

KINNEY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2022

KINNEY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
for the Year Ended September 30, 2022

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

County Commissioners
Kinney County, Texas
P.O. Box 1219
Brackettville, Tx 78832

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kinney County, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Kinney County, Texas's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kinney County, Texas as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Kinney County, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in the notes to the financial statements, in 2022, the County adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that



an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Kinney County, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kinney County, Texas's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, Schedule of the County's Proportionate Share of the Net Pension Liability and the Schedule of the County's Contributions for Pensions, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government 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 an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

information, other supplementary information schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

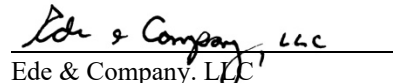
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023, on our consideration of the Kinney County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kinney County, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kinney County, Texas's internal control over financial reporting and compliance.


Ede & Company, LLC
Certified Public Accountants
Uvalde, Texas

June 29, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Kinney County’s annual financial report presents our discussion and analysis of the County’s financial performance during the fiscal year ended September 30, 2022. Please read it in conjunction with the County’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The County’s total combined Governmental Fund net position was \$9,992,337 on September 30, 2022.
- During the year, the County’s income was \$331,917 more than the \$10,975,450 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$2,837,639.

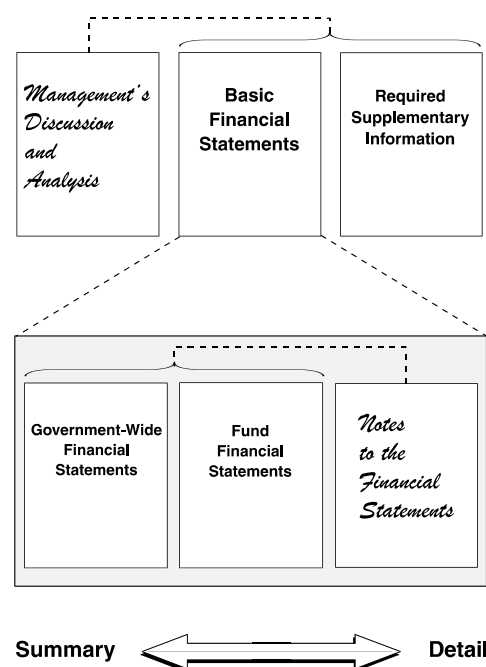
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the County’s Annual Financial Report



Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County’s net position and how they have changed. Net position, the difference between the County’s assets and liabilities is one way to measure the County’s financial health or *position*.

- Over time, increases or decreases in the County’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County’s tax base.

Both of these Government-Wide Financial Statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, environmental protection, public transportation, health and welfare, public facilities, legal, elections, financial administration, conservation, capital projects, and culture and recreation. These activities are financed primarily by property taxes.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds—not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. Kinney County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes. The County has two kinds of funds: governmental and fiduciary.

- **Governmental funds** – Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. 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 government funds and governmental activities.

The County maintains individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund and Road and Bridge Fund, the Jail Detention Facility and Operation Lone Star, which are considered to be major funds. Individual fund data for non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund, County, and Road & Bridge Fund. Budgetary comparison schedules, as listed in the table of contents, have been provided to demonstrate compliance with this budget.

- **Fiduciary funds** – The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the County's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position, as listed in the table of contents. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

