

KINNEY COUNTY, TEXAS

Annual Financial Report

For the Fiscal Year Ended

September 30, 2021

Kinney County, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2021

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FINANCIAL SECTION

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Judge and Commissioners 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, 2021, and the related notes to the financial statements, which collectively comprise Kinney County, Texas' 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the employees' retirement system information on pages 3–10 and 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2022, on our consideration of the Kinney County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kinney County, Texas' internal control over financial reporting and compliance.



BEYER & COMPANY
Certified Public Accountants
March 11, 2022

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 \$10,249,405 (Net Position). Of this amount, \$3,962,335 (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 \$1,347,811. This is the result of an increase in Maintenance and Operations Taxes of \$678,785, an increase in operating grants of \$878,769, 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 \$4,902,988 an increase of \$557,641 in comparison with the prior year. Approximately 51% of this total amount, \$2,497,522, 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 \$2,831,192, or 54 percent of total general fund expenditures, the restricted fund balance for the road and bridge fund was \$4,760, or 1 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-four (64) 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, and the stonegarden grant 2020 fund, all of which are major funds. Data from the other sixty (60) 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, and the jail and detention facility revenue 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 22-60 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 61 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 61-70 of this report.

The single audit section can be found on pages 72 – 82 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 \$10,249,405 at the close of the most recent fiscal year.

A portion of Kinney County, Texas's Net Position (42 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	
	2021	2020	2021	2020
Current and Other Assets	\$5,924,377	\$5,546,747	\$5,924,377	\$5,546,747
Capital Assets:	4,264,305	3,589,203	4,264,305	3,589,203
Total Assets	10,188,682	9,135,950	10,188,682	9,135,950
Total Deferred Outflows of Resources	597,631	271,477	597,631	271,477
Long-Term Liabilities	67,891	69,051	67,891	69,051
Other Liabilities	157,168	114,885	157,168	114,885
Total Liabilities	225,059	183,936	225,059	183,936
Total Deferred Inflows of Resources	311,849	321,897	311,849	321,897
Invested in Capital Assets, Net of Related Debt	4,264,305	3,589,203	4,264,305	3,589,203
Restricted	2,022,765	1,749,530	2,022,765	1,749,530
Unrestricted	3,962,335	3,562,861	3,962,335	3,562,861
Total Net Position	\$10,249,405	\$8,901,594	\$10,249,405	\$8,901,594

An additional portion of Kinney County, Texas's Net Position (20 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position (\$3,962,335) 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 \$1,347,811. This is the result of an increase in Maintenance and Operations Taxes of \$678,785, an increase in operating grants of \$878,769, and careful budget management.

**KINNEY COUNTY, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Total	
	2021	2020	2021	2020
Revenues:				
Program Revenues:				
Charges for Services	\$1,318,211	\$965,421	\$1,318,211	\$965,421
Operating Grants and Contributions	2,779,461	1,900,692	2,779,461	1,900,692
Capital Grants and Contributions		0	0	0
General Revenues:				
Maintenance and Operations Taxes	3,819,884	3,141,099	3,819,884	3,141,099
Sales Taxes	213,138	207,688	213,138	207,688
Other Taxes	3,383	4,436	3,383	4,436
Unrestricted Investment Earnings	6,975	51,671	6,975	51,671
Miscellaneous	212,208	395,867	212,208	395,867
Total Revenue	8,353,260	6,666,874	8,353,260	6,666,874
Expenses:				
General Administration	1,280,983	1,351,426	1,280,983	1,351,426
Judicial	635,495	560,682	635,495	560,682
Legal	142,903	147,530	142,903	147,530
Financial Administration	355,901	290,336	355,901	290,336
Public Facilities	468,474	1,071,225	468,474	1,071,225
Public Safety	3,280,712	2,524,855	3,280,712	2,524,855
Public Transportation	283,990	242,422	283,990	242,422
Culture and Recreation	190,227	55,026	190,227	55,026
Health and Welfare	263,563	188,459	263,563	188,459
Conservation - Agriculture	103,201	31,616	103,201	31,616
Total Expenses	7,005,449	6,463,577	7,005,449	6,463,577
Increase in Net Position Before Transfers and Special Items Transfers	1,347,811	203,297	1,347,811	203,297
Increase in Net Position	1,347,811	203,297	1,347,811	203,297
Net Position at 09/30/2020 (restated)	8,901,594	8,698,297	8,901,594	8,698,297
Net Position at 09/30/2021	\$10,249,405	\$8,901,594	\$10,249,405	\$8,901,594

Expenses and Program Revenues - Governmental Activities

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating	Capital
			Grants and Contributions	Grants and Contributions
Primary Government				
Government Activities:				
General Administration	\$1,280,983	\$94,230	\$25,200	
Judicial	635,495	714,091		
Legal	142,903	(300)	74,665	
Financial Administration	355,901	12,350		
Public Facilities	468,474			
Public Safety	3,280,712	313,016	1,920,341	
Public Transportation	283,990	180,290	9,217	
Culture and Recreation	190,227	4,534	285	
Health and Welfare	263,563		749,753	
Conservation - Agriculture	103,201			
Total Government Activities	\$7,005,449	\$1,318,211	\$2,779,461	\$0

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$1,318,211	16%
Operating Grants and Contributions	2,779,461	33%
Maintenance and Operations Taxes	3,819,884	46%
Sales Taxes	213,138	3%
Other Taxes	3,383	0%
Unrestricted Investment Earnings	6,975	0%
Miscellaneous	212,208	2%
	<u>\$8,353,260</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 \$4,902,988 an increase of \$557,641 in comparison with the prior year. Approximately 51% of this total amount, \$2,497,522, 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 \$2,831,192, while total fund balance reached \$2,851,511. 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 54 percent of total general fund expenditures, while total fund balance represents 54 percent of that same amount.

The fund balance of Kinney County, Texas's general fund increased by \$309,174 during the current fiscal year. Key factors in this increase are as follows:

- . This is the result of an increase in Maintenance and Operations Taxes of \$263,893 and careful budget management.

At the end of the current fiscal year, unassigned fund balance of the road and bridge fund was \$0, while total fund balance reached \$6,150. 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 2 percent of that same amount.

The fund balance of Kinney County, Texas's road and bridge fund decreased by \$25,343 during the current fiscal year. This decrease is immaterial.

There is no analysis given for the Jail and Detention Facility Revenue fund because it is a reserve fund.

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 a decrease between the original budget and the final amended budget in the general fund of \$975. 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, 2021, amounts to \$4,264,305 (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 19 percent.

The major capital asset events during the current fiscal year included in the following: The County had several construction projects during the year on several of the County's buildings.

KINNEY COUNTY, TEXAS

CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Total	
	2021	2020	2021	2020
Land	\$126,796	\$126,796	\$126,796	\$126,796
Construction in Progress	0	0	0	0
Intangible Building and Improvements	78,315	32,803	78,315	32,803
Machinery and Equipment	2,490,565	2,079,294	2,490,565	2,079,294
Infrastructure	1,568,629	1,350,310	1,568,629	1,350,310
	0	0	0	0
Total	<u>\$4,264,305</u>	<u>\$3,589,203</u>	<u>\$4,264,305</u>	<u>\$3,589,203</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, 2021

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	\$4,895,551	\$4,895,551
Receivables (net of allowance for uncollectibles)	907,202	907,202
Net Pension Receivable	98,773	98,773
Prepaid Items	22,851	22,851
Capital assets not being depreciated:		
Land	126,796	126,796
Total Capital assets being depreciated, net		
Intangible	78,315	78,315
Building and Improvements	2,490,565	2,490,565
Machinery, Vehicles, and Equipment	1,568,629	1,568,629
Total Assets	<u>\$10,188,682</u>	<u>\$10,188,682</u>
DEFERRED OUTFLOWS OF RESOURCES		
GASB 68		
Deferred Outflow of Resources-Contributions (after 12/31/20)	260,108	260,108
Deferred Outflow-Differences between expected and actual experience	924	924
Deferred Outflow-Changes of Assumptions	336,599	336,599
Total Deferred Outflows of Resources	<u>597,631</u>	<u>597,631</u>
LIABILITIES:		
Accounts Payable	\$126,650	\$126,650
Accrued Wages	30,518	30,518
Noncurrent Liabilities:		
Due Within One Year	67,891	67,891
Due in More Than One Year	0	0
Total Liabilities	<u>225,059</u>	<u>225,059</u>
DEFERRED INFLOWS OF RESOURCES		
GASB 68		
Deferred Inflow-Net difference between projected and actual earnings	311,849	311,849
Total Deferred Inflows of Resources	<u>311,849</u>	<u>311,849</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	4,264,305	4,264,305
Restricted		
Administration - County	140,698	140,698
Administration - County Clerk	1,351	1,351
Archives	38,963	38,963
Health and Welfare	377,304	377,304
Judicial	62,562	62,562
Legal	8,624	8,624
Public Safety	1,193,828	1,193,828
Public Transportation	199,435	199,435
Unrestricted	3,962,335	3,962,335
Total Net Position	<u>\$10,249,405</u>	<u>\$10,249,405</u>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

