to replace the roof on the courthouse in the amount of \$169,700.00.

On January 11, 2021, the County accepted a bid from CFC Roofing, Inc. for the repair/replacement of two (2) concrete approaches/driveways for the new fire station in the amount of \$40,831.45 and for the repair/replacement of the roof on the Ora's building in the amount of \$18,000.00. The County also approved a bid for Administrative Services for the Texas Community Development Block Grant to Asi Grant Consulting, which will be 8% of the total construction cost.

D. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Amescua v. Kinney County – Anna Amescua made a sexual harassment complaint against a constable after the constable was requested to investigate possible tampering with official records by Amescua regarding her time sheets with the County. The County has not concluded about whether an unfavorable outcome is probable.

State of Texas ex. Rel Todd A. Durden, County Attorney of Kinney County, Texas v. Isela Ramon – Case No. 4863 – This case is involving the recovery of fees, in the amount of \$1,391.76, that was incurred by Mr. Durden in Case No. 4716. The case was dismissed by Judge Sid Harle and Mr. Durden was ordered to pay \$18,681.03 in costs and attorney's fees incurred by the County. Mr. Durden appealed the ruling, and the County has filed a Motion to Dismiss the appeal. A ruling has not been made at the time of the report.

The State of Texas, ex. Rel. Todd Durden v. James T. Shahan – Case No. 4845 – This case is involving the formation of the 2018 Kinney County Grievance Committee. Mr. Durden's salary was reduced due to non-performance of his statutory duties and he sought to grieve the matter with the grievance committee. When the meeting was scheduled, Mr. Durden obtained a TRO preventing the committee from acting. The Court declined the TRO, the committee met and denied Mr. Durden's salary. The case was dismissed by Judge Sid Harle and Mr. Durden has been ordered to pay \$23,251.76 in attorney's fees incurred by the County. Mr. Durden has appealed this ruling and the County filed a Motion to Dismiss the appeal. A ruling has not been made at the time of the report.

State of Texas, Ex. Rel. Todd A. "Tadeo" Durden, County Attorney – Cause No. 04-19-00776-CV – Mr. Durden has asked for the recusal of Judge Shahan on the claim that he has lodged against his own County and elected officials and has a bias against the State of Texas in misdemeanor prosecutions filed with the office of the County Attorney of Kinney County. This case was dismissed by visiting Judge Sid Harle on 11/25/19, and Mr. Durden was ordered to pay \$51,575.69 in costs and attorney's fees incurred by Kinney County in the defense of this litigation. Mr. Durden has appealed this ruling. Kinney has filed a Motion to Dismiss the appeal, but a ruling has not been made at the time of this report.

E. Other Post-Employment Benefits

There are no post-employment benefits.

F. Tax abatements

Tax Abatement Agreement Kinney County, Texas and Zier Solar, LLC on the 10th day of August 2020; pursuant to order passed on June 22, 2020, whereby the County Commissioners Court established County Reinvestment Zone No. 002 ("Reinvestment Zone") in accordance with Section 312.401 of the Texas Property Tax Code; and the Premises is located within the Reinvestment Zone.

Development and construction/installation of facilities and equipment for, and the operation of a minimum 160-megawatt solar electric generating system/facility, photovoltaic panels, and central inverters and other equipment.

Owner has projected a Capital Investment of \$145,000,000. Owner has promised a Minimum Capital Investment of \$50,000,000. The Abatement Schedule that a Project falls under is based on Actual Capital Investment. If the owner fails to make at least an Actual Capital Investment of \$50,000,000 in the Project by the applicable Completion Date, the County may terminate this Agreement. Owner shall complete the Project by December 31, 2022, Owner shall have the right to extend the Project Completion Date to December 31, 2023, by giving to the County on or before December 31, 2022 the above written certification and its notice of extending the Project Completion Date to December 31, 2023.

The Project is a photovoltaic power generation facility with an estimated capacity of 160 MW and an estimated capital investment cost of \$145,000,000. The Project seeks to develop and interconnect 160 MW of power into the ERCOT market. It is located on approximately 1,800 acres of contiguous land located entirely within Kinney County. The Project also includes a 138 kV transmission line to connect the 160 MW solar project to the LCRA Pinto Creek Substation. The Project will consist of approximately 1.9 million solar PV modules, connected to form strings, which are subsequently connected in parallel and mounted on rows of horizontal, single axis trackers. The Project will also feature central power inverters and transformers to convert DC power to AC electricity. Owner intends to connect 138 kV LCRA TX Line known as "Hamilton Road" to Brackettville 138 kV. All improvements will remain within the Project boundary and within the Kinney County Enterprise Zone.

The abatements will be 40% per year for 10 years. In the event of a breach by Zier, they will be required to pay more in cumulative taxes than it would have paid for taxable investment in the unincorporated area of Kinney County if this Agreement had never been entered into by the parties.

G. Defined Benefit Pension Plans

Net Pension Liability/ (Asset)

Net Pension Liability / (Asset)	<u>December 31, 2018</u>	<u>December 31, 2019</u>
Total pension liability	\$7,630,706	\$8,155,510
Fiduciary net position	7,411,118	8,551,138
Net pension liability / (asset)	219,588	(395,627)
Fiduciary net position as a % of total pension liability	97.12%	104.85%
Pensionable covered payroll	\$2,398,569	\$2,429,289
Net pension liability as a % of covered payroll	9.15%	(16.29%)

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Discount Rate

Discount rate	8.10%	8.10%
Long-term expected rate of return, net of investment expense	8.10%	8.10%
Municipal bond rate	Does not apply	Does not apply

Other Key Actuarial Assumptions

All actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68.

See Appendix B of this report (Actuarial Methods and Assumptions Used for GASB Calculations) for a listing of key assumptions used in the calculation of the total pension liability and other GASB 68 metrics.

See Appendix C (Actuarial Methods and Assumptions Used for Funding Valuation) of this report for a full description of the actuarial assumptions used in the funding valuation.

	Beginning Date	Ending Date
Valuation date	December 31, 2018	December 31, 2019
Measurement date	December 31, 2018	December 31, 2019
Employer's fiscal year	October 1, 2019	September 30, 2020