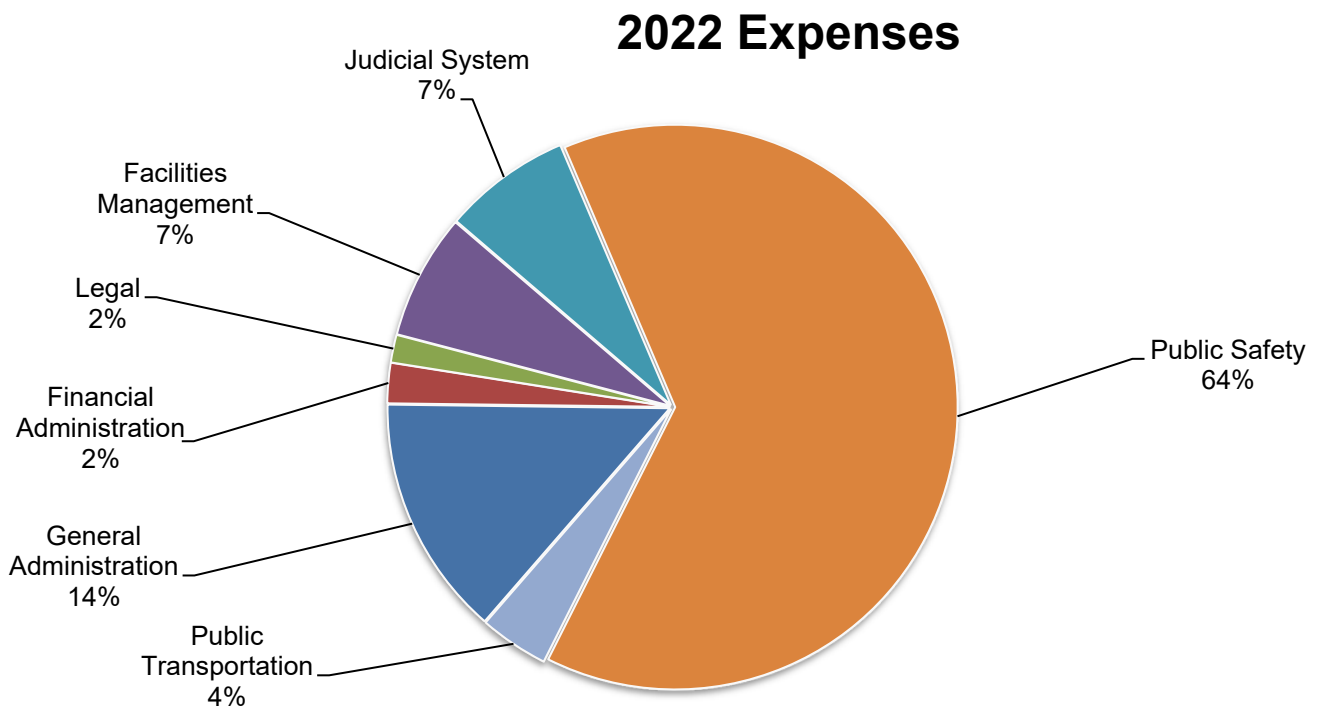
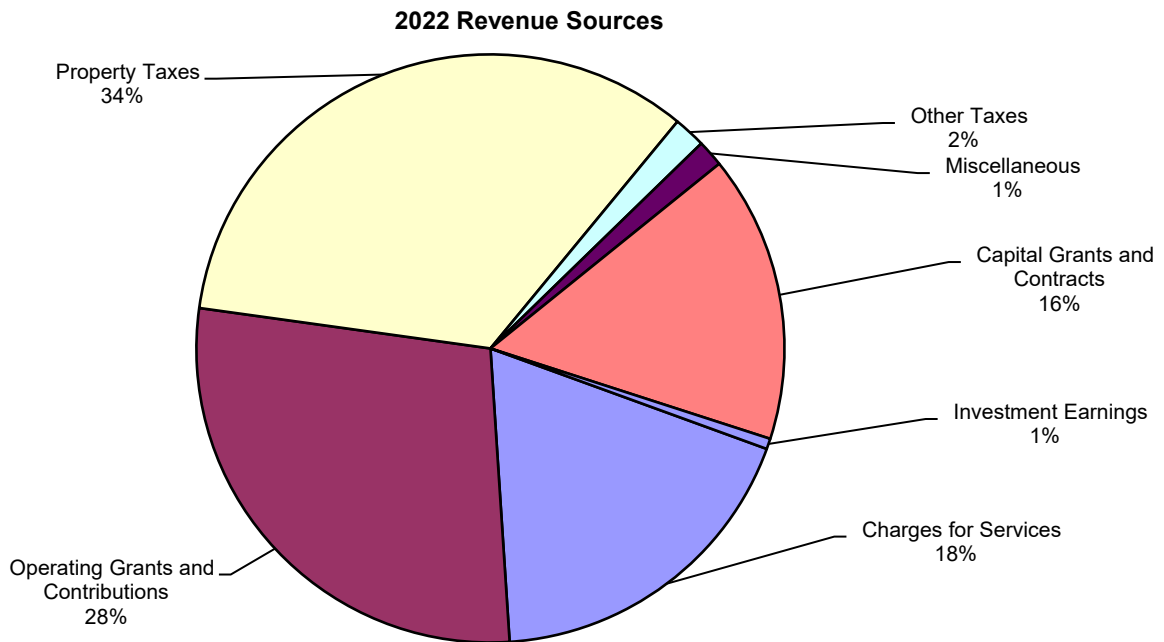
Kinney County's combined net position was approximately \$9.99 million at September 30, 2022. By far the largest portion of the County's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment), less accumulated depreciation and any related long-term liabilities.

**Kinney County, Texas
Net Position**

	Governmental Activities		
	2022	2021	% Change 2022-2021
Current & Other Assets	\$7,448,314	\$ 5,924,377	25.7%
Capital Assets	4,525,987	4,264,305	6.1%
Total Assets	<u>11,974,301</u>	<u>10,188,682</u>	<u>17.5%</u>
Deferred Outflows of Resources			
Deferred Outflow - Pensions	376,040	597,631	-37.1%
Total Deferred Outflows of Resources	<u>376,040</u>	<u>597,631</u>	<u>-37.1%</u>
Current Liabilities	826,661	157,168	426.0%
Long Term Liabilities	104,019	67,891	53.2%
Total Liabilities	<u>930,680</u>	<u>225,059</u>	<u>313.5%</u>
Deferred inflows of Resources			
Deferred Inflow - Pensions	1,427,324	311,849	357.7%
Total Deferred Inflows of Resources	<u>1,427,324</u>	<u>311,849</u>	<u>357.7%</u>
Net Position			
Invested in Capital Assets, net of related debt	5,134,974	4,264,305	20.4%
Restricted	2,029,180	2,022,765	0.3%
Non Spendable	22,832	-	100.0%
Committed	360,350	-	100.0%
Unassigned	2,445,001	3,962,335	-38.3%
Total net position	<u>9,992,337</u>	<u>10,249,405</u>	<u>-2.5%</u>

A portion of the County's net position \$209.18 thousand, represents resources that are subject to external restriction on how they may be used. The remaining balance (\$2,445.0) thousand of unrestricted net position may be used to meet the County's ongoing obligation to citizens and creditors in accordance with the County's fund designation and fiscal policies. The overall financial condition of the county decreases from FY2021 to FY2022.

Governmental Activities – Total revenues for the fiscal year ended September 30, 2022 were 10.9 million. Approximately 34% of the County's revenue comes from property taxes. The graph below shows the sources of revenues for FY2022. Table A-2 shows the changes in Net Position between FY2021 and FY2022.