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	\$1,280,983	\$94,230	\$25,200		(\$1,161,553)	(\$1,161,553)
Judicial	635,495	714,091			78,596	78,596
Legal	142,903	(300)	74,665		(68,538)	(68,538)
Financial Administration	355,901	12,350			(343,551)	(343,551)
Public Facilities	468,474				(468,474)	(468,474)
Public Safety	3,280,712	313,016	1,920,341		(1,047,355)	(1,047,355)
Public Transportation	283,990	180,290	9,217		(94,483)	(94,483)
Culture and Recreation	190,227	4,534	285		(185,408)	(185,408)
Health and Welfare	263,563		749,753		486,190	486,190
Conservation - Agriculture	103,201				(103,201)	(103,201)
Total Government Activities	<u>7,005,449</u>	<u>1,318,211</u>	<u>2,779,461</u>	<u>0</u>	<u>(2,907,777)</u>	<u>(2,907,777)</u>
Total Primary Government	<u>\$7,005,449</u>	<u>\$1,318,211</u>	<u>\$2,779,461</u>	<u>\$0</u>	<u>(2,907,777)</u>	<u>(2,907,777)</u>
General Revenues						
Taxes						
Property Taxes, Levies for General Purposes					3,819,884	3,819,884
Sales					213,138	213,138
Other					3,383	3,383
Unrestricted Investment Earnings					6,975	6,975
Miscellaneous					<u>212,208</u>	<u>212,208</u>
Total General Revenues and Transfers					<u>4,255,588</u>	<u>4,255,588</u>
Change in Net Position					<u>1,347,811</u>	<u>1,347,811</u>
Net Position - Beginning (restated)					<u>8,901,594</u>	<u>8,901,594</u>
Net Position - Ending					<u>\$10,249,405</u>	<u>\$10,249,405</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

KINNEY COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Road and Bridge	Jail and Detention Facility Revenue	Stonegarden Grant 2020	Other Governmental Funds	Total Governmental Funds
<i>ASSETS</i>						
Cash and Cash Equivalents	\$2,823,647	\$2,626	\$1,001,604		\$1,359,971	\$5,187,848
Receivables (net of allowance for uncollectibles)	172,553	2,947		82,383	18,761	276,644
Due from Other Funds	91,305				7,554	98,859
Prepaid Expenses	20,319	1,390			1,142	22,851
Total Assets	<u>\$3,107,824</u>	<u>\$6,963</u>	<u>\$1,001,604</u>	<u>\$82,383</u>	<u>\$1,387,428</u>	<u>\$5,586,202</u>
<i>LIABILITIES AND FUND BALANCES:</i>						
<i>Liabilities:</i>						
Accounts Payable	\$115,124	\$813		\$1,788	\$8,925	\$126,650
Bank Overdraft				126,038	166,259	292,297
Accrued Wages	11,506			18,216	796	30,518
Due to Other Funds					98,859	98,859
Total Liabilities	<u>126,630</u>	<u>813</u>	<u>0</u>	<u>146,042</u>	<u>274,839</u>	<u>548,324</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>						
Deferred Property Taxes	129,683				5,207	134,890
Total deferred inflows of resources	<u>129,683</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,207</u>	<u>134,890</u>
<i>Fund Balances:</i>						
Non-Spendable						
Prepaid Items	20,319	1,390			1,142	22,851
Restricted						
Administration - County					140,698	140,698
Administration - County Clerk					1,351	1,351
Archives					38,963	38,963
Health and Welfare					377,304	377,304
Judicial					62,562	62,562
Legal					8,624	8,624
Public Safety			1,001,604		192,224	1,193,828
Public Transportation		4,760			194,675	199,435
Committed						
Administration - County					356,213	356,213
Culture and Recreation					3,637	3,637
Unassigned	2,831,192			(63,659)	(270,011)	2,497,522
Total Fund Balance	<u>2,851,511</u>	<u>6,150</u>	<u>1,001,604</u>	<u>(63,659)</u>	<u>1,107,382</u>	<u>4,902,988</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$3,107,824</u>	<u>\$6,963</u>	<u>\$1,001,604</u>	<u>\$82,383</u>	<u>\$1,387,428</u>	<u>\$5,586,202</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, 2021

Total Fund Balances - governmental funds balance sheet	4,902,988
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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.	4,264,305
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,015,113
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	134,890
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(67,891)
Net Position of governmental activities - Statement of Net Position	<u>\$10,249,405</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, 2021

	General Fund	Road and Bridge	Jail and Detention Facility Revenue	Stonegarden Grant 2020	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>						
Taxes						
Property	\$3,657,991				\$153,738	\$3,811,729
Sales	213,138					213,138
Other	3,383					3,383
Licenses and Permits		180,180				180,180
Intergovernmental	379,387	0	645,345	245,403	1,509,326	2,779,461
Charges for Services	354,255				468,283	822,538
Fines and Forfeitures	249,088					249,088
Interest	4,366	269	1,430		910	6,975
Miscellaneous	164,079	7,331			40,798	212,208
Total Revenues	5,025,687	187,780	646,775	245,403	2,173,055	8,278,700
<i>EXPENDITURES</i>						
Current:						
General Administration	1,285,526				3,300	1,288,826
Judicial	248,908				384,593	633,501
Legal	144,076				0	144,076
Financial Administration	355,356					355,356
Public Facilities	732,959					732,959
Public Safety	2,227,244		36,639	309,062	818,402	3,391,347
Public Transportation		375,387				375,387
Culture and Recreation	161,813					161,813
Health and Welfare					285,807	285,807
Conservation - Agriculture	100,631					100,631
Capital Projects -						
Capital Outlay and Other					251,356	251,356
Total Expenditures	5,256,513	375,387	36,639	309,062	1,743,458	7,721,059
Excess (Deficiency) of Revenues Over (Under) Expenditures	(230,826)	(187,607)	610,136	(63,659)	429,597	557,641
OTHER FINANCING SOURCES (USES):						
Transfers In	720,000	162,264			180,000	1,062,264
Transfers Out	(180,000)	0	(720,000)		(162,264)	(1,062,264)
Total Other Financing Sources (Uses)	540,000	162,264	(720,000)	0	17,736	0
Net Changes in Fund Balances	309,174	(25,343)	(109,864)	(63,659)	447,333	557,641
Fund Balances - Beginning	2,542,337	31,493	1,111,468	0	660,049	4,345,347
Fund Balances - Ending	\$2,851,511	\$6,150	\$1,001,604	(\$63,659)	\$1,107,382	\$4,902,988

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, 2021

Net Changes in Fund Balances - total governmental funds \$557,641

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.	675,102
(Increase) decrease in Net Pension Receivable from beginning of period to end of period.	(296,854)
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.	66,405
GASB 68	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	953
Deferred Outflow-Changes of assumptions. This is the change in these amounts this year.	324,277
Deferred Inflow-Net difference between projected and actual earnings. This is the change in these amounts this year.	(103,233)
Deferred Outflow-Differences between expected and actual experience. This is the change in these amounts this year.	114,205
(Increase) decrease in compensated absences from beginning of period to end of period.	1,160
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	8,155

Change in Net Position of governmental activities - Statement of Activities \$1,347,811

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<i>REVENUES</i>				
Taxes				
Property	\$3,651,234	\$3,651,234	\$3,657,991	\$6,757
Sales	160,000	160,000	213,138	53,138
Other	2,900	2,900	3,383	483
Intergovernmental	78,366	78,366	379,387	301,021
Charges for Services	218,300	218,300	354,255	135,955
Fines and Forfeitures	147,000	147,000	249,088	102,088
Interest	20,000	20,000	4,366	(15,634)
Miscellaneous	123,484	123,484	164,079	40,595
Total Revenues	4,401,284	4,401,284	5,025,687	624,403
<i>EXPENDITURES</i>				
Current:				
General Administration				
County Judge	182,216	182,216	170,613	11,603
County-District Clerk	175,414	175,414	171,382	4,032
Non-Departmental	1,018,322	969,867	820,153	149,714
P.C. Bridge Salaries	7,000	7,000	392	6,608
Roads and Bridges	126,855	126,855	122,986	3,869
Judicial				
District Court	127,266	127,266	107,198	20,068
Justice of the Peace	156,529	156,529	141,710	14,819
Legal				
County Attorney	153,196	153,196	144,076	9,120
Financial Administration				
County Auditor	109,919	109,919	97,364	12,555
County Treasurer	122,168	122,168	120,029	2,139
Tax Assessor-Collector	144,506	144,505	137,963	6,542
Public Facilities				
Civic Center	45,800	44,520	25,633	18,887
County Courthouse and Annex	959,338	957,899	703,983	253,916
Filippone Building	5,475	5,475	3,343	2,132

(continued)

(continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Ambulance	\$700,230	\$700,230	\$733,727	(\$33,497)
Constable	72,692	72,692	65,865	6,827
Drug Task Force	45,757	45,757	36,349	9,408
Fire	52,600	52,600	76,629	(24,029)
Sheriff	1,222,654	1,272,854	1,314,674	(41,820)
Culture and Recreation				
County Library	149,402	149,402	142,155	7,247
Parks	38,980	38,980	19,658	19,322
Conservation - Agriculture				
Agriculture Extension Service	105,055	105,055	100,631	4,424
Total Expenditures	<u>\$5,721,374</u>	<u>\$5,720,399</u>	<u>\$5,256,513</u>	<u>\$463,886</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(1,320,090)	(1,319,115)	(230,826)	1,088,289
OTHER FINANCING SOURCES (USES):				
Transfers In	470,000	470,000	720,000	250,000
Transfers Out	(418,899)	(418,899)	(180,000)	238,899
Total Other Financing Sources (Uses)	<u>51,101</u>	<u>51,101</u>	<u>540,000</u>	<u>488,899</u>
Net Changes in Fund Balances	(\$1,268,989)	(\$1,268,014)	309,174	\$1,577,188
Fund Balances - Beginning	2,542,338	2,542,338	2,542,337	
Fund Balances - Ending	<u>\$1,273,349</u>	<u>\$1,274,324</u>	<u>\$2,851,511</u>	<u>\$1,577,188</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$145,000	\$145,000	\$180,180	\$35,180
Intergovernmental				0
Interest	100	100	269	169
Miscellaneous			7,331	7,331
Total Revenues	145,100	145,100	187,780	42,680
EXPENDITURES				
Current				
Public Transportation	370,091	370,091	375,387	(5,296)
Total Expenditures	370,091	370,091	375,387	(5,296)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(224,991)	(224,991)	(187,607)	37,384
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	224,991	224,991	162,264	(62,727)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	224,991	224,991	162,264	(62,727)
Net Changes in Fund Balances	0	0	(25,343)	(25,343)
Fund Balances - Beginning	31,493	31,493	31,493	0
Fund Balances - Ending	\$31,493	\$31,493	\$6,150	(\$25,343)