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)
2020	\$8,551,138	\$326,738	\$635,651	\$8,551	\$680,035	\$8,913,708
2021	8,913,708	300,061	500,274	8,914	713,706	9,418,287
2022	9,418,287	284,748	530,431	9,418	752,751	9,915,935
2023	9,915,935	271,844	566,187	9,916	791,108	10,402,785
2024	10,402,785	253,666	616,206	10,403	827,815	10,857,657
2025	10,857,657	242,939	657,042	10,858	862,594	11,295,291
2026	11,295,291	232,910	688,949	11,295	896,360	11,724,317
2027	11,724,317	206,843	712,869	11,724	929,109	12,135,675
2028	12,135,675	198,259	754,366	12,136	960,424	12,527,856
2029	12,527,856	190,417	777,392	12,528	990,949	12,919,302
2030	12,919,302	182,412	802,818	12,919	1,021,313	13,307,290
2031	13,307,290	174,164	833,335	13,307	1,051,185	13,685,997
2032	13,685,997	167,337	855,996	13,686	1,080,675	14,064,326
2033	14,064,326	159,834	881,239	14,064	1,110,004	14,438,861
2034	14,438,861	151,257	909,948	14,439	1,138,846	14,804,576
2035	14,804,576	142,533	964,153	14,805	1,165,955	15,134,107
2036	15,134,107	133,612	1,017,617	15,134	1,190,157	15,425,125
2037	15,425,125	125,630	1,045,355	15,425	1,212,299	15,702,273
2038	15,702,273	116,384	1,075,898	15,702	1,233,157	15,960,214
2039	15,960,214	107,593	1,102,118	15,960	1,252,650	16,202,379
2040	16,202,379	99,324	1,128,487	16,202	1,270,880	16,427,894
2041	16,427,894	90,821	1,159,265	16,428	1,287,578	16,630,600
2042	16,630,600	82,604	1,184,545	16,631	1,302,658	16,814,687
2043	16,814,687	75,054	1,207,230	16,815	1,316,361	16,982,057
2044	16,982,057	68,760	1,219,818	16,982	1,329,162	17,143,178
2045	17,143,178	62,908	1,252,323	17,143	1,340,683	17,277,304
2046	17,277,304	57,191	1,269,154	17,277	1,350,647	17,398,711
2047	17,398,711	51,768	1,293,310	17,399	1,359,301	17,499,071
2048	17,499,071	46,792	1,305,094	17,499	1,366,761	17,590,031
2049	17,590,031	42,419	1,348,920	17,590	1,372,211	17,638,151
2050	17,638,151	37,457	1,362,789	17,638	1,375,359	17,670,540
2051	17,670,540	32,402	1,378,828	17,671	1,377,143	17,683,587
2052	17,683,587	28,517	1,387,893	17,684	1,377,685	17,684,212
2053	17,684,212	25,346	1,388,343	17,684	1,377,592	17,681,123
2054	17,681,123	22,266	1,377,122	17,681	1,377,665	17,686,252
2055	17,686,252	19,303	1,408,940	17,686	1,376,699	17,655,628
2056	17,655,628	16,666	1,397,167	17,656	1,374,583	17,632,054
2057	17,632,054	14,334	1,380,491	17,632	1,373,244	17,621,508
2058	17,621,508	12,164	1,369,137	17,622	1,372,755	17,619,669
2059	17,619,669	10,407	1,352,756	17,620	1,373,187	17,632,886

2060	17,632,886	8,360	1,335,956	17,633	1,374,843	17,662,501
2061	17,662,501	6,747	1,320,598	17,663	1,377,786	17,708,773
2062	17,708,773	5,395	1,294,358	17,709	1,382,521	17,784,622
2063	17,784,622	4,379	1,263,047	17,785	1,389,865	17,898,035
2064	17,898,035	3,244	1,235,032	17,898	1,400,114	18,048,463
2065	18,048,463	2,594	1,198,036	18,048	1,413,736	18,248,708
2066	18,248,708	2,023	1,160,165	18,249	1,431,429	18,503,746
2067	18,503,746	1,525	1,121,030	18,504	1,453,611	18,819,349
2068	18,819,349	1,111	1,080,684	18,819	1,480,748	19,201,705
2069	19,201,705	899	1,036,925	19,202	1,513,433	19,659,910
2070	19,659,910	381	998,966	19,660	1,552,017	20,193,681
2071	20,193,681	309	952,745	20,194	1,597,064	20,818,114
2072	20,818,114	248	906,398	20,818	1,649,456	21,540,603
2073	21,540,603	149	860,603	21,541	1,709,763	22,368,371
2074	22,368,371	79	814,760	22,368	1,778,598	23,309,920
2075	23,309,920	64	768,186	23,310	1,856,675	24,375,163
2076	24,375,163	0	723,129	24,375	1,944,704	25,572,362
2077	25,572,362	0	677,194	25,572	2,043,453	26,913,049
2078	26,913,049	0	632,027	26,913	2,153,789	28,407,899
2079	28,407,899	0	587,652	28,408	2,276,575	30,068,413
2080	30,068,413	0	544,362	30,068	2,412,730	31,906,713
2081	31,906,713	0	502,152	31,907	2,563,235	33,935,889
2082	33,935,889	0	461,072	33,936	2,729,150	36,170,031
2083	36,170,031	0	421,237	36,170	2,911,608	38,624,232
2084	38,624,232	0	382,778	38,624	3,111,828	41,314,659
2085	41,314,659	0	345,777	41,315	3,331,115	44,258,682
2086	44,258,682	0	310,355	44,259	3,570,871	47,474,939
2087	47,474,939	0	276,674	47,475	3,832,598	50,983,388
2088	50,983,388	0	244,887	50,983	4,117,905	54,805,422
2089	54,805,422	0	215,148	54,805	4,428,519	58,963,988
2090	58,963,988	0	187,553	58,964	4,766,293	63,483,764
2091	63,483,764	0	162,061	63,484	5,133,228	68,391,447
2092	68,391,447	0	138,683	68,391	5,531,484	73,715,857
2093	73,715,857	0	117,437	73,716	5,963,393	79,488,097
2094	79,488,097	0	98,307	79,488	6,431,475	85,741,777
2095	85,741,777	0	81,270	85,742	6,938,452	92,513,217
2096	92,513,217	0	66,270	92,513	7,487,265	99,841,699
2097	99,841,699	0	53,199	99,842	8,081,100	107,769,759
2098	107,769,759	0	41,975	107,770	8,723,404	116,343,418
2099	116,343,418	0	32,511	116,343	9,417,906	125,612,470

Changes in Net Pension Liability / (Asset)

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, 2018	\$7,630,706	\$7,411,118	\$219,588
Changes of the year:			
Service cost	313,778		\$313,778
Interest on total pension liability	627,579		\$627,579
Effect of plan changes	0		\$0
Effect of economic/demographic gains or losses	(15,554)		(\$15,554)
Effect of assumptions changes or inputs	0		\$0
Refund of contributions	(58,802)	(58,802)	\$0
Benefit payments	(342,197)	(342,197)	\$0
Administrative expenses		(6,516)	\$6,516
Member contributions		170,050	(\$170,050)
Net investment income		1,217,124	(\$1,217,124)
Employer contributions		161,545	(\$161,545)
Other	0	(1,185)	\$1,185
Balances as of December 31, 2019	\$8,155,510	\$8,551,138	(\$395,628)

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$9,137,745	\$8,155,510	\$7,324,264
Fiduciary net position	8,551,138	8,551,138	8,551,138
Net pension liability/(asset)	\$586,607	(\$395,627)	(\$1,226,874)

Pension Expense / (Income)

Pension Expense / (Income)	January 1, 2019 to December 31, 2019
Service cost	\$313,778
Interest on total pension liability	627,579
Effect of plan changes	0
Administrative expenses	6,516
Member contributions	(170,050)
Expected investment return net of investment expenses	(597,239)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(128,302)
Recognition of assumption changes or inputs	12,323
Recognition of investment gains or losses	68,221
Other	1,185
Pension expense	<u>\$134,011</u>

As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$113,281	\$0
Changes of assumptions	0	12,322
Net difference between projected and actual earnings	208,616	0
Contributions made subsequent to measurement date	N/A	Employer determined

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ending December 31:	
2020	(\$113,047)
2021	(95,753)
2022	23,202
2023	(123,977)
2024	0
Thereafter	0

Schedule of Deferred Inflows and Outflows of Resources

Expense / (Income) Calculation				Balances of Deferred Inflows and Outflows as of 12/31/2019	
Original Amount (a)	Date Established (b)	Original Recognition Period (c)	Amount Recognized for 2018 (a) / (c)	Inflows	Outflows
Investment (gains) or losses					
(\$619,885)	12/31/2019	5.0	(\$123,977)	\$495,908	\$0
755,330	12/31/2018	5.0	151,066	0	453,198
(437,290)	12/31/2017	5.0	(87,458)	174,916	0
45,054	12/31/2016	5.0	9,011	0	9,010
597,894	12/31/2015	5.0	119,579	0	0
Economic/demographic (gains) or losses					
(15,554)	12/31/2019	4.0	(3,889)	11,665	0
(125,986)	12/31/2018	4.0	(31,497)	62,992	0
(154,495)	12/31/2017	4.0	(38,624)	38,624	0
(217,168)	12/31/2016	4.0	(54,292)	0	0
(147,672)	12/31/2015	4.0	0	0	0
Assumption changes or inputs					
0	12/31/2019	4.0	0	0	0
0	12/31/2018	4.0	0	0	0
49,290	12/31/2017	4.0	12,323	0	12,322
0	12/31/2016	4.0	0	0	0
78,575	12/31/2015	4.0	0	0	0