**KINNEY COUNTY TX
CHANGE IN NET POSITION**

	Governmental Activities		% Change
	2022	2021	2022-2021
Revenues:			
Program Revenues:			
Charges for Services	\$ 2,020,164	\$ 1,318,211	53.3%
Operating Grants	3,098,848	2,779,461	11.5%
Capital Grants	1,732,209	-	0.0%
General Revenue			
Property Taxes	3,707,396	3,819,884	-2.9%
Other Taxes	191,872	216,521	-11.4%
Investment Earnings	63,592	6,975	811.7%
Other	161,369	212,208	-24.0%
Total Revenue	10,975,450	8,353,260	31.4%
Expenses:			
General Administration	1,392,783	1,280,983	8.7%
Judicial	738,595	635,495	16.2%
Legal	159,659	142,903	11.7%
Financial Administration	231,637	355,901	-34.9%
Public Facilities	725,093	468,474	54.8%
Public Safety	6,438,214	3,280,712	96.2%
Public Transportation	399,085	283,990	40.5%
Culture and Recreation	195,123	190,227	2.6%
Conservation- Agriculture	106,686	103,201	3.4%
Health & Welfare	256,658	263,563	-2.6%
Total Expense	10,643,533	7,005,449	51.9%
Increase (Decrease) in Net Position	331,917	1,347,811	-75.4%
Net Position- Beginning	23,682,152	24,291,002	-2.5%
Net Position - Ending	24,014,069	25,638,813	-6.3%

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds:

As of the end of the fiscal year, Kinney County's governmental funds reported a combined fund balance of \$4,857.4 thousand, a decrease of \$45.5 thousand in comparison with the prior year. Approximately 50.34% of this total amount \$2,445.0 thousand is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted fund balance of \$2,029.2 thousand, committed fund balance of \$360.3 thousand, and non-spendable fund balance of \$22.8 thousand. The County's ability to spend each of these types of fund balance is more limited than with the unassigned fund balance, and the limitations on spending are discussed more fully in the notes to the financial statements.

General Fund Budgetary Highlights – The County amend the budget during the year. Even with these amendments actual revenues were \$351.3 thousand more than budgeted amounts. Actual expenses were \$782.3 thousand less the amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the County had invested \$11,537.3 thousand in a broad range of capital assets, including land, equipment, buildings, roads, bridges and vehicles. (See Table A-4.) This amount represents a \$944.7 increase (including additions and deductions) from last year.

	Governmental Activities		% Change 2022-2021
	2022	2021	
Land	\$ 126,796	\$ 126,796	0.0%
Construction in progress-Water Lines & Booster	\$ 33,875	\$ -	100.0%
Intangible	119,195	119,195	0.0%
Buildings and Improvements	3,899,236	3,830,227	1.8%
Machinery, equipment and vehicles	5,726,135	4,934,214	16.0%
Infrastructure	1,582,141	1,582,141	0.0%
Right to Use Assets	49,886	-	100.0%
Totals at historical cost	11,537,264	10,592,573	8.9%
Total Accumulated Depreciation	(7,011,277)	(6,328,271)	10.8%
Net Capital Assets	<u>\$ 4,525,987</u>	<u>\$ 4,264,302</u>	<u>6.1%</u>

Long Term Debt – At the end of the fiscal year, the County’s only debt was \$104,365 of right to use assets-lease and compensated absences.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The taxable value used for the FY2023 budget preparation is estimated to be up significantly from FY2022.
- The tax rate established for the FY2023 budget is \$.5396, which is an increase from the FY2022 rate of \$.5370
- The 2023 general fund budgeted revenue is \$7,253,704 budgeted disbursement are \$7,253,704.
- Inflationary trends in the region are comparable to national indices.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Kinney County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the County’s business office, P.O. Box 1219, Brackettville, TX 78832.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

KINNEY COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	\$ 5,411,984	\$ 5,411,984
Receivable (net of allowances for uncollectible)	375,589	375,589
Prepaid Items	22,832	22,832
Net Pension Asset	1,637,909	1,637,909
Capital Assets		
Construction in Process	33,875	33,875
Land	126,796	126,796
Intangibles (Net)	66,395	66,395
Infrastructure (Net)	-	-
Buildings (Net)	2,434,020	2,434,020
Machinery and Equipment (Net)	1,831,517	1,831,517
Right-to-use Lease Assets (Net)	33,384	33,384
Total Assets	<u>11,974,301</u>	<u>11,974,301</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension	376,040	376,040
Total Deferred Outflow of Resources	<u>376,040</u>	<u>376,040</u>
LIABILITIES		
Accounts Payable	\$ 126,631	\$ 126,631
Bank Overdrafts	675,154	675,154
Accrued Wages Payable	24,876	24,876
Accrued Payroll Liabilities	-	-
Noncurrent Liabilities:		
Due Within One Year	16,192	16,192
Due in More Than One Year		
Right to Use Liability - Leases	20,281	20,281
Compensated Absences	67,546	67,546
Total Liabilities	<u>930,680</u>	<u>930,680</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension	1,427,324	1,427,324
Total Deferred Inflow of Resources	<u>1,427,324</u>	<u>1,427,324</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	5,134,974	5,134,974
Non Spendable:		
Prepaid Items	22,832	22,832
Restricted:		
Restricted for Administration-County	117,068	117,068
Restricted for Administration-County Clerk	112,272	112,272
Restricted for Health and Welfare	698,345	698,345
Restricted for Judicial	57,242	57,242
Restricted for Legal	8,624	8,624
Restricted for Public Safety	863,810	863,810
Restricted for Public Transportation	171,819	171,819
Committed:		
Committed to Administration- County	356,213	356,213
Committed to Culture and Recreation	4,137	4,137
Unassigned	2,445,001	2,445,001
Total Net Position	<u>\$ 9,992,337</u>	<u>\$ 9,992,337</u>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government				
General Administration	\$ 1,392,783	\$ 74,423	\$ 396,594	\$ -
Judicial	738,595	521,517	25,335	-
Legal	159,659	2	-	-
Financial Administration	231,637	-	-	-
Public Facilities	725,093	-	-	33,875
Public Safety	6,438,214	1,221,362	2,592,136	1,412,824
Public Transportation	399,085	185,582	9,218	285,510
Culture and Recreation	195,123	14,353	500	
Conservation - Agriculture	106,686	-	-	-
Health & Welfare	256,658	2,925	75,065	-
Total primary governmental activities	10,643,533	2,020,164	3,098,848	1,732,209

General revenues:

Taxes:

Property Taxes, Levied for General Purposes

Other Taxes

Investment earnings

Special Transfers

Miscellaneous Revenue

Total general revenues, and transfers

Change in net position

Net position—beginning

Net position—ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position
Primary Government

Governmental
Activities

\$	(921,766)
	(191,743)
	(159,657)
	(231,637)
	(691,218)
	(1,211,892)
	81,225
	(180,270)
	(106,686)
	(178,668)
	<u>(3,792,312)</u>

	3,707,396
	191,872
	63,592
	-
	<u>161,369</u>
	<u>4,124,229</u>
	331,917
	<u>9,660,420</u>
\$	<u><u>9,992,337</u></u>

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FUND FINANCIAL STATEMENTS

KINNEY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Road and Bridge Funds
ASSETS		
Cash and Cash Equivalents	\$ 2,756,757	\$ 176,899
Receivables (net of allowance for uncollectib	156,185	8,441
Due from Other Funds	97,011	-
Prepaid Items	22,832	-
Total Assets	<u>\$ 3,032,785</u>	<u>\$ 185,340</u>
LIABILITIES		
Accounts Payable	\$ 66,328	\$ 2,624
Bank Overdraft	-	-
Accrued Wages Payable	7,629	-
Due to Other Funds	-	5,705
Total Liabilities	<u>73,957</u>	<u>8,329</u>
DEFERRED INFLOW OF RESOURCES		
Unavailable Revenue- Property Taxes	<u>121,189</u>	<u>5,192</u>
Total Deferred Inflows of Resources	<u>121,189</u>	<u>5,192</u>
FUND BALANCE		
Non Spendable:		
Prepaid Items	22,832	-
Restricted For:	-	-
Administration-County	-	-
Administration- County Clerk	-	-
Archives	-	-
Health and Welfare	-	-
Judicial	-	-
Legal	-	-
Public Safety	-	-
Public Transportation	-	171,819
Committed:		
Administration- County	-	-
Culture and Recreation	-	-
Unassigned:	2,814,807	-
Total Fund Balances	<u>2,837,639</u>	<u>171,819</u>
Total Liabilities Deferred Inflows and Fund Balances	<u>\$ 3,032,785</u>	<u>\$ 185,340</u>

The accompanying notes are an integral part of this statement.

Jail and Detention Facility	Operation Lone Star	Nonmajor Governmental Funds	Total Governmental Funds
\$ 995,649	\$ -	\$ 1,482,679	\$ 5,411,984
164,425	-	46,538	375,589
-	-	7,554	104,565
-	-	-	22,832
<u>\$ 1,160,074</u>	<u>\$ -</u>	<u>\$ 1,536,771</u>	<u>\$ 5,914,970</u>
\$ -	\$ 13,377	\$ 44,302	\$ 126,631
-	395,907	279,247	675,154
-	5,538	11,709	24,876
-	-	98,860	104,565
<u>-</u>	<u>414,822</u>	<u>434,118</u>	<u>931,226</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>126,381</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>126,381</u>
-	-	-	22,832
-	-	-	-
-	-	117,068	117,068
-	-	112,272	112,272
-	-	-	-
-	-	698,345	698,345
-	-	57,242	57,242
-	-	8,624	8,624
1,160,074	(414,822)	118,558	863,810
-	-	-	171,819
-	-	-	-
-	-	356,213	356,213
-	-	4,137	4,137
-	-	(369,806)	2,445,001
<u>1,160,074</u>	<u>(414,822)</u>	<u>1,102,653</u>	<u>4,857,363</u>
<u>\$ 1,160,074</u>	<u>\$ -</u>	<u>\$ 1,536,771</u>	<u>\$ 5,914,970</u>

KINNEY COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds	\$ 4,857,363
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$10,592,573 and accumulate depreciation was \$6,328,271. In addition, long-term liabilities including compensated absences, and right to use lease liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The long -term debt was \$102,256. The net effect of including the beginning balances for the capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	4,162,046
Current year capital outlays and changes in long-term liabilities including and compensated absences debt payments are expended in the fund financial statements, but they should be shown as increases in capital assets and changes in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and changes in compensated absences is to increase net position.	1,036,605
Included in the items related to debt is the recognition of the County's net pension liability required by GASB 68. At the beginning of the year, the net position related to GASB68 was a Deferred Resource Outflow in the amount of \$597,631, a Deferred Resource Inflow in the amount of \$311,849 and a net pension asset in the amount of \$98,773. The impact of this on Net Position is 384,555. Changes from the current year reporting of the plan resulted in a increase in net position in the amount of \$202,070. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of \$586,625.	586,625
The 2022 depreciation expense increased accumulate Depreciation. The net effect on the current year's depreciation is to decrease net position.	(776,683)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	126,381
Net Position of Governmental Activities	<u><u>\$ 9,992,337</u></u>

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KINNEY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Road and Bridge Funds	Jail and Detention Facility Revenue
REVENUES:			
Taxes			
Property Taxes	\$ 3,642,598	\$ 149,417	\$ -
Sales	191,872	-	-
Intergovernmental	308,407	9,218	-
Licenses & Permits	4,430	166,681	-
Charges for services	406,754	18,901	920,588
Fines & Forfeitures	175,728	-	-
Interest	52,816	1,463	7,882
Grant Revenue	-	-	-
Miscellaneous	80,744	-	50,000
Total Revenue	<u>4,863,349</u>	<u>345,680</u>	<u>978,470</u>
EXPENDITURES:			
Current:			
General Administration	1,259,491	-	-
Judicial	470,953	-	-
Legal	158,740	-	-
Financial Administration	240,455	-	-
Public Facilities	670,903	-	-
Public Safety	2,233,116	-	-
Public Transportation	-	602,559	-
Culture and Recreation	176,673	-	-
Conservation - Agriculture	104,537	-	-
Health & Welfare	-	-	-
Capital Projects:			
Capital Outlay and Other	-	-	-
Total Expenditures	<u>5,314,868</u>	<u>602,559</u>	<u>-</u>
Excess (Deficiency) Revenues Over Expenditures	<u>(451,519)</u>	<u>(256,879)</u>	<u>978,470</u>
OTHER FINANCING SOURCES (USES):			
Lease Proceeds	15,520	-	-
Operating Transfers In	820,000	227,873	-
Operating Transfers Out	<u>(397,873)</u>	<u>-</u>	<u>(820,000)</u>
Total Other Financing Sources (Uses)	<u>437,647</u>	<u>227,873</u>	<u>(820,000)</u>
Net Change in Fund Balances	(13,872)	(29,006)	158,470
Fund Balance - October 1 (Beginning)	2,851,511	200,825	1,001,604
Prior Period Adjustment	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 2,837,639</u>	<u>\$ 171,819</u>	<u>\$ 1,160,074</u>