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<i>REVENUES</i>				
Intergovernmental	\$560,000	\$560,000	\$645,345	\$85,345
Interest			1,430	1,430
Miscellaneous	2,500	2,500		(2,500)
Total Revenues	562,500	562,500	646,775	84,275
<i>EXPENDITURES</i>				
Current:				
Public Safety	92,500	92,500	36,639	55,861
Total Expenditures	92,500	92,500	36,639	55,861
Excess (Deficiency) of Revenues Over (Under) Expenditures	470,000	470,000	610,136	140,136
OTHER FINANCING SOURCES (USES):				
Transfers In				0
Transfers Out	(470,000)	(470,000)	(720,000)	(250,000)
Total Other Financing Sources (Uses)	(470,000)	(470,000)	(720,000)	(250,000)
Net Changes in Fund Balances	0	0	(109,864)	(109,864)
Fund Balances - Beginning	1,111,468	1,111,468	1,111,468	0
Fund Balances - Ending	\$1,111,468	\$1,111,468	\$1,001,604	(\$109,864)

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, 2021

	COURT COSTS	PAYROLL	COUNTY DETENTION CENTER	OLD SHERIFF FORFEITURE FUND	COUNTY OFFICER ACCOUNTS	TOTAL
ASSETS						
Cash and Cash Equivalents	\$170,147	\$90,246	\$0	\$32,131	\$326,545	\$619,069
Receivables	1,525	0	0	0	0	1,525
Total Assets	<u>\$171,672</u>	<u>\$90,246</u>	<u>\$0</u>	<u>\$32,131</u>	<u>\$326,545</u>	<u>\$620,594</u>
LIABILITIES:						
Accounts Payable	83,435	0	0	0	0	\$83,435
Due to Others	88,237	90,246	0	32,131	326,545	537,159
Total Liabilities	<u>\$171,672</u>	<u>\$90,246</u>	<u>\$0</u>	<u>\$32,131</u>	<u>\$326,545</u>	<u>\$620,594</u>

Note: The Agency funds were the only fiduciary fund type of the County in the 2021 year.

KINNEY COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Agency Funds					
	COURT COSTS	PAYROLL	COUNTY DETENTION CENTER	OLD SHERIFF FORFEITURE FUND	COUNTY OFFICER ACCOUNTS	TOTAL
ADDITIONS						
Contributions:						
Detention Facility Fees			\$10,454,445			\$10,454,445
Court Fees	171,672					171,672
Intergovernmental		1,781,175			1,895,335	3,676,510
Total Contributions	<u>171,672</u>	<u>1,781,175</u>	<u>10,454,445</u>	<u>0</u>	<u>1,895,335</u>	<u>14,302,627</u>
Investment Earnings:						
Interest Received		543		86		629
Total Investment Earnings	<u>0</u>	<u>543</u>	<u>0</u>	<u>86</u>	<u>0</u>	<u>629</u>
Less Investment Expense						
Net Investment Earnings	<u>0</u>	<u>543</u>	<u>0</u>	<u>86</u>	<u>0</u>	<u>629</u>
TOTAL ADDITIONS	<u>171,672</u>	<u>1,781,718</u>	<u>10,454,445</u>	<u>86</u>	<u>1,895,335</u>	<u>14,303,256</u>
DEDUCTIONS						
Distributions to other governments and Others		1,764,295			3,790,670	5,554,965
Distributions to others			\$10,454,445			10,454,445
Distributions to other governments	182,095					182,095
Other Services and Charges		17,479		4,829		22,308
Total Deductions	<u>182,095</u>	<u>1,781,774</u>	<u>10,454,445</u>	<u>4,829</u>	<u>3,790,670</u>	<u>16,213,813</u>
Change in Net Position	<u>(10,423)</u>	<u>(56)</u>	<u>0</u>	<u>(4,743)</u>	<u>(1,895,335)</u>	<u>(1,910,557)</u>
Net Position-Beginning	<u>182,095</u>	<u>90,302</u>	<u>36,874</u>	<u>2,221,880</u>	<u>2,531,151</u>	
Net Position-Ending	<u>\$171,672</u>	<u>\$90,246</u>	<u>\$0</u>	<u>\$32,131</u>	<u>\$326,545</u>	<u>\$620,594</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

KINNEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

The Stone Garden Grant 2020 fund is used to administer various Stone garden grants the County may receive.

C. Fiduciary Funds

The Agency Fund accounts for the collection and payment of various trust funds that need to be allocated to different funds. The fund is excluded from the government-wide financial statements.

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, 2021 and 10 percent of the delinquent outstanding property taxes at September 30, 2021.

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, 2021. 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, 2021.

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 several construction projects during the year 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, 2021, 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, 2021, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Prepaid Items	\$22,851
Restricted	
Administration - County	140,698
Administration - County Clerk	1,351
Archives	38,963
Health and Welfare	377,304
Judicial	62,562
Legal	8,624
Public Safety	1,193,828
Public Transportation	199,435
Committed	
Administration - County	356,213
Culture and Recreation	3,637
Unassigned	2,497,522
Total Fund Balance	<u><u>\$4,902,988</u></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 \$67,891 difference are as follows:

Compensated Absences	<u>\$67,891</u>
	<u><u>\$67,891</u></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 \$4,264,305 difference are as follows:

Capital Assets Not Being Depreciated	\$126,796
Capital Assets Being Depreciated	10,465,780
Depreciation Expense	(6,328,271)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u><u>\$4,264,305</u></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 \$134,890 difference are as follows:

Property Taxes Receivable	\$145,331
Allowance for Doubtful Accounts	<u>(10,441)</u>
Net	<u>\$134,890</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 \$1,015,113 difference are as follows:

Fines Receivable	\$992,523
Allowance for Doubtful Accounts	(361,965)
Net Pension Receivable	98,773
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/20)	260,108
Deferred Outflow-Differences between expected and actual experience	924
Deferred Outflow-Changes of assumptions	336,599
Deferred Inflow-Differences between projected and actual experience	<u>(311,849)</u>
Net	<u>\$1,015,113</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 \$675,102 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	1,295,062
Capital Outlay - Deletions - Net	0
Depreciation Expense	(619,960)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$675,102</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 2021 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, 2021, expenditures did not exceed appropriations in any fund except for the road and Bridge fund whereby actual expenditures of \$375,387 exceeded budgeted expenditures of \$370,091 by \$5,296.

C. Deficit fund equity: There were no deficit fund balances as of September 30, 2021 except for the following:

FEMA Grant - \$57,637
Kinney Stonegarden 2020 - \$63,659
Border Star JAG fund - \$67,527
City Deputy - \$44,247
COPS Grant - \$306
KSCO LBSP Grant - \$3,327
Operation Stonegarden - \$32,058
Operation Stonegarden Grant 2013 - \$4,366
COVID 19 Grant 4156201 - \$960
LBSP 3667604 - \$1,804
LCRA Grant - \$13,200
TXDOT Grant CTIF - \$8,208
Kinney Stonegarden 2019 - \$36,370
STRAC EMS Grant - \$1

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 \$1,696,842 were not exposed to custodial credit risk because its deposits were fully covered by either depository insurance or \$3,252,111 securities pledged in the name of the County. The book amount of the cash at September 30, 2021 is \$956,216.

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, 2021, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
Texpool	\$2,798,284	Less than 1 year	Less than 1 year
Tex Star Funds	\$1,141,051	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. 29 percent of the County's investments are in Texpool and 71 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	Stonegarden Grant 2020	Other Governmental Funds	Total
<u>Receivables</u>					
Taxes	\$139,727			\$5,604	\$145,331
Accounts	6,794	2,947		2,842	12,583
Intergovernmental	36,076		82,383	10,712	129,171
Fees and Fines	992,523				992,523
Gross Receivables	1,175,120	2,947	82,383	19,158	1,279,608
Less: Allowance for Uncollectibles	372,009			397	372,406
Net Total Receivables	\$803,111	\$2,947	\$82,383	\$18,761	\$907,202

The receivables are expected to be collected within one year.