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31						2013 -
	2019	2018	2017	2016	2015	2014	2010
Total Pension Liability							
Service cost	\$313,778	\$317,249	\$299,322	\$302,229	\$287,554	\$313,069	N/A
Interest on total pension liability	627,579	595,726	561,618	529,112	495,671	451,004	N/A
Effect of plan changes	0	0	47,511	0	(42,716)	0	N/A
Effect of assumption changes or inputs	0	0	49,290	0	78,575	0	N/A
Effect of economic/demographic (gains) or losses	(15,554)	(125,986)	(154,495)	(217,168)	(147,672)	(34,863)	N/A
Benefit payments/refunds of contributions	(400,999)	(379,944)	(419,459)	(310,700)	(188,031)	(177,849)	N/A
Net change in total pension liability	524,804	407,044	383,786	303,473	483,381	551,361	N/A
Total pension liability, beginning	<u>7,630,706</u>	<u>7,223,662</u>	<u>6,839,875</u>	<u>6,536,403</u>	<u>6,053,021</u>	<u>5,501,660</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$8,155,510</u>	<u>\$7,630,706</u>	<u>\$7,223,662</u>	<u>\$6,839,876</u>	<u>\$6,536,403</u>	<u>\$6,053,021</u>	<u>N/A</u>
Fiduciary Net Position							
Employer contributions	\$161,545	\$177,494	\$178,675	\$166,690	\$166,307	\$160,005	N/A
Member contributions	170,050	167,900	164,352	156,203	153,764	147,956	N/A
Investment income net of investment expenses	1,217,124	(141,856)	976,681	459,120	(87,435)	381,006	N/A
Benefit payments/refunds of contributions	(400,999)	(379,944)	(419,459)	(310,700)	(188,031)	(177,849)	N/A
Administrative expenses	(6,516)	(5,953)	(5,050)	(5,003)	(4,472)	(4,584)	N/A
Other	(1,185)	(267)	(1,072)	74,462	(30,419)	3,771	N/A
Net change in fiduciary net position	1,140,020	(182,625)	894,126	490,771	9,734	510,304	N/A
Fiduciary net position, beginning	<u>7,411,118</u>	<u>7,593,743</u>	<u>6,699,617</u>	<u>6,208,846</u>	<u>6,199,112</u>	<u>5,688,807</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$8,551,138</u>	<u>\$7,411,118</u>	<u>\$7,593,743</u>	<u>\$6,699,617</u>	<u>\$6,208,846</u>	<u>\$6,199,112</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>(\$395,627)</u>	<u>\$219,588</u>	<u>(\$370,082)</u>	<u>\$140,258</u>	<u>\$327,557</u>	<u>(\$146,091)</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	104.85%	97.12%	105.12%	97.95%	94.99%	102.41%	N/A
Pensionable covered payroll	\$4,154,353	\$4,154,353	\$3,972,607	\$3,711,658	\$3,605,446	\$3,414,968	N/A
Net pension liability/(asset) as % of covered payroll	61.03%	61.03%	22.08%	47.47%	52.63%	28.30%	N/A

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	\$109,993	\$109,993	\$0	\$1,578,092	7.0%
2011	108,238	108,238	0	1,620,325	6.7%
2012	121,064	121,064	0	1,674,484	7.2%
2013	145,055	145,055	0	1,883,835	7.7%
2014	160,005	160,005	0	2,113,659	7.6%
2015	166,307	166,307	0	2,196,916	7.6%
2016	166,690	166,690	0	2,231,472	7.5%
2017	178,675	178,675	0	2,347,882	7.6%
2018	177,494	177,494	0	2,398,569	7.4%
2019	161,545	161,545	0	2,429,289	6.6%

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	5.4 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: Employer contributions reflect that a 2% flat COLA was adopted 2019: No changes in plan provisions were reflected in the Schedule.

Appendix A- GASB 68 Plan Description for Kinney County

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

- a. Kinney County participates in the Texas County & 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) TCERS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCERS 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 200%) 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 TCERS 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 Kinney County contribution rate is based on the TCERS funding policy adopted by the TCERS Board of Trustees and must conform with the TCERS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2017 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCERS can be found at the following link, www.tcders.org.

Membership Information

Members	Dec. 31, 2018	Dec. 31, 2019
Number of inactive employees entitled to but not yet receiving benefits:	53	55
Number of active employees:	72	76
Average monthly salary:	\$2,735	\$2,705
Average age:	46.78	45.97
Average length of service in years:	8.21	8.01
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	35	36
Average monthly benefit:	\$808	\$812

Appendix B-Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2019 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Kinney County December 31, 2019 Summary Valuation Report for further details.

The 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
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 Investment	Same as funding valuation: See Appendix C
Rate of Return Cost-of-	8.10% (Gross of administrative expenses)
Living Adjustments	Cost-of-Living Adjustments for Kinney County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments 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

Appendix C-Actuarial Methods and Assumptions Used for Funding Valuation

Except where indicated in the section of this GASB 68 report entitled "Actuarial Methods and Assumptions Used for GASB Calculations", the assumptions used in this analysis for the December 31, 2019 financial reporting metrics are the same as those used in the December 31, 2019 actuarial valuation analysis for Kinney County.

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

Economic Assumptions

TCDRS system-wide economic assumptions:

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

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

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

Employer-specific economic assumptions:

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

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

Appendix D-Contributions Made Subsequent to Measurement Date

GASB Statement No. 71 ("GASB 71"), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, requires employer contributions made between the measurement date, which is the date used to determine an employer's net pension liability ("NPL"), and the employer's fiscal year end be reported as a deferred outflow of resources ("DOoR"). The statement "requires a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability."

For GASB valuation purposes, TCDRS' consulting actuary will compute each participating employer's NPL as of Dec. 31 of each year. Employers will need to account for pension contributions (employer; not employee contributions or group term life premiums) made between the measurement date and the employer's fiscal year end as a DOoR. These contributions will not be reported to you as part of this GASB report; employers can access their monthly employer activity statements, which display employer contributions to the retirement plan via the TCDRS Employer Portal.

Texas County & District Retirement System

Funding Policy

In Effect for the December 31, 2019 Actuarial Valuation

Introduction

The funding policy governs how the Texas County & District Retirement System (TCDRS) determines the employer contributions required to ensure that benefits provided to TCDRS members are funded in a reasonable and equitable manner. The goals of TCDRS' funding policy are to fully fund benefits over the course of employees' careers to ensure intergenerational equity, and to balance rate and benefit stability with the need for the plan funding to be reflective of current plan conditions.

This policy documents the current funding policies in effect for the Dec. 31, 2019 actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

TCDRS funding overview

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Methodology for determining employer contribution rates

The board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

- Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments.
- Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.
- Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions.

Actuarial cost method

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

Amortization policy

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

For newly participating districts that have five or fewer employees who are all within five years of retirement eligibility, any initial UAAL and any subsequent adoption of prior service credits are amortized over a five-year closed amortization period. This ensures that benefits are appropriately funded over the current generation of employees.

Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period.

If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30- year open amortization period.

Asset valuation method

When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

In addition, the board has the ability to set aside reserves from investment earnings that are used to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle.