The accompanying notes are an integral part of this statement.

Operation Lone Star	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,792,015
-	-	191,872
3,184,382	1,327,974	4,829,981
-	-	171,111
-	326,984	1,673,227
-	-	175,728
-	1,431	63,592
-	-	-
-	31,799	162,543
<u>3,184,382</u>	<u>1,688,188</u>	<u>11,060,069</u>
-	93,962	1,353,453
-	298,223	769,176
-	-	158,740
-	-	240,455
-	78,004	748,907
3,599,204	875,575	6,707,895
-	-	602,559
-	-	176,673
-	-	104,537
-	258,650	258,650
-	-	-
<u>3,599,204</u>	<u>1,604,414</u>	<u>11,121,045</u>
<u>(414,822)</u>	<u>83,774</u>	<u>(60,976)</u>
-	-	15,520
-	170,000	1,217,873
-	-	(1,217,873)
-	<u>170,000</u>	<u>15,520</u>
(414,822)	253,774	(45,456)
-	848,879	4,902,819
-	-	-
<u>\$ (414,822)</u>	<u>\$ 1,102,653</u>	<u>\$ 4,857,363</u>

KINNEY COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ (45,456)
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Current year capital outlays and changes in long-term liabilities including compensated absences are expenditures in the fund financial statements, but they should be shown as increases in capital assets and changes in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and changes in long-term debt is to decrease net position.	1,036,605
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Current year changes due to GASB 68 required debits to expenses in the amount of \$202,070 resulting in a increase in net position.	202,070
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Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect on the current year's depreciation is to decrease net position.	(776,683)
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Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	(84,619)
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Change in Net Position of Governmental Activities	<u><u>\$ 331,917</u></u>
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The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2022

	<u>Agency Funds</u>
ASSETS:	
Cash & Cash Equivalents	\$ 4,057,040
Receivables	<u>25,876</u>
Total Assets	<u>4,082,916</u>
LIABILITIES	
Accounts Payable	<u>150,537</u>
Total Liabilities	<u>150,537</u>
NET POSITION	
Restricted for Other Purposes	<u>3,932,379</u>
Total Net Position	<u><u>\$ 3,932,379</u></u>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Total Custodial Funds
ADDITIONS:	
Detention Facility Fees	\$ 12,421,138
Collections From Other Governments and Others	4,310,078
Interest	853
Total Additions	<u>16,732,069</u>
DEDUCTIONS:	
Distributions To Other Governments and Others	13,418,034
Other Services and Charges	2,250
Total Deductions	<u>13,420,284</u>
Changes in Fiduciary Net Positions	3,311,785
 Total Net Position - October 1 (Beginning)	 620,594
Total Net Position - September 30 (Ending)	<u>\$ 3,932,379</u>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Kinney County (County) reflected in the accompanying financial statements conform to generally accepted accounting principles (GAAP) in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB). The most significant accounting and reporting policies of the County are described in the following notes to the basic financial statements.

The following GASB Statement was implemented in FY22.

GASB Statement No. 87 – Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use a lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The adoption of GASB 87 resulted in a restatement to beginning balances of the right-to-use assets and leases payable. For governmental activities, right-to-use assets and leases payable were restated by \$34,365.

A. Reporting Entity

The County is a public corporation and political subdivision of the State of Texas (State). The Commissioner's Court is composed of four commissioners and the County Judge is the general governing body of the County in accordance with Article 5, Section 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of Texas: general government (e.g., tax collection, funds investment, etc.), judicial (courts, juries, district attorney, etc.), public safety (sheriff, jail, homeland security, etc.), highways and streets, health, education, and public welfare (e.g., juvenile services and assistance to indigents).

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Position and Statement of Activities. Government-wide statements report, except for County fiduciary funds financial activity, information on all of the County activities. The effect of inter-fund transfers has been removed from the government-wide financial statements but continues to be reported in the fund financial statements. However, inter-fund services provided and used are not eliminated in the process of consolidation. Governmental activities are supported mainly by taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities of the County. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include a) fees, fines and charges paid by the recipients of

KINNEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2022

goods or services offered by the programs and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate fund financial statements are provided for governmental funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. General, Road & Bridge, Jail and Detention Facility, and Operation Lone Star Grants are reported as *major governmental funds*. Each major fund is reported in a separate column in the fund financial statements. Other nonmajor funds include Special Revenue Funds. The combined amounts for these funds are reflected in a single column in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues net of allowances are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, include district clerk and county clerk fees, justice of the peace fees, revenue from investments, intergovernmental revenue, and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. Program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants, and contributions not restricted to specific programs, investment earnings, and donations of assets.