C. Capital Assets

Capital asset activity for the year ended September 30, 2021 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	57,432		119,195
Building and Improvements	3,295,296	534,931		3,830,227
Machinery, Equipment and Vehicles	4,273,957	702,699	42,442	4,934,214
Infrastructure	1,582,144			1,582,144
Total capital assets being depreciated:	9,213,160	1,295,062	42,442	10,465,780
Less: Accumulated Depreciation for:				
Intangible	28,960	11,920		40,880
Building and Improvements	1,216,002	123,660		1,339,662
Machinery, Equipment and Vehicles	2,923,647	484,380	42,442	3,365,585
Infrastructure	1,582,144			1,582,144
Total Accumulated Depreciation	5,750,753	619,960	42,442	6,328,271
Total Capital Assets Depreciated, Net	3,462,407	675,102	0	4,137,509
Governmental Activities capital assets, Net	\$3,589,203	\$675,102	\$0	\$4,264,305

Construction commitments

The County had several construction projects during the year on several of the County's buildings.

The depreciation expensed for the year ended September 30, 2021, is as follows:

Governmental Activities	
General Administration	\$62,959
Judicial	4,452
Financial Administration	4,529
Public Facilities	27,823
Public Safety	401,838
Public Transportation	77,302
Culture and Recreation	32,099
Health and Welfare	5,355
Conservation - Agriculture	3,603
Total Depreciation Expense - Governmental Activities	<u>\$619,960</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 2021 fiscal year.

There were no interfund balances as of September 30, 2021.

There were no advances at September 30, 2021.

The transfers for the year ended September 30, 2021, are as follows:

	TRANSFER IN			TOTAL
	GENERAL FUND	ROAD AND BRIDGE FUND	OTHER GOVERN- MENTAL FUNDS	
TRANSFER OUT				
GENERAL FUND			\$180,000	\$180,000
JAIL AND DETENTION FACILITY FUNDS	720,000			720,000
OTHER GOVERNMENTAL FUNDS		162,264		162,264
TOTALS	\$720,000	\$162,264	\$180,000	\$1,062,264

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, 2021 except for the following:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Compensated Absences	\$69,051	\$67,891	\$69,051	\$67,891	\$67,891	\$0
	<u>\$69,051</u>	<u>\$67,891</u>	<u>\$69,051</u>	<u>\$67,891</u>	<u>\$67,891</u>	<u>\$0</u>

F. Leases

Operating Leases:

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$18,006 for the year ended September 30, 2021. The future minimum lease payments for these leases are as follows:

<u>Year Ending Sep. 30</u>	<u>Amount</u>
2022	\$ 17,824
2023	16,780
2024	10,022
2025	<u>3,972</u>
Total	<u>\$48,598</u>

Rent expenditures were \$0 for the year ended September 30, 2021. Rental income was \$3,000 for the year ended September 30, 2021.

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 2020-2021 year was \$53,324.74. 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's mother-in-law provides janitorial services for the Civic Center. The total amount of the services for the 2020-2021 year was \$4,790.00. 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.

Deputy, Ramon Gutierrez's wife Alma Gutierrez is the grant consultant for ASI Grant Consulting. The total amount of the services for the 2020-2021 year was \$14,007.52. There were no amounts owed to the company by the County at year end nor did ASI Grant Consulting owe any amounts to the County at year end.

C. Subsequent Events

On October 25, 2021, the County accepted and signed the resolution for the Operation Lone Star grant in the amount of \$3,185,272.43.

On December 30, 2021, the County approved to purchase radios for Kinney County Rescue in the amount of \$22,805. The Texas Forestry Grant will pay \$20,000 and \$2,805 will be charged to Kinney Fire Rescue.

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.

State of Texas ex. Rel Todd A. Durden, County Attorney of Kinney County, Texas v. Isela Ramon, in her official capacity as District and County Clerk of Kinney County, Texas; Cause Number 4863; The State of Texas, Ex. Rel Todd A. Durden, in his Official Capacity as County Attorney v. Ricardo Alvarado, in his Official Capacity as District and Count Clerk of Kinney County, Texas; Cause No. 04-19-00715-CV - This is a case involving the recovery of fees incurred personally by

Mr. Durden in Cause No. 4716, on the theory advanced by Mr. Durden that in his official capacity, he is exempt from the payment of costs of court. He seeks \$1,391.76 that he paid from his personal or office accounts. He contends that language in the final judgment, regarding the return of a \$350.00 security bond, should be read to require the re-payment of all cost, contrary to the clear and unambiguous language of the Order that denies him costs and attorney's fees. This case was dismissed by visiting Judge Sid Harle on 11/25/19, and Mr. Durden was ordered to pay \$18,681.03 in costs and attorney's fees incurred by Kinney County in the defense of this litigation. Mr. Durden has appealed this ruling. On May 12, 2021, the Fourth Court of Appeals determined that because Durden did not file the notices of appeal in his individual capacity, Durden could not be granted any relief individually. The Court dismissed the appeals and all pending motions in the appeals were denied. On September 30, 2021, Appellants filed their motion for En Banc Rehearing. The Court of Appeals denied this relief. Appellant has now filed a Petition for Review by the Texas Supreme Court. The matter is pending.

The State of Texas, Ex. Rel. Todd Durden v. James T. Shahan, in his Official Capacity as Chairman of the Salary Grievance Committee; Case: 4845; The State of Texas, ex. Rel Todd A. Durden, in his Official Capacity as County Attorney v. Kinney County's Commissioners Court; Cause No. 04-19-00714-CV - This is a case involving the formation of the 2018 Kinney County Grievance Committee. Mr. Durden's salary was again reduced, due to non-performance of his statutory duties, and he sought to grieve the matter with the grievance committee. However, on the day the grievance committee was scheduled to meet, Mr. Durden obtained a TRO preventing the committee from taking action. At a hearing on the TRO, the Court declined to extend the TRO, and the grievance committee met and denied Mr. Durden's salary request. Mr. Durden has amended his pleadings to assert alleged violations of the Texas Local Government Code and the Open Meetings Act, which the County has denied, and has asserted a plea to the jurisdiction seeking to have the Court dismiss this case for want of jurisdiction. This case was dismissed by visiting Judge Sid Harle on 11/25/19, and Mr. Durden was ordered to pay \$23,251.76 in costs and attorney's fees incurred by Kinney County in the defense of this litigation. Mr. Durden has appealed this ruling. On May 12, 2021, the Fourth Court of Appeals determined that because Durden did not file the notices of appeal in his individual capacity, Durden could not be granted any relief individually. The Court dismissed the appeals and all pending motions in the appeals were denied. On September 30, 2021, Appellants filed their motion for En Banc Rehearing. The Court of Appeals denied this relief. Appellant has now filed a Petition for Review by the Texas Supreme Court. The matter is pending.

The State of Texas, Ex. Rel. Todd Durden v. James T. Shahan, in his Official Capacity and members of the Commissioners Court of Kinney County, Texas; Case: 4866; The State of Texas, Ex. Rel Todd A. Durden, in his Official Capacity as County Attorney v. Kinney County's Commissioners Court; Cause No. 04-19-00716-CV - This is a case regarding the Commissioners Court reduction of the 2018-19 salary for Mr. Durden. The claims focus on alleged procedural defects in the hearings that led to the formation of the final budget. 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. On May 12, 2021, the Fourth Court of Appeals determined that Durden could not be granted any relief individually. The Court dismissed the appeals and all pending motions in the appeals were denied. On September 30, 2021, Appellants filed their motion for En Banc Rehearing. The Court of Appeals denied this relief. Appellant has now filed a Petition for Review by the Texas Supreme Court. The matter is pending.

Todd A. Durden, Individually & The State of Texas Ex. Rel. Todd A. Durden, in his Official Capacity as County Attorney, vs. James T. "Tully" Shahan, et. al; Cause Nos. 21-1003, 21-1017, & 21-1018 - The Supreme Court on December 16, 2021 granted the motion to consolidate the appeals and on December 28, 2021 Petitioner's filed their Second Motion for Extension of Time to File Petition for Review. On January 27, 2022 Petitioners filed their Petition for Review.

Although the evaluation of litigation is difficult and speculative, we do not expect that the outcome of any of the above matters will substantially impair the financial activities of the County, whether or not the amounts awarded against Mr. Durden will be sustained by the Court of Appeals.

E. 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.

F. Prior Period Adjustments

The County has determined that certain transactions were recorded incorrectly in a prior year.

The County had a prior period adjustment whereby the governmental activities Net Position were decreased by \$333,000. The restatement was a result of the Net Pension Receivable being adjusted downward by \$333,000.

These restatements had a corresponding effect on the beginning net position.