Actuarial assumptions

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

Oversight

The board has established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied.

Review of actuarial assumptions

TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience. TCDRS assumptions are compared to plan experience and future expectations, and changes to the assumptions are recommended as needed. The board adopts actuarial assumptions to be used in the valuation based on the results of this study.

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results.

Review of employer contribution rates

In order to test accuracy and ensure that the actuarial methods and assumptions are being correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review audit of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample data and plans, the auditing actuary fully replicates the original actuarial valuation.

Review and modification of funding policy

The board will review this policy on a regular basis and may modify this policy at its discretion. Modifications to the policy may be submitted for consideration to the board by staff and/or outside consulting actuaries as circumstances warrant.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31						2013 - 2009
	2019	2018	2017	2016	2015	2014	
Total Pension Liability							
Service cost	\$313,778	\$317,249	\$299,322	\$302,229	\$287,554	\$313,069	N/A
Interest on total pension liability	627,579	595,726	561,618	529,112	495,671	451,004	N/A
Effect of plan changes	0	0	47,511	0	(42,716)	0	N/A
Effect of assumption changes or inputs	0	0	49,290	0	78,575	0	N/A
Effect of economic/demographic (gains) or losses	(15,554)	(125,986)	(154,495)	(217,168)	(147,672)	(34,863)	N/A
Benefit payments/refunds of contributions	<u>(400,999)</u>	<u>(379,944)</u>	<u>(419,459)</u>	<u>(310,700)</u>	<u>(188,031)</u>	<u>(177,849)</u>	<u>N/A</u>
Net change in total pension liability	524,804	407,044	383,786	303,473	483,381	551,361	<u>N/A</u>
Total pension liability, beginning	<u>7,630,706</u>	<u>7,223,662</u>	<u>6,839,875</u>	<u>6,536,403</u>	<u>6,053,021</u>	<u>5,501,660</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$8,155,510</u>	<u>\$7,630,706</u>	<u>\$7,223,662</u>	<u>\$6,839,875</u>	<u>\$6,536,403</u>	<u>\$6,053,021</u>	<u>N/A</u>
Fiduciary Net Position							
Employer contributions	\$161,646	\$177,494	\$178,675	\$166,690	\$166,307	\$160,005	N/A
Member contributions	170,050	167,900	164,352	156,203	153,784	147,956	N/A
Investment income net of investment expenses	1,217,124	(141,856)	976,681	459,120	(87,435)	381,006	N/A
Benefit payments/refunds of contributions	(400,999)	(379,944)	(419,459)	(310,700)	(188,031)	(177,849)	N/A
Administrative expenses	(6,516)	(5,953)	(5,050)	(5,003)	(4,472)	(4,584)	N/A
Other	<u>(1,185)</u>	<u>(267)</u>	<u>(1,072)</u>	<u>24,462</u>	<u>(30,419)</u>	<u>3,771</u>	<u>N/A</u>
Net change in fiduciary net position	1,140,020	(182,625)	894,126	490,771	9,734	510,304	N/A
Fiduciary net position, beginning	<u>7,411,118</u>	<u>7,593,743</u>	<u>6,699,617</u>	<u>6,208,846</u>	<u>6,199,112</u>	<u>5,688,807</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$8,551,138</u>	<u>\$7,411,118</u>	<u>\$7,593,743</u>	<u>\$6,699,617</u>	<u>\$6,208,846</u>	<u>\$6,199,112</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>(\$395,627)</u>	<u>\$219,588</u>	<u>(\$37,082)</u>	<u>\$140,258</u>	<u>\$327,557</u>	<u>(\$146,091)</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	104.85%	97.12%	105.12%	97.95%	94.99%	102.41%	N/A
Pensionable covered payroll	\$2,429,289	\$2,398,569	\$2,347,882	\$2,231,472	\$2,196,916	\$2,113,659	N/A
Net pension liability/(asset) as % of covered payroll	-16.29%	9.15%	-15.76%	6.29%	14.91%	-6.91%	N/A

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

KINNEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020

	SPECIAL REVENUE					
	BODY			CHAPTER	CHAPTER	
	ARMOR	BORDER	CCP	203	203	CIVIL
	GRANT	STAR	RECORD	RMP -	RMP -	COURT
	3780101	JAG	MANAGEMENT	CLERK	VAR.	FEES
ASSETS						
Cash and Cash Equivalents			\$864	\$5,330	\$2,425	\$4,520
Receivables (net of allowance for uncollectibles)						
Due from Other Funds						
Prepaid Items						
	\$0	\$0	\$864	\$0	\$5,330	\$2,425
						\$4,520
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable		\$514				
Bank Overdraft						
Accrued Wages						
Due to Other Funds		67,013				
Total Liabilities	0	67,527	0	0	0	0
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue-Property Taxes						
Total deferred inflows of resources	0	0	0	0	0	0
Fund Balances:						
Non-Spendable						
Prepaid Items						
Restricted						
Administration - County					2,425	4,520
Administration - County Clerk			864	5,330		
Archives						
Health and Welfare						
Judicial						
Legal						
Public Safety						
Public Transportation						
Committed						
Administration - County						
Culture and Recreation						
Unassigned		(67,527)				
Total Fund Balances	0	(67,527)	864	0	5,330	2,425
						4,520
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$0	\$864	\$0	\$5,330	\$2,425
						\$4,520

The notes to the financial statements are an integral part of this statement.
 (continued)

SPECIAL REVENUE									
CITY DEPUTY	COMMUNITY DEVELOP- MENT	CONGRESS- IONAL LINEBACKER	CONTINUING EDUCATION JUDGE	CONTINUING EDUCATION CONSTABLE	COPS GRANT	COUNTY AND DISTRICT COURT TECH	COUNTY DETENTION CENTER	COURTHOUSE SECURITY	DISTRICT CLERK - RM&P
	\$55,519		\$285	\$685		\$4,862	\$197	\$65,170	\$2,047
		178						107	
\$0	\$55,519	\$178	\$285	\$685	\$0	\$4,862	\$197	\$65,277	\$2,047
\$94					306			\$95	
		163							
94	0	163	0	0	306	0	0	95	0
0	0	0	0	0	0	0	0	0	0
	55,519		285	685					
						4,862			2,047
		15					197	65,182	
(94)					(306)				
(94)	55,519	15	285	685	(306)	4,862	197	65,182	2,047
\$0	\$55,519	\$178	\$285	\$685	\$0	\$4,862	\$197	\$65,277	\$2,047

KINNEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020
 (continued)

	SPECIAL REVENUE						
	DISTRICT COURT CIVIL	ELDERLY NUTRITION	ELECTION	EMS DONATIONS	FAMILY PROTECTION	FIRE RESCUE DONATIONS	FM & LATERAL ROAD FUND
ASSETS							
Cash and Cash Equivalents	\$75	\$1,207	\$2,790	\$2,900	\$300	\$13,720	\$164,382
Receivables (net of allowance for uncollectibles)		11,635					5,635
Due from Other Funds							
Prepaid Items		1,024					
	\$75	\$13,866	\$2,790	\$2,900	\$300	\$13,720	\$170,017
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable		\$1,400				\$200	
Bank Overdraft							
Accrued Wages							
Due to Other Funds							
Total Liabilities	0	1,400	0	0	0	200	0
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue-Property Taxes							5,231
Total deferred inflows of resources	0	0	0	0	0	0	5,231
Fund Balances:							
Non-Spendable							
Prepaid Items		1,024					
Restricted							
Administration - County			2,790				
Administration - County Clerk							
Archives							
Health and Welfare		11,442		2,900			
Judicial	75						
Legal							
Public Safety					300	13,520	
Public Transportation							164,786
Committed							
Administration - County							
Culture and Recreation							
Unassigned							
Total Fund Balances	75	12,466	2,790	2,900	300	13,520	164,786
TOTAL LIABILITIES AND FUND BALANCES	\$75	\$13,866	\$2,790	\$2,900	\$300	\$13,720	\$170,017