Governmental fund-level financial statements are reported using current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized only when they become susceptible to accrual (measurable and available). Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Unavailable means not available to finance expenditures for the current fiscal period. Unearned refers to funds received before the earnings process is completed. Except for grants, measurable and available revenues include revenues expected to be received within 60 days after the fiscal year's end. Grants policy includes recognition of revenues, so long as such amounts are collectible within 120 days or soon enough afterward to be used to pay liabilities for the current period, and where grant eligibility requirements have been met. Property taxes levied prior to September 30, 2022, and became due October 1, 2022, have been assessed to finance the budget of the fiscal year beginning October 1, 2022, and, accordingly, have been reflected as unavailable revenue and property taxes receivable in the governmental fund financial statements. Receivables and deferred inflows associated with these property taxes are included in the government-wide statements on September 30, 2022.

Expenditures generally are recorded when a fund liability is due and payable; however, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when the liability has matured and payment is due.

KINNEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2022

The County reports the following major governmental funds:

General Fund is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Significant revenue sources include property taxes, charges for services, intergovernmental revenues, and investment income of idle funds. Primary expenditures are for general government, public safety, judicial, public welfare, health services, and capital acquisition.

Road and Bridge Fund – The Road and Bridge Fund is a special revenue fund which accounts for the collection and expenditure of those monies designated to be spent for acquisition, construction, and maintenance of county roads and bridges. This constitutional fund is primarily financed with fees associated with vehicle registration.

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

Operation Lone Star is used provides funding to local law enforcement agencies to enhance their capabilities to “support joint efforts to secure the United States’ borders. Funds are to be used for additional law enforcement personnel, overtime pay, general purpose equipment, and travel and lodging for the deployment of state and local personnel – among other applicable activities – to “improve overall border security.

Other fund types include fiduciary funds:

Fiduciary Funds financial statements include custodial funds used to account for assets held by the County as agents for individuals, private organizations, and other governments and cannot be used to support the County’s own programs. Custodial funds do not involve a formal trust agreement.

Custodial funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. They include the State Comptroller fund for fees collected due to the state, Community Supervision and Corrections fund for activities of a state agency with funds in the County depository and Other Custodial fund for funds collected and held for others.

D. Assets, Liabilities, and Net Position

1. Cash, Cash Equivalents, 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. For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

KINNEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2022

2. Receivables and Payables

Property taxes are levied prior to September 30 based on taxable values as of January 1 and become due October 1 and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected in the government-wide financial statements based on the accrual method of accounting. Property tax receivables are shown net of an allowance for uncollectible accounts. Property taxes owed for a future period are deferred and recognized as revenue in the periods they were earned.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when earned in the government-wide financial statements. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts. Borrowing between funds is recorded as an amount either "Due to" or "Due from." Due to and due from amounts are eliminated in the government-wide financial statements.

3. Inventories and Prepayments

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, 2022.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures when consumed rather than when purchased. In the fund financial statements, advances and prepayments are denoted as a non spendable fund balance.

4. Restricted Assets/Funds

The following accounts reflect restricted status by third party or statutory obligations for specific purposes:

- Operation Lone Star, and the grant funds, which are included with Nonmajor Governmental Funds (amounts restricted for future grant expenditures according to award restrictions);
- Other Nonmajor Governmental Fund balances (amounts restricted for other specific purposes according to Texas statutes).

KINNEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2022

5. Capital Assets

Capital assets, including land, construction in progress, historical treasures, buildings, machinery and equipment, and infrastructure (e.g., roads and bridges) are reported in the government-wide financial statements. Capital assets (except for grant assets with lower thresholds) are defined as assets where the County bears risks and benefits of ownership with a cost of \$1,000 or more and with a useful life in excess of two years. Infrastructure assets include County owned roads and bridges. Capital assets are recorded at historical cost if purchased or constructed. Donations of capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset life is not capitalized. Additionally, County capital expenditures include amounts incurred to improve infrastructure assets owned by other governmental entities within Kinney County. Accordingly, these amounts are not capitalized. Capital assets, except infrastructure, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20
Leasehold Improvements	30
Land Improvements	30
Electrical Generation Systems	10
Plumbing Systems	10
Central Air/Heat Systems	10
Equipment	6
Office Furnishings	7
Law enforcement Equipment	5
Life Safety Equipment	5
Vehicles	5
Office Equipment	6
Computer Equipment	3
Furniture	7

The County uses the modified approach to report infrastructure assets in the government-wide Statement of Net Position. Infrastructure assets are recorded at historical cost but not depreciated. Under the modified approach, the County reports annual expenses for maintaining County roads and bridges including estimated costs for preservation at specified levels.

The County evaluates capital assets regularly for impairment. If circumstances suggest that assets may be impaired, an assessment of recoverability is performed prior to any write down of assets. An impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount.

KINNEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2022

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation, comp time, 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 and comp time are accrued when incurred in the government- wide financial statements. A liability for these amounts is reported in government- wide financial statements.

7. 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County's deferred outflows of resources consist of differences between expected and actual actuarial experience (pension), changes in actuarial assumptions (pension), change in proportion and differences between employer's contributions and the proportionate share of contributions (pension), and contributions paid to TC&DRS subsequent to the measurement date (pension).

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 County has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. In the government wide financial statements, the County has two items that qualify for this reporting. The County reports a deferred inflow of resources for differences between expected and actual actuarial experience (pension), changes in actuarial assumptions (pension), differences between projected and actual investment earnings (pension), and changes in proportion and differences between employer's contributions and the proportionate share of contributions (pension). The County also reports a Deferred Loss on Bond Refunding.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

In the fund financial statements, governmental fund types recognize the principal of long-term debt and lease proceeds as another financing source.

Net pension obligations are liquidated through a trust managed by Texas County and District Retirement System.

KINNEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2022

9. Leases

Leases are defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. The lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset, plus any applicable periods covered by any renewal options that are reasonably certain to be exercised, or options to terminate that are not reasonably certain to be exercised. Contracts that transfer ownership of the underlying asset are recognized as financed purchases in the financial statements. Leases that have a maximum term of less than 12 months are considered short-term leases. Short-term lease payments are recognized in the period of payment.