	Net Position, as Previously Reported	GASB 68 RESTATEMENT	Net Position As Restated
Governmental Activities:			
Net Position	\$9,234,594	(\$333,000)	\$8,901,594
Total Governmental Activities	<u>\$9,234,594</u>	<u>(\$333,000)</u>	<u>\$8,901,594</u>

G. Defined Benefit Pension Plans

Net Pension Liability/ (Asset)

Net Pension Liability / (Asset)	<u>December 31, 2019</u>	<u>December 31, 2020</u>
Total pension liability	\$8,155,510	\$9,269,899
Fiduciary net position	8,551,138	9,368,672
Net pension liability / (asset)	(395,627)	(98,773)
Fiduciary net position as a % of total pension liability	104.85%	101.07%
Pensionable covered payroll	\$2,429,289	\$2,682,088
Net pension liability as a % of covered payroll	(16.29%)	(3.68%)

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%	7.60%
Long-term expected rate of return, net of investment expense	8.10%	7.60%
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, 2020 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. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage growth, and maximum payroll growth assumptions. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

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, 2019	December 31, 2020
Measurement date	December 31, 2019	December 31, 2020
Employer's fiscal year	October 1, 2020	September 30, 2021

Projection of Fiduciary Net Position

Calendar Year Ending	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (a)+(b)-(c)- (d)+(e)
2021	\$9,368,672	\$332,851	\$663,711	\$9,369	\$699,327	\$9,727,770
2022	9,727,770	359,258	529,668	9,728	732,591	10,280,224
2023	10,280,224	340,864	574,131	10,280	772,212	10,808,889
2024	10,808,889	316,322	631,856	10,809	809,302	11,291,847
2025	11,291,847	303,031	678,386	11,292	843,757	11,748,957
2026	11,748,957	292,722	711,552	11,749	876,858	12,195,237
2027	12,195,237	283,646	733,121	12,195	909,616	12,643,182
2028	12,643,182	274,658	776,986	12,643	941,671	13,069,881
2029	13,069,881	264,821	800,569	13,070	972,838	13,493,902
2030	13,493,902	257,103	824,000	13,494	1,003,886	13,917,397
2031	13,917,397	249,115	852,133	13,917	1,034,708	14,335,169
2032	14,335,169	241,785	875,143	14,335	1,065,311	14,752,787
2033	14,752,787	234,665	899,206	14,753	1,095,871	15,169,363
2034	15,169,363	226,612	926,373	15,169	1,126,202	15,580,635
2035	15,580,635	218,292	975,775	15,581	1,155,290	15,962,860
2036	15,962,860	210,414	1,029,712	15,963	1,182,019	16,309,617
2037	16,309,617	202,605	1,056,352	16,310	1,207,074	16,646,635
2038	16,646,635	193,507	1,088,197	16,647	1,231,148	16,966,446
2039	16,966,446	185,153	1,113,478	16,966	1,254,187	17,275,341
2040	17,275,341	176,920	1,146,266	17,275	1,276,121	17,564,841
2041	17,564,841	168,287	1,180,994	17,565	1,296,494	17,831,063
2042	17,831,063	96,891	1,211,141	17,831	1,312,929	18,011,911
2043	18,011,911	87,081	1,238,149	18,012	1,325,294	18,168,125
2044	18,168,125	78,876	1,254,056	18,168	1,336,261	18,311,037
2045	18,311,037	71,700	1,289,260	18,311	1,345,536	18,420,702
2046	18,420,702	64,755	1,310,047	18,421	1,352,832	18,509,820
2047	18,509,820	58,335	1,338,313	18,510	1,358,307	18,569,640
2048	18,569,640	52,459	1,346,830	18,570	1,362,314	18,619,013
2049	18,619,013	47,338	1,392,326	18,619	1,364,177	18,619,583
2050	18,619,583	41,659	1,422,188	18,620	1,362,894	18,583,329
2051	18,583,329	35,837	1,440,084	18,583	1,359,255	18,519,755
2052	18,519,755	31,436	1,454,336	18,520	1,353,730	18,432,065
2053	18,432,065	27,749	1,464,174	18,432	1,346,565	18,323,772
2054	18,323,772	24,324	1,453,799	18,324	1,338,598	18,214,572
2055	18,214,572	20,663	1,482,196	18,215	1,329,107	18,063,931
2056	18,063,931	17,567	1,478,322	18,064	1,317,693	17,902,805
2057	17,902,805	14,965	1,464,672	17,903	1,305,865	17,741,060
2058	17,741,060	12,536	1,458,740	17,741	1,293,709	17,570,824

2059	17,570,824	10,500	1,436,896	17,571	1,281,517	17,408,373
2060	17,408,373	8,283	1,419,567	17,408	1,269,740	17,249,420
2061	17,249,420	6,597	1,394,206	17,249	1,258,549	17,103,111
2062	17,103,111	5,169	1,366,736	17,103	1,248,406	16,972,847
2063	16,972,847	4,169	1,332,636	16,973	1,239,746	16,867,154
2064	16,867,154	3,012	1,302,942	16,867	1,232,782	16,783,138
2065	16,783,138	2,204	1,266,379	16,783	1,227,733	16,729,913
2066	16,729,913	1,726	1,224,950	16,730	1,225,218	16,715,176
2067	16,715,176	1,260	1,183,212	16,715	1,225,638	16,742,147
2068	16,742,147	810	1,140,979	16,742	1,229,246	16,814,482
2069	16,814,482	651	1,094,116	16,814	1,236,483	16,940,685
2070	16,940,685	260	1,051,591	16,941	1,247,641	17,120,055
2071	17,120,055	155	1,003,713	17,120	1,263,049	17,362,426
2072	17,362,426	104	954,929	17,362	1,283,278	17,673,516
2073	17,673,516	0	907,037	17,674	1,308,692	18,057,497
2074	18,057,497	0	857,431	18,057	1,339,710	18,521,720
2075	18,521,720	0	808,226	18,522	1,376,810	19,071,782
2076	19,071,782	0	759,390	19,072	1,420,416	19,713,735
2077	19,713,735	0	711,149	19,714	1,470,980	20,453,852
2078	20,453,852	0	663,537	20,454	1,528,977	21,298,839
2079	21,298,839	0	616,695	21,299	1,594,912	22,255,757
2080	22,255,757	0	570,768	22,256	1,669,315	23,332,049
2081	23,332,049	0	525,840	23,332	1,752,749	24,535,626
2082	24,535,626	0	481,986	24,536	1,845,812	25,874,917
2083	25,874,917	0	439,348	25,875	1,949,139	27,358,833
2084	27,358,833	0	398,117	27,359	2,063,399	28,996,756
2085	28,996,756	0	358,424	28,997	2,189,301	30,798,636
2086	30,798,636	0	320,406	30,799	2,327,595	32,775,027
2087	32,775,027	0	284,254	32,775	2,479,076	34,937,073
2088	34,937,073	0	250,159	34,937	2,644,582	37,296,560
2089	37,296,560	0	218,294	37,297	2,825,004	39,865,974
2090	39,865,974	0	188,801	39,866	3,021,284	42,658,590
2091	42,658,590	0	161,685	42,659	3,234,430	45,688,676
2092	45,688,676	0	136,976	45,689	3,465,525	48,971,537
2093	48,971,537	0	114,700	48,972	3,715,731	52,523,597
2094	52,523,597	0	94,821	52,524	3,986,297	56,362,549
2095	56,362,549	0	77,292	56,363	4,278,568	60,507,463
2096	60,507,463	0	62,042	60,507	4,593,996	64,978,909
2097	64,978,909	0	48,969	64,979	4,934,146	69,799,108
2098	69,799,108	0	37,955	69,799	5,300,713	74,992,067
2099	74,992,067	0	28,852	74,992	5,695,523	80,583,746
2100	80,583,746	0	21,471	80,584	6,120,558	86,602,249

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, 2019	\$8,155,510	\$8,551,138	(\$395,628)
Changes of the year:			
Service cost	308,735		308,735
Interest on total pension liability	668,602		668,602
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	60,292		60,292
Effect of assumptions changes or inputs	504,899		504,899
Refund of contributions	(77,182)	(77,182)	0
Benefit payments	(350,957)	(350,957)	0
Administrative expenses		(6,855)	6,855
Member contributions		187,746	(187,746)
Net investment income		883,271	(883,271)
Employer contributions		182,380	(182,380)
Other	0	(869)	869
Balances as of December 31, 2020	\$9,269,899	\$9,368,672	(\$98,773)

Sensitivity Analysis

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, 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 (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$10,435,168	\$9,269,899	\$8,291,659
Fiduciary net position	9,368,672	9,368,672	9,368,672
Net pension liability/(asset)	\$1,066,496	(\$98,773)	(\$1,077,013)

Pension Expense / (Income)	
Pension Expense / (Income)	January 1, 2020 to December 31, 2020
Service cost	\$308,735
Interest on total pension liability	668,602
Effect of plan changes	0
Administrative expenses	6,855
Member contributions	(187,746)
Expected investment return net of investment expenses	(690,032)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(53,913)
Recognition of assumption changes or inputs	180,622
Recognition of investment gains or losses	(90,007)
Other	869
Pension expense	\$143,986

As of December 31, 2020, 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	\$39,271	\$40,195
Changes of assumptions	0	336,599
Net difference between projected and actual earnings	311,849	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:	
2021	\$53,996
2022	172,951
2023	(162,625)
2024	(38,648)
2025	0
Thereafter	0

Schedule of Deferred Inflows and Outflows of Resources

Expense / (Income) Calculation				Balances of Deferred Inflows and Outflows as of 12/31/2020	
Original Amount (a)	Date Established (b)	Original Recognition Period (c)	Amount Recognized for 2018 (a) / (c)	Inflows	Outflows
Investment (gains) or losses					
(\$193,240)	12/31/2020	5.0	(\$38,648)	\$154,592	\$0
(619,885)	12/31/2019	5.0	(123,977)	371,931	0
755,330	12/31/2018	5.0	151,066	0	302,132
(437,290)	12/31/2017	5.0	(87,458)	87,458	0
45,054	12/31/2016	5.0	9,010	0	0
Economic/demographic (gains) or losses					
60,292	12/31/2020	3.0	20,097	0	40,195
(15,554)	12/31/2019	4.0	(3,889)	7,776	0
(125,986)	12/31/2018	4.0	(31,497)	31,495	0
(154,495)	12/31/2017	4.0	(38,624)	0	0
Assumption changes or inputs					
504,899	12/31/2020	3.0	168,300	0	336,599
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	12,322	0	0