The notes to the financial statements are an integral part of this statement.
 (continued)

SPECIAL REVENUE										
HEALTHY COUNTY	HOT CHECK	HS LEPTA 147	INDIGENT HEALTH CARE	JAG NO. 2532507	JP IN COURT	JP TECH- NOLOGY FUND	KINNEY COUNTY HISTORICAL COMMISSION - CONTRIBUTIONS	KCSO SB1849 AWARD	KCSO DONATIONS	KCSO LBSP GRANT
\$471	\$2		\$7,958		\$8	\$52,711	\$3,637		\$4,235	
						16				2,060
\$471	\$2	\$0	\$7,958	\$0	\$8	\$52,727	\$3,637	\$0	\$4,235	\$2,060
\$26										\$72 6,980 351
26	0	0	0	0	0	0	0	0	0	7,403
0	0	0	0	0	0	0	0	0	0	0
445			7,958		8	52,727				
	2								4,235	
							3,637			
										(5,343)
445	2	0	7,958	0	8	52,727	3,637	0	4,235	(5,343)
\$471	\$2	\$0	\$7,958	\$0	\$8	\$52,727	\$3,637	\$0	\$4,235	\$2,060

KINNEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020
 (continued)

	SPECIAL REVENUE							
	KCSO PLAIN MKTING GRANT	LATERAL ROAD FUND	LAW LIBRARY	LBSP FUND	LBSP GRANT	PRE- TRIAL DIVERSION	RECORD ARCHIVE FEE	RECORD MANAGEMENT AND PRES- ERVATION
ASSETS								
Cash and Cash Equivalents		\$29,086	\$7,712			\$65,890	\$34,214	\$17,693
Receivables (net of allowance for uncollectibles)							1,195	910
Due from Other Funds				7,554				
Prepaid Items								
	\$0	\$29,086	\$7,712	\$7,554	\$0	\$65,890	\$35,409	\$18,603
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts Payable							\$6,090	\$5,250
Bank Overdraft								
Accrued Wages								
Due to Other Funds								
Total Liabilities	0	0	0	0	0	0	6,090	5,250
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue-Property Taxes								
Total deferred inflows of resources	0	0	0	0	0	0	0	0
Fund Balances:								
Non-Spendable								
Prepaid Items								
Restricted								
Administration - County								13,353
Administration - County Clerk								
Archives							29,319	
Health and Welfare								
Judicial								
Legal			7,712					
Public Safety				7,554		65,890		
Public Transportation		29,086						
Committed								
Administration - County								
Culture and Recreation								
Unassigned								
Total Fund Balances	0	29,086	7,712	7,554	0	65,890	29,319	13,353
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$29,086	\$7,712	\$7,554	\$0	\$65,890	\$35,409	\$18,603

The notes to the financial statements are an integral part of this statement.

SPECIAL REVENUE										
RM&P VARIOUS COUNTY OFFICES	SHERIFF CONTIN- UING EDUCATION	STRAC EMS GRANT	UNCLAIMED FUNDS	OPERA- TION STONE GARDEN	STONE GARDEN GRANT 2013	STONE GARDEN GRANT 2014	KINNEY STONE GARDEN 2016	KINNEY STONE GARDEN 2017	KINNEY STONE GARDEN 2018	VITAL STATISTICS PRES- ERVATION
\$1,890	\$9,221		\$213					\$1,278	\$35,530	\$444
						3,214				1
\$1,890	\$9,221	\$0	\$213	\$0	\$0	\$3,214	\$0	\$1,278	\$35,530	\$445

				\$375	\$4,366					
				31,683						
0	0	0	0	32,058	4,366	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0

1,890										445
	9,221					3,214		1,278	35,530	
			213							
				(32,058)	(4,366)					
1,890	9,221	0	213	(32,058)	(4,366)	3,214	0	1,278	35,530	445
\$1,890	\$9,221	\$0	\$213	\$0	\$0	\$3,214	\$0	\$1,278	\$35,530	\$445

KINNEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020
 (continued)

SPECIAL REVENUE	TOTAL NON-MAJOR GOVERN- MENTAL FUNDS
ASSETS	
Cash and Cash Equivalents	\$599,471
Receivables (net of allowance for uncollectibles)	24,951
Due from Other Funds	7,554
Prepaid Items	1,024
	<u>\$633,000</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$18,482
Bank Overdraft	7,286
Accrued Wages	351
Due to Other Funds	98,859
Total Liabilities	<u>124,978</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue-Property Taxes	
Total deferred inflows of resources	<u>5,231</u>
Fund Balances:	
Non-Spendable	
Prepaid Items	1,024
Restricted	
Administration - County	81,467
Administration - County Clerk	6,639
Archives	29,319
Health and Welfare	22,745
Judicial	59,719
Legal	7,714
Public Safety	206,136
Public Transportation	193,872
Committed	
Administration - County	213
Culture and Recreation	3,637
Unassigned	(109,694)
Total Fund Balances	<u>502,791</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$633,000</u>

The notes to the financial statements are an integral part of this statement.

KINNEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	SPECIAL REVENUE						
	BODY				CHAPTER	CHAPTER	
	ARMOR	BORDER			203	203	CIVIL
	GRANT	STAR	RECORD	CDBG	RMP -	RMP -	COURT
	3780101	JAG	MANAGEMENT	GRANTS	CLERK	VAR.	FEES
<i>REVENUES</i>							
Taxes							
Property							
Intergovernmental	3,294						
Charges for Services					3	23	580
Interest							
Miscellaneous				2,799			
Total Revenues	\$3,294	\$0	\$0	\$2,799	\$3	\$23	\$580
<i>EXPENDITURES</i>							
Current:							
General Administration							
Judicial							
Legal							
Public Safety							
Public Transportation							
Culture and Recreation							
Health and Welfare							
Capital Projects -							
Capital Outlay and Other	3,294						
Total Expenditures	3,294	0	0	0	0	0	0
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	0	0	0	2,799	3	23	580
OTHER FINANCING SOURCES (USES):							
Transfers In				12,082			
Transfers Out							
Total Other Financing Sources (Uses)	0	0	0	12,082	0	0	0
Net Changes in Fund Balances	0	0	0	14,881	3	23	580
Fund Balances - Beginning	0	(67,527)	864	(14,881)	5,327	2,402	3,940
Fund Balances - Ending	\$0	(\$67,527)	\$864	\$0	\$5,330	\$2,425	\$4,520

The notes to the financial statements are an integral part of this statement.
(continued)

SPECIAL REVENUE									
CITY DEPUTY	COMMUNITY DEVELOP- MENT	CONGRESS- IONAL LINEBACKER	CONTINUING EDUCATION JUDGE	CONTINUING EDUCATION CONSTABLE	COPS GRANT	COUNTY AND DISTRICT COURT TECH	COUNTY DETENTION CENTER	COURTHOUSE SECURITY	DISTRICT CLERK - RM&P
			70	685	39,320	575		5,805 682	310
13,230	458 5,000								
\$13,230	\$5,458	\$0	\$70	\$685	\$39,320	\$575	\$0	\$6,487	\$310
	2,000								
22,632					54,376			33,357	
22,632	2,000	0	0	0	54,376	0	0	33,357	0
(9,402)	3,458	0	70	685	(15,056)	575	0	(26,870)	310
9,308									
9,308	0	0	0	0	0	0	0	0	0
(94)	3,458	0	70	685	(15,056)	575	0	(26,870)	310
0	52,061	15	215	0	14,750	4,287	197	92,052	1,737
(\$94)	\$55,519	\$15	\$285	\$685	(\$306)	\$4,862	\$197	\$65,182	\$2,047

KINNEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(continued)

	SPECIAL REVENUE						
	DISTRICT COURT CIVIL	ELDERLY NUTRITION	ELECTION	EMS DONATIONS	FAMILY PROTECTION	FIRE RESCUE DONATIONS	FM & LATERAL ROAD FUND
<i>REVENUES</i>							
Taxes							
Property							\$131,962
Intergovernmental		72,808					
Charges for Services							
Interest							1,611
Miscellaneous	20	28,171		2,900		6,520	
Total Revenues	\$20	\$100,979	\$0	\$2,900	\$0	\$6,520	\$133,573
<i>EXPENDITURES</i>							
Current:							
General Administration							
Judicial							
Legal							
Public Safety							
Public Transportation							
Culture and Recreation							
Health and Welfare		175,962					
Capital Projects -							
Capital Outlay and Other							
Total Expenditures	0	175,962	0	0	0	0	0
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	20	(74,983)	0	2,900	0	6,520	133,573
OTHER FINANCING SOURCES (USES):							
Transfers In		83,047					
Transfers Out							(84,000)
Total Other Financing Sources (Uses)	0	83,047	0	0	0	0	(84,000)
Net Changes in Fund Balances	20	8,064	0	2,900	0	6,520	49,573
Fund Balances - Beginning	55	4,402	2,790	0	300	7,000	115,213
Fund Balances - Ending	\$75	\$12,466	\$2,790	\$2,900	\$300	\$13,520	\$164,786

The notes to the financial statements are an integral part of this statement.
(continued)

SPECIAL REVENUE										
HEALTHY COUNTY	HOT CHECK	HS LETPA 147	INDIGENT HEALTH CARE	JAG NO. 2532507	JP IN COURT	JP TECH- NOLOGY FUND	KINNEY COUNTY HISTORICAL COMMISSION - CONTRIBUTIONS	KCSO SB1849 AWARD	KCSO DONATIONS	KCSO LBSP GRANT
										23,833
			40		287,964 3	4,336 417				
		49,589								
\$0	\$0	\$49,589	\$40	\$0	\$287,967	\$4,753	\$0	\$0	\$0	\$23,833
		49,589			287,964	4,868				
								1,749		23,337
440			46,983							
440	0	49,589	46,983	0	287,964	4,868	0	1,749	0	23,337
(440)	0	0	(46,943)	0	3	(115)	0	(1,749)	0	496
			55,000	2,787						
0	0	0	55,000	2,787	0	0	0	0	0	0
(440)	0	0	8,057	2,787	3	(115)	0	(1,749)	0	496
885	2	0	(99)	(2,787)	5	52,842	3,637	1,749	4,235	(5,839)
\$445	\$2	\$0	\$7,958	\$0	\$8	\$52,727	\$3,637	\$0	\$4,235	(\$5,343)

KINNEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (continued)

	SPECIAL REVENUE							
	KSCO PLAIN MKTING GRANT	LATERAL ROAD FUND	LAW LIBRARY	LBSP FUND	LBSP GRANT	PRE- TRIAL DIVERSION	RECORD ARCHIVE FEE	RECORD MANAGEMENT AND PRES- ERVATION
<i>REVENUES</i>								
Taxes								
Property								
Intergovernmental		9,225						
Charges for Services			1,470			2,800	21,873	11,320
Interest		189				409		
Miscellaneous								
Total Revenues	\$0	\$9,414	\$1,470	\$0	\$0	\$3,209	\$21,873	\$11,320
<i>EXPENDITURES</i>								
Current:								
General Administration							7,492	7,142
Judicial								
Legal			66					
Public Safety	851					3,302		
Public Transportation								
Culture and Recreation								
Health and Welfare								
Capital Projects -								
Capital Outlay and Other								
Total Expenditures	851	0	66	0	0	3,302	7,492	7,142
Excess (Deficiency) of Revenues Over (Under)								
Expenditures	(851)	9,414	1,404	0	0	(93)	14,381	4,178
OTHER FINANCING SOURCES (USES):								
Transfers In					2,506			
Transfers Out		(2,500)						
Total Other Financing Sources (Uses)	0	(2,500)	0	0	2,506	0	0	0
Net Changes in Fund Balances	(851)	6,914	1,404	0	2,506	(93)	14,381	4,178
Fund Balances - Beginning	851	22,172	6,308	7,554	(2,506)	65,983	14,938	9,175
Fund Balances - Ending	\$0	\$29,086	\$7,712	\$7,554	\$0	\$65,890	\$29,319	\$13,353

The notes to the financial statements are an integral part of this statement.

SPECIAL REVENUE										
RM&P VARIOUS COUNTY OFFICES	SHERIFF CONTIN- UING EDUCATION	STRAC EMS GRANT	UNCLAIMED FUNDS	OPERA- TION STONE GARDEN	STONE GARDEN GRANT 2013	STONE GARDEN GRANT 2014	KINNEY STONE GARDEN 2016	KINNEY STONE GARDEN 2017	KINNEY STONE GARDEN 2018	VITAL STATISTICS PRES- ERVATION
300	2,019	14,046						47,134	376,600	49
\$300	\$2,019	\$14,046	\$0	\$0	\$0	\$0	\$0	\$47,134	\$376,600	\$49
			7,599							
		14,046						61,357	324,215	
0	0	14,046	7,599	0	0	0	0	61,357	324,215	0
300	2,019	0	(7,599)	0	0	0	0	(14,223)	52,385	49
							5,009			
0	0	0	0	0	0	0	5,009	(1,510)	0	0
300	2,019	0	(7,599)	0	0	0	5,009	(15,733)	52,385	49
1,590	7,202	0	7,812	(32,058)	(4,366)	3,214	(5,009)	17,011	(16,855)	396
\$1,890	\$9,221	\$0	\$213	(\$32,058)	(\$4,366)	\$3,214	\$0	\$1,278	\$35,530	\$445

KINNEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (continued)

<u>SPECIAL REVENUE</u>	<u>TOTAL NON-MAJOR GOVERN- MENTAL FUNDS</u>
<i>REVENUES</i>	
Taxes	
Property	\$131,962
Intergovernmental	586,260
Charges for Services	340,182
Interest	3,809
Miscellaneous	108,229
Total Revenues	<u>1,170,442</u>
<i>EXPENDITURES</i>	
Current:	
General Administration	73,822
Judicial	292,832
Legal	66
Public Safety	539,222
Public Transportation	0
Culture and Recreation	0
Health and Welfare	223,385
Capital Projects -	
Capital Outlay and Other	3,294
Total Expenditures	<u>1,132,621</u>
Excess (Deficiency) of Revenues Over (Under)	
Expenditures	<u>37,821</u>
OTHER FINANCING SOURCES (USES):	
Transfers In	169,739
Transfers Out	<u>(88,010)</u>
Total Other Financing Sources (Uses)	<u>81,729</u>
Net Changes in Fund Balances	119,550
Fund Balances - Beginning	<u>383,241</u>
Fund Balances - Ending	<u><u>\$502,791</u></u>

The notes to the financial statements are an integral part of this statement.