As a lessee, the County recognizes a lease payable and an intangible right-to-use lease asset. At the commencement of a lease, the lease payable is recorded at the net present value of the future fixed lease payments, discounted at either the explicit interest rate in the agreement or the County's incremental borrowing rate at lease inception. The right-to-use leased asset is initially recorded at the amount of the lease liability plus any prepayments less lease incentives received prior to lease commencement. The right-to-use leased asset is amortized on a straight-line basis over the term of the lease or the asset's useful life for leases where the County is reasonably certain that the bargain purchase option will be exercised.

10. Fund Balances

Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These classifications are defined as:

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 — This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Infrastructure Projects are restricted by State Statute and County laws and are legally segregated for funding of infrastructure improvements.

Committed — This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Commissioners' Court. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Unassigned — All other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are

KINNEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2022

restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

As of September 30, 2022, fund balances are composed of the following:

Fund Balances:	
Non Spendable:	
Prepaid Items	\$ 22,832
Restricted:	
Restricted for Administration-County	117,068
Restricted for Administration-County Clerk	112,272
Restricted for Health and Welfare	698,345
Restricted for Judicial	57,242
Restricted for Legal	8,624
Restricted for Public Safety	863,810
Restricted for Public Transportation	171,819
Committed:	
Committed to Administration- County	356,213
Committed to Culture and Recreation	4,137
Unassigned	2,445,001
Total Fund Balance	
	<u><u>\$ 4,857,363</u></u>

When both restricted and unrestricted amounts are available for use, County policy as approved by the governing body is to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, the policy is to use committed amounts first consistent with the formal action of the governing body, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be incurred.

11. Net Position

In the government-wide financial statements, net position is categorized into three categories. The first is net investment in capital assets, which is gross capital asset balances reduced by accumulated depreciation and any outstanding debt incurred to acquire, construct or improve those assets excluding unexpended bond proceeds. The second category is restricted, which represents assets restricted by requirement of bond covenants, grantor regulations, other externally imposed constraints, or by legislation, in excess of the related liabilities payable from restricted assets. The third category, unrestricted portion of net position, consists of net position that does not meet the definition of either of the other two categories of net position.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts

KINNEY COUNTY, TEXAS
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of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. Budgets

The original budget is adopted by the Commissioners' Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioners' 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 Commissioners' Court, the County Auditor prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the Commissioners' Court.

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

When the Budget has been adopted by the Commissioners' 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 Commissioners' 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.

II. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES

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

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agreements, (6) banker's 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 follows the requirements of the Act and with local policies.

Policies Governing Deposits and Investments:

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, 2022, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
Texpool	\$ 2,722,135	Less than 1 year	Less than 1 year
Tex Star Funds	\$ 1,148,483	Less than 1 year	Less than 1 year

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Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy and Chapter 2257 of the Texas Government Code, also known as the Public Funds Collateral Act, provides guidelines for the amount of collateral that is required to secure the deposit of public funds. It requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of Federal Depository insurance (FDIC) available.

As of September 30, 2022, the government's bank balance of \$4,424,188 was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$7,038,672 and the FDIC coverage is \$500,000.

III. PROPERTY TAXES AND OTHER RECEIVABLES

A. Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature which affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide appraisal districts and for the State Property Tax Board which commenced operation in January, 1980.

As of October 1, 1981, the appraisal of property within the County was the responsibility of the county-wide appraisal district. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property.

However, if the effective tax rates for bonds and other contractual obligations and adjustments for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year. The Appraisal District is governed by a Board of Directors elected by the governing bodies of the taxing entities within the District. The Board of Directors appoints a Chief Appraiser to act as Chief Administrator of the Appraisal District and an Appraisal Review Board to equalize appraised values.

The County's taxes on Kinney County property are a lien against such property until paid. The County may foreclose Kinney County property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure

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proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

Property tax revenues are recognized in the accounting period in which they become both measurable and available. Property tax revenues are considered measurable at the time of levy and are recognized as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end.

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 Fund	Road and Bridge Fund	Jail and Detention Facility	Other Governmental Funds	Total
Property Taxes	\$ 121,188	\$ 5,192	\$ -	\$ -	\$ 126,380
Sales Taxes	-	-	-	-	-
Fines	24,397	3,249	-	-	27,646
Other	10,600	-	164,425	46,538	221,563
Total Receivables	<u>156,185</u>	<u>8,441</u>	<u>164,425</u>	<u>46,538</u>	<u>375,589</u>

KINNEY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENT
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IV. CAPITAL ASSETS

Capital asset activity for the County for the year ended September 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 126,796	\$ -	\$ -	\$ 126,796
Construction in Progress-Water Lines	-	33,875	-	33,875
Total capital assets not being depreciated	<u>126,796</u>	<u>33,875</u>	<u>-</u>	<u>160,671</u>
 <i>Capital assets being depreciated:</i>				
Intangibles	119,195	-	-	119,195
Buildings and Improvements	3,830,227	69,009	-	3,899,236
Machinery, Equipment and Vehicles	4,934,214	885,598	93,677	5,726,135
Infrastructure	1,582,141	-	-	1,582,141
Right to Use Assets	* 34,366	15,520	-	49,886
Total capital assets being depreciated	<u>10,500,143</u>	<u>970,127</u>	<u>93,677</u>	<u>11,376,593</u>
Less accumulated depreciation for:				
Intangibles	40,880	11,920	-	52,800
Buildings and Improvements	1,339,662	125,551	-	1,465,213
Machinery, Equipment and Vehicles	3,365,585	622,710	93,677	3,894,618
Infrastructure	1,582,144	-	-	1,582,144
Right to Use Assets	-	16,502	-	16,502
Total accumulated depreciation	<u>6,328,271</u>	<u>776,683</u>	<u>93,677</u>	<u>7,011,277</u>
Total capital assets being depreciated, net	<u>4,171,872</u>	<u>193,444</u>	<u>-</u>	<u>4,365,316</u>
Governmental activities capital assets, net	<u>\$ 4,298,668</u>	<u>\$ 227,319</u>	<u>\$ -</u>	<u>\$ 4,525,987</u>