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31							2013-2011
	2020	2019	2018	2017	2016	2015	2014	2013-2011
Total Pension Liability								
Service cost	\$308,735	\$313,778	\$317,249	\$299,322	\$302,229	\$287,554	\$313,069	N/A
Interest on total pension liability	668,602	627,579	595,726	561,618	529,112	495,671	451,004	N/A
Effect of plan changes	0	0	0	47,511	0	(42,716)	0	N/A
Effect of assumption changes or inputs	504,899	0	0	49,290	0	78,575	0	N/A
Effect of economic/demographic (gains) or losses	60,292	(15,554)	(125,986)	(154,495)	(217,168)	(147,672)	(34,863)	N/A
Benefit payments/refunds of contributions	<u>(428,139)</u>	<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	1,114,389	524,804	407,044	383,786	303,473	483,381	551,361	<u>N/A</u>
 Total pension liability, beginning	<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>5,501,660</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$9,269,899</u>	<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	\$182,380	\$161,545	\$177,494	\$178,675	\$166,690	\$166,307	\$160,005	N/A
Member contributions	187,746	170,050	167,900	164,352	156,203	153,784	147,956	N/A
Investment income net of investment expenses	883,271	1,217,124	(141,856)	976,681	459,120	(87,435)	381,006	N/A
Benefit payments/refunds of contributions	(428,139)	(400,999)	(379,944)	(419,459)	(310,700)	(188,031)	(177,849)	N/A
Administrative expenses	(6,855)	(6,516)	(5,953)	(5,050)	(5,003)	(4,472)	(4,584)	N/A
Other	<u>(869)</u>	<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	817,534	1,140,020	(182,625)	894,126	490,771	9,734	510,304	N/A
Fiduciary net position, beginning	<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>5,688,807</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$9,368,872</u>	<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>(\$98,773)</u>	<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	101.07%	104.85%	97.12%	105.12%	97.95%	94.99%	102.41%	N/A
 Pensionable covered payroll	\$2,682,088	\$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	-3.68%	-16.29%	9.15%	-15.76%	6.29%	14.91%	-6.91%	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
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%
2020	182,380	182,380	0	2,682,088	6.8%

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	20.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50%, 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	2019: New inflation, mortality and other assumptions were reflected. 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. 2020: 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 2020 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.tcds.org.

Membership Information

Members	Dec. 31, 2019	Dec. 31, 2020
Number of inactive employees entitled to but not yet receiving benefits:	55	67
Number of active employees:	76	70
Average monthly salary:	\$2,705	\$3,081
Average age:	45.97	46.59
Average length of service in years:	8.01	8.50
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	36	35
Average monthly benefit:	\$812	\$827

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, 2020 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Kinney County December 31, 2020 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-	7.60% (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, 2020 financial reporting metrics are the same as those used in the December 31, 2020 actuarial valuation analysis for Kinney County.

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

Economic Assumptions

TCDRS system-wide economic assumptions:

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

The assumed long-term investment return of 7.5% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.5% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	3.00%

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

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, 2020 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, 2020 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							2013-2011
	2020	2019	2018	2017	2016	2015	2014	
Total Pension Liability								
Service cost	\$308,735	\$313,778	\$317,249	\$299,322	\$302,229	\$287,554	\$313,069	N/A
Interest on total pension liability	668,602	627,579	595,726	561,618	529,112	495,671	451,004	N/A
Effect of plan changes	0	0	0	47,511	0	(42,716)	0	N/A
Effect of assumption changes or inputs	504,899	0	0	49,290	0	78,575	0	N/A
Effect of economic/demographic (gains) or losses	60,292	(15,554)	(125,986)	(154,495)	(217,168)	(147,672)	(34,863)	N/A
Benefit payments/refunds of contributions	<u>(428,139)</u>	<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	1,114,389	524,804	407,044	383,786	303,473	483,381	551,361	<u>N/A</u>
 Total pension liability, beginning	<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>5,501,660</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$9,269,899</u>	<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	\$182,380	\$161,545	\$177,494	\$178,675	\$166,690	\$166,307	\$160,005	N/A
Member contributions	187,746	170,050	167,900	164,352	156,203	153,784	147,956	N/A
Investment income net of investment expenses	883,271	1,217,124	(141,856)	976,681	459,120	(87,435)	381,006	N/A
Benefit payments/refunds of contributions	(428,139)	(400,999)	(379,944)	(419,459)	(310,700)	(188,031)	(177,849)	N/A
Administrative expenses	(6,855)	(6,516)	(5,953)	(5,050)	(5,003)	(4,472)	(4,584)	N/A
Other	<u>(869)</u>	<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	817,534	1,140,020	(182,625)	894,126	490,771	9,734	510,304	N/A
Fiduciary net position, beginning	<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>5,688,807</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$9,368,872</u>	<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>(\$98,773)</u>	<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	101.07%	104.85%	97.12%	105.12%	97.95%	94.99%	102.41%	N/A
 Pensionable covered payroll	\$2,682,088	\$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	-3.68%	-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, 2021

	SPECIAL REVENUE												
	AMERICAN RESCUE PLAN ACT	BISD STUDENT ELECTION WORKERS	BODY ARMOR GRANT 3780102	BORDER STAR JAG	CCP RECORD MANAGEMENT	CHAPTER 203 RMP - CLERK	CHAPTER 203 RMP - VAR.	CIVIL COURT FEES		CITY DEPUTY	COMMUNITY DEVELOP- MENT	CONGRESS- IONAL LINEBACKER	CONTINUING EDUCATION JUDGE
ASSETS													
Cash and Cash Equivalents	\$356,136	\$849	\$45,962		\$864	\$5,335	\$2,470	\$4,730			\$92,786		\$355
Receivables (net of allowance for uncollectibles)		576										178	
Due from Other Funds													
Prepaid Items													
	<u>\$356,136</u>	<u>\$1,425</u>	<u>\$45,962</u>	<u>\$0</u>	<u>\$864</u>	<u>\$5,335</u>	<u>\$2,470</u>	<u>\$4,730</u>	<u>\$0</u>	<u>\$92,786</u>	<u>\$178</u>	<u>\$355</u>	
LIABILITIES AND FUND BALANCES													
Liabilities													
Accounts Payable				\$514									
Bank Overdraft									44,247				
Accrued Wages													
Due to Other Funds				67,013								163	
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,527</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,247</u>	<u>0</u>	<u>0</u>	<u>163</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES													
Unavailable Revenue-Property Taxes													
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:													
Non-Spendable													
Prepaid Items													
Restricted													
Administration - County		1,425				5,335	2,470	4,730			92,786		355
Administration - County Clerk					864								
Archives													
Health and Welfare	356,136												
Judicial													
Legal													
Public Safety			45,962									15	
Public Transportation													
Committed													
Administration - County													
Culture and Recreation													
Unassigned				(67,527)					(44,247)				
Total Fund Balances	<u>356,136</u>	<u>1,425</u>	<u>45,962</u>	<u>(67,527)</u>	<u>864</u>	<u>5,335</u>	<u>2,470</u>	<u>4,730</u>	<u>(44,247)</u>	<u>92,786</u>	<u>15</u>	<u>355</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$356,136</u>	<u>\$1,425</u>	<u>\$45,962</u>	<u>\$0</u>	<u>\$864</u>	<u>\$5,335</u>	<u>\$2,470</u>	<u>\$4,730</u>	<u>\$0</u>	<u>\$92,786</u>	<u>\$178</u>	<u>\$355</u>	

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

SPECIAL REVENUE														
CONTINUING EDUCATION CONSTABLE	COPS GRANT	COUNTY AND DISTRICT COURT TECH	COUNTY CONSTABLE	COUNTY DETENTION CENTER	COURTHOUSE SECURITY	COVID 19 GRANT 4156201	DISTRICT CLERK - RM&P	DISTRICT COURT CIVIL	ELDERLY NUTRITION	ELECTION	EMS DONATIONS	FAMILY PROTECTION	FEMA GRANT	FIRE RESCUE DONATIONS
\$1,328		\$5,067	\$300	\$167	\$24,396		\$2,152	\$75	\$11,473	\$2,790	\$2,930	\$300		\$12,990
					55				5,945					
									1,142					
\$1,328	\$0	\$5,067	\$300	\$167	\$24,451	\$0	\$2,152	\$75	\$18,560	\$2,790	\$2,930	\$300	\$0	\$12,990
	306					960			\$3,669				57,637	
0	306	0	0	0	0	960	0	0	3,669	0	0	0	57,637	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
									1,142					
1,328										2,790				
		5,067					2,152	75	13,749		2,930			
			300	167	24,451							300		12,990
	(306)					(960)							(57,637)	
1,328	(306)	5,067	300	167	24,451	(960)	2,152	75	14,891	2,790	2,930	300	(57,637)	12,990
\$1,328	\$0	\$5,067	\$300	\$167	\$24,451	\$0	\$2,152	\$75	\$18,560	\$2,790	\$2,930	\$300	\$0	\$12,990

KINNEY COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021
(continued)