KINNEY COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	COURT COSTS	PAYROLL	COUNTY DETENTION CENTER	OLD SHERIFF FORFEITURE FUND	COUNTY OFFICER ACCOUNTS	TOTAL
<i>ASSETS</i>						
Cash and Cash Equivalents	\$180,107	\$90,302	\$0	\$36,874	\$2,221,880	\$2,529,163
Receivables	1,988	0	0	0	0	1,988
Total Assets	<u>\$182,095</u>	<u>\$90,302</u>	<u>\$0</u>	<u>\$36,874</u>	<u>\$2,221,880</u>	<u>\$2,531,151</u>
<i>LIABILITIES:</i>						
Accounts Payable	99,621	0	0	0	0	\$99,621
Due to Others	82,474	90,302	0	36,874	2,221,880	2,431,530
Total Liabilities	<u>\$182,095</u>	<u>\$90,302</u>	<u>\$0</u>	<u>\$36,874</u>	<u>\$2,221,880</u>	<u>\$2,531,151</u>

KINNEY COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>COURT COSTS</u>			
	BALANCE 10/1/2019	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2020
ASSETS				
Cash and Cash Equivalents	\$173,866	\$307,361	\$301,120	\$180,107
Receivables	22	1,988	22	1,988
Total Assets	<u>\$173,888</u>	<u>\$309,349</u>	<u>\$301,142</u>	<u>\$182,095</u>

LIABILITIES:				
Accounts Payable	\$86,091	\$13,530		\$99,621
Due to Others	87,797	295,819	301,142	82,474
Total Liabilities	<u>\$173,888</u>	<u>\$309,349</u>	<u>\$301,142</u>	<u>\$182,095</u>

	<u>PAYROLL</u>			
	BALANCE 10/1/2019	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2020
ASSETS				
Cash and Cash Equivalents	\$58,089	\$32,213		\$90,302
Receivables				0
Total Assets	<u>\$58,089</u>	<u>\$32,213</u>	<u>\$0</u>	<u>\$90,302</u>

LIABILITIES:				
Accounts Payable				\$0
Due to Others	58,089	32,213	0	90,302
Total Liabilities	<u>\$58,089</u>	<u>\$32,213</u>	<u>\$0</u>	<u>\$90,302</u>

<u>COUNTY DETENTION CENTER</u>	BALANCE 10/1/2019	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2020
<i>ASSETS</i>				
Cash and Cash Equivalents		\$10,269,675	\$10,269,675	\$0
Total Assets	\$0	\$10,269,675	\$10,269,675	\$0

LIABILITIES:

Accounts Payable				\$0
Due to Others	0	10,269,675	10,269,675	0
Total Liabilities	\$0	\$10,269,675	\$10,269,675	\$0

<u>OLD SHERIFF FORFEITURE FUND</u>	BALANCE 10/1/2019	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2020
<i>ASSETS</i>				
Cash and Cash Equivalents	\$38,257	\$260	\$1,643	\$36,874
Total Assets	\$38,257	\$260	\$1,643	\$36,874

LIABILITIES:

Accounts Payable	\$61		\$61	\$0
Due to Others	38,196	260	1,582	36,874
Total Liabilities	\$38,257	\$260	\$1,643	\$36,874

<u>COUNTY OFFICER ACCOUNTS</u>		BALANCE		BALANCE
		10/1/2019	ADDITIONS	9/30/2020
<i>ASSETS</i>				
Cash and Cash Equivalents		\$699,513	\$1,522,367	\$2,221,880
Total Assets		\$699,513	\$1,522,367	\$0
LIABILITIES:				
Accounts Payable		\$0		\$0
Due to Others		699,513	1,522,367	0
Total Liabilities		\$699,513	\$1,522,367	\$0
		BALANCE		BALANCE
		10/1/2019	ADDITIONS	9/30/2020
<i>ASSETS</i>				
Cash and Cash Equivalents		\$969,725	\$12,131,876	\$10,572,438
Receivables		22	1,988	22
Total Assets		\$969,747	\$12,133,864	\$10,572,460
LIABILITIES:				
Accounts Payable		\$86,091	\$13,530	\$0
Due to Others		883,656	12,120,334	10,572,460
Total Liabilities		\$969,747	\$12,133,864	\$10,572,460

SINGLE AUDIT SECTION

KINNEY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SOURCE AND TITLE OF GRANT FEDERAL ASSISTANCE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASS-THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDI- TURES
U.S. Department of Health and Human Services				
Passed Through				
Coastal Bend Area Agency on Aging				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers TITLE III-B	93.044	AAA-1048-11B	NONE	\$982
Special Programs for the Aging - Title III, Part C - Nutrition Services TITLE III-C	93.045	AAA-1048-11	NONE	51,120
Passed Through				
Texas Department of Aging and Disability Services				
Social Services Block Grant - Title XX - DADS	93.667	001001461	NONE	8,623
Passed Through				
Office of the Attorney General				
Child Support Enforcement-Title IV-D Fiscal Year 2020	93.563	NONE	NONE	281
Total U.S. Department of Health and Human Services				<u>61,006</u>
U.S. Department of the Treasury				
Passed Through				
Texas Division of Emergency Management (TDEM)				
Coronavirus Relief Fund	21.019	None	NONE	19,569
Total U.S. Department of the Treasury (TREAS)				<u>19,569</u>
Executive Office of the President				
Direct				
High Intensity Drug Trafficking Areas Program	95.001	G16SS0014A & G17SS0014A	NONE	20,654
Total Executive Office of the President				<u>20,654</u>
U.S. Department of Homeland Security				
Passed Through				
Texas Division of Emergency Management				
Homeland Security Grant Program	97.067			
Operation Stonegarden Grant Program - Kinney Stonegarden 2017		NONE	NONE	61,356
Operation Stonegarden Grant Program - Kinney Stonegarden 2018		NONE	NONE	324,215
Operation Stonegarden Grant Program - Kinney Stonegarden 2019		NONE	NONE	271,003
Home Land Security LETPA 3583001		NONE	NONE	49,589
				<u>706,163</u>
Passed Through				
Texas Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	271-99271-00	NONE	104,278
Total U.S. Department of Homeland Security				<u>810,441</u>
Total Federal Assistance				<u><u>\$911,670</u></u>

See Accompanying Notes to Schedule of Federal Financial Assistance

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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**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 County Judge and Commissioner's Court
Kinney County, 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 Kinney County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Kinney County, Texas's basic financial statements, and have issued our report thereon dated March 5, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2020-003 and 2020-004 to be significant deficiencies.

Compliance and Other Matters

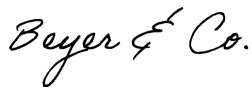
As part of obtaining reasonable assurance about whether Kinney County, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

Kinney County, Texas's Response to Findings

Kinney County, Texas's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kinney County, Texas's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



BEYER & COMPANY
Certified Public Accountants
March 5, 2021

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

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

To the County Judge and Commissioner's Court
Kinney County, Texas

Report on Compliance for Each Major Federal Program

We have audited Kinney County, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kinney County, Texas' major federal programs for the year ended September 30, 2020. Kinney County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Kinney County, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed no 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 items.

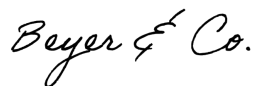
Report on Internal Control over Compliance

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

A **deficiency in internal control over compliance** exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A **material weakness in internal control over compliance** is a deficiency, or 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.