	SPECIAL REVENUE											
	FM & LATERAL ROAD FUND	HEALTHY COUNTY	HOT CHECK	INDIGENT HEALTH CARE	INTEROP- ERABILITY PROJECT GRANT	INVESTMENT FUND	JP IN COURT	JP TECH- NOLOGY FUND	KINNEY COUNTY HISTORICAL COMMISSION - CONTRIBUTIONS	KCSO DONATIONS	KCSO LBSP GRANT	LATERAL ROAD FUND
ASSETS												
Cash and Cash Equivalents	\$158,838	\$369	\$2	\$4,120		\$350,000	\$15	\$53,965	\$3,637	\$4,235		\$35,837
Receivables (net of allowance for uncollectibles)	5,207						1,280	8				
Due from Other Funds												
Prepaid Items												
	<u>\$164,045</u>	<u>\$369</u>	<u>\$2</u>	<u>\$4,120</u>	<u>\$0</u>	<u>\$350,000</u>	<u>\$1,295</u>	<u>\$53,973</u>	<u>\$3,637</u>	<u>\$4,235</u>	<u>\$0</u>	<u>\$35,837</u>
LIABILITIES AND FUND BALANCES												
Liabilities												
Accounts Payable												
Bank Overdraft											3,327	
Accrued Wages												
Due to Other Funds												
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,327</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES												
Unavailable Revenue-Property Taxes	5,207											
Total deferred inflows of resources	<u>5,207</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:												
Non-Spendable												
Prepaid Items												
Restricted												
Administration - County												
Administration - County Clerk												
Archives												
Health and Welfare		369		4,120								
Judicial							1,295	53,973				
Legal			2									
Public Safety										4,235		
Public Transportation	158,838											35,837
Committed												
Administration - County						350,000						
Culture and Recreation									3,637			
Unassigned											(3,327)	
Total Fund Balances	<u>158,838</u>	<u>369</u>	<u>2</u>	<u>4,120</u>	<u>0</u>	<u>350,000</u>	<u>1,295</u>	<u>53,973</u>	<u>3,637</u>	<u>4,235</u>	<u>(3,327)</u>	<u>35,837</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$164,045</u>	<u>\$369</u>	<u>\$2</u>	<u>\$4,120</u>	<u>\$0</u>	<u>\$350,000</u>	<u>\$1,295</u>	<u>\$53,973</u>	<u>\$3,637</u>	<u>\$4,235</u>	<u>\$0</u>	<u>\$35,837</u>

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

SPECIAL REVENUE																
LAW LIBRARY	LBSP 3667603	LBSP 3667604	LBSP FUND	LCRA GRANT	LETPA GRANT 3753702	PRE- TRIAL DIVERSION	RECORD ARCHIVE FEE	RECORD MANAGEMENT AND PRES- ERVATION	RM&P VARIOUS COUNTY OFFICES	SHERIFF CONTIN- UING EDUCATION	STRAC EMS GRANT	TXDOT GRANT CTIF	UNCLAIMED FUNDS	OPERA- TION STONE GARDEN	STONE GARDEN GRANT 2013	STONE GARDEN GRANT 2014
\$8,622						\$71,656	\$38,953	\$26,569	\$2,000	\$9,750			\$6,213			
	1,236	139					10	910								3,214
			7,554													
\$8,622	\$1,236	\$139	\$7,554	\$0	\$0	\$71,656	\$38,963	\$27,479	\$2,000	\$9,750	\$0	\$0	\$6,213	\$0	\$0	\$3,214
	857	1,147 796		13,200							\$1	8,208		\$375	\$4,366	
														31,683		
0	857	1,943	0	13,200	0	0	0	0	0	0	1	8,208	0	32,058	4,366	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
								27,479	2,000							
							38,963									
8,622	379		7,554			71,656				9,750						3,214
													6,213			
		(1,804)		(13,200)							(1)	(8,208)		(32,058)	(4,366)	
8,622	379	(1,804)	7,554	(13,200)	0	71,656	38,963	27,479	2,000	9,750	(1)	(8,208)	6,213	(32,058)	(4,366)	3,214
\$8,622	\$1,236	\$139	\$7,554	\$0	\$0	\$71,656	\$38,963	\$27,479	\$2,000	\$9,750	\$0	\$0	\$6,213	\$0	\$0	\$3,214

KINNEY COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021
(continued)

	SPECIAL REVENUE				TOTAL
	KINNEY STONE GARDEN 2017	KINNEY STONE GARDEN 2018	KINNEY STONE GARDEN 2019	VITAL STATISTICS PRES- ERVATION	NON-MAJOR GOVERN- MENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$1,278	\$9,973		\$484	\$1,359,971
Receivables (net of allowance for uncollectibles)				3	18,761
Due from Other Funds					7,554
Prepaid Items					1,142
	<u>\$1,278</u>	<u>\$9,973</u>	<u>\$0</u>	<u>\$487</u>	<u>\$1,387,428</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable					\$8,925
Bank Overdraft			36,370		166,259
Accrued Wages					796
Due to Other Funds					98,859
Total Liabilities	<u>0</u>	<u>0</u>	<u>36,370</u>	<u>0</u>	<u>274,839</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue-Property Taxes					
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,207</u>
Fund Balances:					
Non-Spendable					
Prepaid Items					1,142
Restricted					
Administration - County					140,698
Administration - County Clerk				487	1,351
Archives					38,963
Health and Welfare					377,304
Judicial					62,562
Legal					8,624
Public Safety	1,278	9,973			192,224
Public Transportation					194,675
Committed					
Administration - County					356,213
Culture and Recreation					3,637
Unassigned			(36,370)		(270,011)
Total Fund Balances	<u>1,278</u>	<u>9,973</u>	<u>(36,370)</u>	<u>487</u>	<u>1,107,382</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,278</u>	<u>\$9,973</u>	<u>\$0</u>	<u>\$487</u>	<u>\$1,387,428</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, 2021

	SPECIAL REVENUE											
	AMERICAN RESCUE PLAN ACT	BISD STUDENT ELECTION WORKERS	BODY ARMOR GRANT 3780102	BORDER STAR JAG	RECORD MANAGEMENT	CHAPTER 203 RMP - CLERK	CHAPTER 203 RMP - VAR.	CIVIL COURT FEES	CITY DEPUTY	COMMUNITY DEVELOP- MENT	CONGRESS- IONAL LINEBACKER	CONTINUING EDUCATION JUDGE
REVENUES												
Taxes												
Property												
Intergovernmental	356,136		56,412									
Charges for Services						5	45	210		37,218		70
Interest										49		
Miscellaneous		1,425										
Total Revenues	\$356,136	\$1,425	\$56,412	\$0	\$0	\$5	\$45	\$210	\$0	\$37,267	\$0	\$70
EXPENDITURES												
Current:												
General Administration												
Judicial												
Legal												
Public Safety			10,450						44,153			
Public Transportation												
Culture and Recreation												
Health and Welfare												
Capital Projects -												
Capital Outlay and Other												
Total Expenditures	0	0	10,450	0	0	0	0	0	44,153	0	0	0
Excess (Deficiency) of Revenues Over (Under)												
Expenditures	356,136	1,425	45,962	0	0	5	45	210	(44,153)	37,267	0	70
OTHER FINANCING SOURCES (USES):												
Transfers In												
Transfers Out												
Total Other Financing Sources (Uses)	0	0	0	0	0	0	0	0	0	0	0	0
Net Changes in Fund Balances	356,136	1,425	45,962	0	0	5	45	210	(44,153)	37,267	0	70
Fund Balances - Beginning	0	0	0	(67,527)	864	5,330	2,425	4,520	(94)	55,519	15	285
Fund Balances - Ending	\$356,136	\$1,425	\$45,962	(\$67,527)	\$864	\$5,335	\$2,470	\$4,730	(\$44,247)	\$92,786	\$15	\$355

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

SPECIAL REVENUE														
CONTINUING EDUCATION CONSTABLE	COPS GRANT	COUNTY AND DISTRICT COURT TECH	COUNTY CONSTABLE	COUNTY DETENTION CENTER	COURTHOUSE SECURITY	COVID 19 GRANT 4156201	DISTRICT CLERK - RM&P	DISTRICT COURT CIVIL	ELDERLY NUTRITION	ELECTION	EMS DONATIONS	FAMILY PROTECTION	FEMA GRANT	FIRE RESCUE DONATIONS
		205			3,618 20	16,252	105		29,223				297,997	
643			300						32,693		380			
\$643	\$0	\$205	\$300	\$0	\$3,638	\$16,252	\$105	\$0	\$61,916	\$0	\$380	\$0	\$297,997	\$0
				30	44,369									530
						17,212			189,491		350		251,356	
0	0	0	0	30	44,369	17,212	0	0	189,491	0	350	0	251,356	530
643	0	205	300	(30)	(40,731)	(960)	105	0	(127,575)	0	30	0	46,641	(530)
									130,000					
0	0	0	0	0	0	0	0	0	130,000	0	0	0	0	0
643	0	205	300	(30)	(40,731)	(960)	105	0	2,425	0	30	0	46,641	(530)
685	(306)	4,862	0	197	65,182	0	2,047	75	12,466	2,790	2,900	300	(104,278)	13,520
\$1,328	(\$306)	\$5,067	\$300	\$167	\$24,451	(\$960)	\$2,152	\$75	\$14,891	\$2,790	\$2,930	\$300	(\$57,637)	\$12,990

KINNEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(continued)