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

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



BEYER & COMPANY
Certified Public Accountants
March 5, 2021

KINNEY COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Kinney County, Texas under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Kinney County, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Kinney County, Texas.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C-INDIRECT COST RATE

Kinney County, Texas has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

KINNEY COUNTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal

Section II-Financial Statement Findings

Material Weaknesses:

2019-001 County Clerk/District Clerk – In the test month of March, the manual receipts and bank deposits did not tie to the computer system, therefore, we are unable to determine if all monies received or posted had been deposited. ***This finding has not been corrected.***

2019-002 County Clerk/District Clerk – We noted the County/District Clerk escrow bank account has an unknown balance of \$571,878.75 and the County Clerk bank account has an unknown balance of \$5,610.81, as of September 30, 2019. ***This finding has not been corrected.***

2019-003 EMS – We noted the EMS Department is at least three months behind on sending run information to the billing company. All run information should be sent to the billing company weekly to ensure the County collects money owed to them from the insurance companies. ***This finding has not been corrected.***

Significant Deficiencies:

2019-004 Segregation of Duties - due to the limited number of people working in the office, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible. ***This finding has been corrected.***

2018-005 Sheriff's Department – We noted that the Inmate Bank Account had an unknown balance of \$2,059.57. ***This finding has not been corrected.***

2018-006

Administrative – We noted that the County is not posting deposits and withdrawals to the TexPool and TexStar bank accounts. These transactions are being posted to the Miscellaneous account. ***This finding has been corrected.***

Section III-Federal or State Award findings & Questioned Costs

None

KINNEY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Section I Summary of Auditors Results

Financial Statements Section

1. The auditor's report expresses an unmodified opinion on the financial statements of the Kinney County, Texas.
2. There were two significant deficiencies disclosed during the audit. There were two material weaknesses disclosed during the audit.

Federal (or State) Awards Section

3. There were no instances of noncompliance material to the financial statements of the Kinney County, Texas, which would be required to be reported in accordance with Government Auditing Standards.
4. There was no significant deficiency over major Federal award programs disclosed during the audit. There was no material weakness over major Federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major Federal award programs for Kinney County, Texas expresses an unmodified opinion on all major Federal programs.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major programs: Homeland Security Grant Program - CFDA 97.067.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Kinney County did not qualify as a low-risk auditee.

Section II-Financial Statement Findings

Material Weaknesses:

2019-001 County Clerk/District Clerk

Condition: County Clerk/District Clerk – In the test month of June, the manual receipts and bank deposits do not tie to the computer system, therefore, we are unable to determine if all monies received or posted have been deposited.

Criteria: Internal controls should be in place that provide reasonable assurance that the manual receipts and bank deposits tie to the computer system.

Effect: Because the County does not have proper internal controls in place that provide reasonable assurance that the manual receipts and bank deposits tie to the computer system, the financial statements could be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because the County Clerk/District Clerk is new and has not had a chance to implement such a system of controls.

Recommendation: The County Clerk/District Clerk should install internal controls to provide reasonable assurance that all receipts are reconciled and deposited daily; to avoid the possibility of the financial statements being materially misstated either through mistake, error, or fraud.

2019-002 County Clerk/District Clerk

Condition: County Clerk/District Clerk – We noted the County/District Clerk escrow bank account has an unknown balance of \$570,887.00, the Registry fund has an unknown balance of \$1,958,090.90, the Excess Tax Sales account has an unknown balance of \$13,970.74, and the Credit Card account has an unknown balance of \$22,844.36 as of September 30, 2020.

Criteria: All monies in the County Clerk/District Clerk accounts should be properly identified.

Effect: Since the County Clerk/District Clerk does not have proper internal controls in place that provide reasonable assurance that all monies in the County Clerk/District Clerk accounts are identified, the financial statements could be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because the County Clerk/District Clerk is new and has not had a chance to implement such a system of controls.

Recommendation: The County Clerk/District Clerk should install internal controls to provide reasonable assurance that all monies in the County Clerk/District Clerk accounts be properly identified monthly; to avoid the possibility of the financial statements being materially misstated either through mistake, error, or fraud.

Significant Deficiencies:

2019-003 EMS

Condition: EMS – We noted the EMS Department is at least one (1) month behind on sending run information to the billing company. All run information should be sent to the billing company weekly to ensure the County collects money owed to them from the insurance companies.

Criteria: Internal controls should be in place that provide reasonable assurance that run information is being sent to the billing company weekly.

Effect: Since the EMS Department does not have proper internal controls in place that provide reasonable assurance that run information is being sent to the billing company weekly, the financial statements could be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because of neglect by the EMS department.

Recommendation: The EMS Department should install internal controls to provide reasonable assurance that all run information is sent to the billing company weekly; to avoid the possibility of the financial statements being materially misstated either through mistake, error, or fraud.

2018-004 Sheriff's Department

Condition: Sheriff's Department – We noted that the Inmate Bank Account has an unknown balance of \$7,866.19. We recommend the County determine what makes up these balances and remit them to the owner(s), escheat them to the State, or remit them to the general fund.

Criteria: All monies in the Sheriff accounts should be properly identified.

Effect: Since the Sheriff does not have proper internal controls in place that provide reasonable assurance that all monies in the Sheriff accounts are identified, the financial statements could be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because of neglect by the Sheriff department.

Recommendation: The Sheriff should install internal controls to provide reasonable assurance that all monies in the Sheriff accounts be properly identified monthly; to avoid the possibility of the financial statements being materially misstated either through mistake, error, or fraud.

Section II- Federal Awards Findings

None



Kinney County
Auditor
P.O. Box 1219
Brackettville, Texas 78832

March 24, 2021

Mr. Wayne R. Beyer
Beyer & Company
Certified Public Accountants
P.O. Box 366
Pleasanton, Texas 78064

Mr. Beyer:

The Kinney County Audit for FY 2019-2020, which was completed by Beyer & Company, reported that there were material weaknesses in internal control in the County/District Clerks office.

County Clerk/District Clerk

Finding:

1. In the test month of June, the manual receipts and bank deposits do not tie to the computer system, therefore, we are unable to determine if all monies received or posted have been deposited. We recommend that all receipts be reconciled and deposited daily.
2. We noted the County/District Clerk escrow bank account has an unknown balance of \$570,887.00, the Registry fund has an unknown balance of \$1,958,090.90, the Excess Tax Sales account has an unknown balance of \$13,970.74, and the Credit Card account has an unknown balance of \$22,844.36 as of September 30, 2020. We suggest all monies be accounted for on a monthly basis and tied to the bank accounts reconciled balance.

Response:

The County/District Clerk has scheduled training later in March 2021 with IDocket to discuss a financial program. He will also be contacting other County/District Clerk's to see what programs they are using. A trip has been scheduled on March 30, 2021 for the Clerk, Auditor and Treasurer to travel to Sonora to discuss programs.

A similar comment was listed on the prior year's report (FY 18-19) but due to Covid-19 Kinney County has not pursued our options on correcting this issue. I will be working with the Clerk closely to rectify this situation.

Beyer & Company also reported significant deficiencies in internal control for the EMS and Sheriff's department.

EMS

Finding:

1. We noted the EMS Department is at least one (1) month behind on sending run information to the billing company. All run information should be sent to the billing company weekly to ensure the County collects money owed to them from the insurance companies.

Response:

1. The EMS Director has stated that they will start sending information to the billing company on a weekly basis. There has been an increase in transports that are related to border patrol. Getting the information from border patrol takes time. This information will be billed separately to the billing company in order not to hold up the process of the County getting paid for other billing.

Sheriff's Department:

Finding:

1. We noted that the Inmate Bank Account has an unknown balance of \$7,866.19. We recommend the County determine what makes up these balances and remit them to the owner(s), escheat them to the State or remit them to the general fund.

Response:

1. The Sheriff's department has written a check from the Inmate Bank Account made payable to Kinney County General Fund in the amount of \$6,000.00. This will be deposited to the unclaimed property, which is in the general fund. A review will be completed annually to see if funds need to be transferred to the general fund.

Regards,



Donieta O'Keeffe

Kinney County Auditor

(830)563-2384

county.auditor@co.kinney.tx.us