	SPECIAL REVENUE											
	FM & LATERAL ROAD FUND	HEALTHY COUNTY	HOT CHECK	INDIGENT HEALTH CARE	INTEROP- ERABILITY PROJECT GRANT	INVESTMENT FUND	JP IN COURT	JP TECH- NOLOGY FUND	KINNEY COUNTY HISTORICAL COMMISSION - CONTRIBUTIONS	KCSO DONATIONS	KCSO LBSP GRANT	LATERAL ROAD FUND
<i>REVENUES</i>												
Taxes												
Property	\$153,738											
Intergovernmental					24,802						4,838	9,217
Charges for Services							384,841	2,259				
Interest	101			38			7	19				11
Miscellaneous												
Total Revenues	\$153,839	\$0	\$0	\$38	\$24,802	\$0	\$384,848	\$2,278	\$0	\$0	\$4,838	\$9,228
<i>EXPENDITURES</i>												
Current:												
General Administration												
Judicial							383,561	1,032				
Legal												
Public Safety											2,822	
Public Transportation												
Culture and Recreation												
Health and Welfare		76		53,876	24,802							
Capital Projects -												
Capital Outlay and Other												
Total Expenditures	0	76	0	53,876	24,802	0	383,561	1,032	0	0	2,822	0
Excess (Deficiency) of Revenues Over (Under)												
Expenditures	153,839	(76)	0	(53,838)	0	0	1,287	1,246	0	0	2,016	9,228
OTHER FINANCING SOURCES (USES):												
Transfers In				50,000								
Transfers Out	(159,787)											(2,477)
Total Other Financing Sources (Uses)	(159,787)	0	0	50,000	0	0	0	0	0	0	0	(2,477)
Net Changes in Fund Balances	(5,948)	(76)	0	(3,838)	0	0	1,287	1,246	0	0	2,016	6,751
Fund Balances - Beginning	164,786	445	2	7,958	0	350,000	8	52,727	3,637	4,235	(5,343)	29,086
Fund Balances - Ending	\$158,838	\$369	\$2	\$4,120	\$0	\$350,000	\$1,295	\$53,973	\$3,637	\$4,235	(\$3,327)	\$35,837

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

SPECIAL REVENUE																
LAW LIBRARY	LBSP 3667603	LBSP 3667604	LBSP FUND	LCRA GRANT	LETPA GRANT 3753702	PRE-TRIAL DIVERSION	RECORD ARCHIVE FEE	RECORD MANAGEMENT AND PRES-ERVATION	RM&P VARIOUS COUNTY OFFICES	SHERIFF CONTIN-UI NG EDUCATION	STRAC EMS GRANT	TXDOT GRANT CTIF	UNCLAIMED FUNDS	OPERA-TION STONE GARDEN	STONE GARDEN 2013	STONE GARDEN 2014
910	13,774	139		40,000	47,110		9,750 22	10,994	16,076	110	1,825	33,862				
													6,000			
\$910	\$13,774	\$139	\$0	\$40,000	\$47,110	\$9,772	\$10,994	\$16,076	\$110	\$1,825	\$33,862	\$0	\$6,000	\$0	\$0	\$0
							1,350	1,950								
	13,395	1,943		53,200	47,110	4,006				1,296	33,863	8,208				
0	13,395	1,943	0	53,200	47,110	4,006	1,350	1,950	0	1,296	33,863	8,208	0	0	0	0
910	379	(1,804)	0	(13,200)	0	5,766	9,644	14,126	110	529	(1)	(8,208)	6,000	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
910	379	(1,804)	0	(13,200)	0	5,766	9,644	14,126	110	529	(1)	(8,208)	6,000	0	0	0
7,712	0	0	7,554	0	0	65,890	29,319	13,353	1,890	9,221	0	0	213	(32,058)	(4,366)	3,214
\$8,622	\$379	(\$1,804)	\$7,554	(\$13,200)	\$0	\$71,656	\$38,963	\$27,479	\$2,000	\$9,750	(\$1)	(\$8,208)	\$6,213	(\$32,058)	(\$4,366)	\$3,214

KINNEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(continued)

	SPECIAL REVENUE				TOTAL
	KINNEY STONE GARDEN 2017	KINNEY STONE GARDEN 2018	KINNEY STONE GARDEN 2019	VITAL STATISTICS PRES- ERVATION	NON-MAJOR GOVERN- MENTAL FUNDS
<i>REVENUES</i>					
Taxes					
Property					\$153,738
Intergovernmental		108,682	470,882		1,509,326
Charges for Services				42	468,283
Interest					910
Miscellaneous					40,798
Total Revenues	\$0	\$108,682	\$470,882	\$42	2,173,055
<i>EXPENDITURES</i>					
Current:					
General Administration					3,300
Judicial					384,593
Legal					0
Public Safety		134,239	418,788		818,402
Public Transportation					0
Culture and Recreation					0
Health and Welfare					285,807
Capital Projects -					
Capital Outlay and Other					251,356
Total Expenditures	0	134,239	418,788	0	1,743,458
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	0	(25,557)	52,094	42	429,597
OTHER FINANCING SOURCES (USES):					
Transfers In					180,000
Transfers Out					(162,264)
Total Other Financing Sources (Uses)	0	0	0	0	17,736
Net Changes in Fund Balances	0	(25,557)	52,094	42	447,333
Fund Balances - Beginning	1,278	35,530	(88,464)	445	660,049
Fund Balances - Ending	\$1,278	\$9,973	(\$36,370)	\$487	\$1,107,382

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

SINGLE AUDIT SECTION

KINNEY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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	\$215
Special Programs for the Aging - Title III, Part C - Nutrition Services				
TITLE III-C	93.045	AAA-1048-11	NONE	18,462
Passed Through				
Texas Department of Aging and Disability Services				
Social Services Block Grant - Title XX - DADS	93.667	001001461	NONE	7,030
Passed Through				
Office of the Attorney General				
Child Support Enforcement-Title IV-D	93.563	NONE	NONE	
Fiscal Year 2021				
Total U.S. Department of Health and Human Services				<u>25,707</u>
U. S. Department of Justice (DOJ)				
Passed Through				
Texas Office of the Governor				
Coronavirus Emergency Supplemental Funding Program (CESF)	16.034	None	NONE	17,212
Passed Through				
Texas Office of the Governor				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	None	NONE	24,802
Total U. S. Department of Justice				<u>42,014</u>
Executive Office of the President				
Direct				
High Intensity Drug Trafficking Areas Program	95.001	G16SS0014A & G17SS0014A	NONE	36,349
Total Executive Office of the President				<u>36,349</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 2018		NONE	NONE	134,239
Operation Stonegarden Grant Program - Kinney Stonegarden 2019		NONE	NONE	418,788
Operation Stonegarden Grant Program - Kinney Stonegarden 2020		NONE	NONE	309,062
Home Land Security LETPA 3583001		NONE	NONE	47,110
				<u>909,199</u>
Passed Through				
Texas Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	271-99271-00	NONE	251,356
Total U.S. Department of Homeland Security				<u>1,160,555</u>
Total Federal Assistance				<u>\$1,264,625</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, each major fund, and the aggregate remaining fund information of Kinney County, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Kinney County, Texas' basic financial statements and have issued our report thereon dated March 11, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kinney County, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kinney County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Kinney County, Texas' 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 item 2021-001 to be a material weakness.

Compliance and Other Matters

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

Kinney County, Texas' Response to Findings

Kinney County, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kinney County, Texas' 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 11, 2022

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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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 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, 2021. 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, 2021.

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.

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 11, 2022

KINNEY COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021. The information in this Schedule is presented in accordance 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, 2021

Federal

Section II-Financial Statement Findings

Material Weaknesses:

2020-001 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. ***This finding has been corrected.***

2020-002 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. ***This finding has not been corrected.***

Significant Deficiencies:

2020-003 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. ***This finding has been corrected.***

2020-004 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. ***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, 2021

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 no significant deficiencies disclosed during the audit. There was one material weakness disclosed during the audit.

Federal 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:

2021-001 County Clerk/District Clerk

Condition: County Clerk/District Clerk – We noted the County Clerk account has an unknown balance of \$9,953.06 and the escrow account has an unknown balance of \$138,834.13 as of September 30, 2021.

Criteria: Internal controls should be in place that provide reasonable assurance that that all monies be accounted for on a monthly basis and reconciled to the bank account's reconciled balance.

Effect: Because the County does not have proper internal controls in place that provide reasonable assurance that all monies be accounted for on a monthly basis and reconciled to the bank account's reconciled balance, 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 be accounted for on a monthly basis and reconciled to the bank account's reconciled balance; to avoid the possibility of the financial statements being materially misstated either through mistake, error, or fraud.

Significant Deficiencies:

None

Other Matters:

None

Section II- Federal Awards Findings

None



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

March 11, 2022

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

Mr. Beyer:

The Kinney County Audit for FY 2020-2021, 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. We noted the County Clerk account has an unknown balance of \$9,953.06 and the escrow account has an unknown balance of \$138,834.13 as of September 30, 2021. We suggest all monies be accounted for on a monthly basis and tied to the bank accounts reconciled balance. *A similar comment was listed on prior year's report.*

Response:

1. The County Clerk will be hiring a temporary employee to complete the finding stated above. He is reaching out to the previous County Clerk to see if she will be willing to help. If not, he will reach out to someone that is knowledgeable to complete the task.

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

Sheriff's Department:

Finding:

1. We noted that the Inmate Bank Account has an unknown balance of \$1,772.46. 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. *A similar comment was listed on prior year's report*
2. We were unable to obtain two Commissary invoices and the Inmate Balance Report. We recommend that all information requested during the audit be provided to us to ensure the audit can be completed.

Response:

1. After the audit of FY 2019-2020, the Sheriff's department issued a check in the amount of \$6,000.00 to Kinney County. This check was deposited to the unclaimed property line item in the general fund.
We will repeat this procedure transferring the balance in the Inmate Bank Account to the unclaimed property line item in the general fund.
We will now make the transfer monthly.
2. I discussed this with the sheriff's administrative person. We are still a little confused on what was not made available to Beyer & Co. But going forward, we will be diligent in getting all the requested documents to Beyer & Co. in a timely manner.

Regards,



Donieta O'Keeffe
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