*Restated Balance as the result of implementation of GASB 87, Leases

Depreciation was charged to functions as follows:

Governmental Activities:	
General Administration	\$ 66,502
Judicial	8,426
Financial Administration	7,629
Public Facilities	29,173
Public Safety	519,005
Public Transportation	107,689
Culture and Recreation	29,301
Health and Welfare	5,355
Conservation - Agriculture	3,603
	<u>\$ 776,683</u>

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V. LONG-TERM LIABILITIES

Long-Term Debt

Changes in Long-Term Liabilities

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2022, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Right to Use Lease Liability *	34,365	15,520	13,412	36,473	16,192
Compensated Absences	67,891	67,546	67,891	67,546	67,546
Total	<u>\$ 102,256</u>	<u>\$ 83,066</u>	<u>\$ 81,303</u>	<u>\$ 104,019</u>	<u>\$ 83,738</u>

*Restated Balance as the result of implementation of GASB 87, Leases

Right to Uses Lease Liability

The County has entered into various leases as a lessee. These leases vary in nature, substance, terms, and conditions dependent upon the asset being leased. Examples of assets leased include copiers. Beginning FY 2022, leases are presented in the financial statements and accompanying footnotes in accordance with GASB 87. GASB 87 requires leases to be categorized as either short-term (12 months or less in length, including renewal options) or long-term. In determining future minimum lease payments and receipts, the County includes the right to extend option terms in the noncancelable lease term. Short-term lease transactions are reflected in the government-wide and fund financial statements.

Future principal and interest payments due to maturity as of the end of the fiscal year are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2023	\$ 16,192	\$ 870	\$ 17,063
2024	8,427	489	8,916
2025	4,999	287	5,286
2026	3,841	147	3,987
2027	3,014	45	3,059
Totals	<u>\$ 36,473</u>	<u>\$ 1,838</u>	<u>\$ 38,311</u>

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VI. INTERFUND RECEIVABLES AND PAYABLE BALANCES AND TRANSFERS

Interfund balances and interfund transfers during the year ended September 30, 2022 consisted of the following:

Due From	Due To			Total
	General	Road & Bridge	Other Nonmajor Funds	
General Fund	\$ -	\$ -	\$ 7,554	\$ 7,554
Road & Bridge Fund	5,705	-	-	5,705
Other Nonmajor Funds	91,306	-	-	91,306
Total	<u>\$ 97,011</u>	<u>\$ -</u>	<u>\$ 7,554</u>	<u>\$ 104,565</u>

Transfer Out:	Transfer In:			Total
	General	Road & Bridge	Other Nonmajor Funds	
General Fund	\$ -	\$ 227,873	\$ 170,000	\$ 397,873
Road & Bridge Fund	-	-	-	-
Other Nonmajor Funds	820,000	-	-	820,000
Total	<u>\$ 820,000</u>	<u>\$ 227,873</u>	<u>\$ 170,000</u>	<u>\$ 1,217,873</u>

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

VII. DEFINED BENEFIT PENSION PLAN

Kinney County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional agent multiemployer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The TCDRS Board of Trustees is responsible for the administration of the statewide agent multiemployer public employee retirement system consisting of more than 830 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report on a calendar year basis, which is available online at www.tcdrs.org or upon written request from the Board of Trustees at P.O. Box 2034, Austin, TX 78768-2034.

Benefits Provided

The plan provisions are adopted by Commissioners of the County, within the options available in the state statutes governing TCDRS ("TCDRS Act"). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, when the sum of their age and years of service equals 80 or more, or if they become disabled. Members are vested after combined 10 years of employment with any organization(s) with an accredited plan (not just the County) but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County. Benefit

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amounts are determined by the sum of the employee's contributions to the plan, with interest and employer-financed monetary credits. The level of these monetary credits is adopted by Commissioners Court, within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. The County's current match is 200%

Employees Covered by Benefit Terms

At the measurement date, the following employees were covered by the benefit terms of the Kinney County plan:

Membership Information

Members	Dec.31,2020	Dec.31,2021
Number of inactive employees entitled to but not yet receiving benefits:	67	62
Number of active employees:	70	84
Average monthly salary*:	\$ 3,081	\$ 2,865
Average age*:	46.59	47.12
Average length of service in years*:	8.5	8.56
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	35	36
Average monthly benefit:	\$827	\$823

*Averages reported for all active and inactive employees.

Contributions

The County has elected the annually determined contribution rate (variable-rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 6.64% for the months of the accounting year in 2021, and 8.63% for the months of the accounting year in 2022. The deposit rate payable by the employee members for calendar year 2021 and 2022 is the rate of 7.0% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Actuarial assumptions:

For the County's fiscal year ending September 30, 2022, the net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

TCDRS system-wide economic assumptions:

Real rate of return	5.0% per year
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KINNEY COUNTY, TEXAS
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Inflation	2.50% per year
Long-term investment return	7.5%

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.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2022 information for a 10 year time horizon and are re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the most recent analysis was performed in 2021 and reviewed annually for continued compliance with relevant standards of practice. The following target asset allocation was adopted by the TCDRS board in March 2022.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	3.80%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index(3)	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global	2.00%	3.10%
REIT (net) Index			
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index(4)	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity Venture	25.00%	6.80%
Capital Index(5)			
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

(1) Target asset allocation adopted at the March 2021 TCDRS Board meeting.

(2) Geometric Real rates of return equal the expected return minus the assumed inflation rate of 2.60%, per Cliffwater's 2022 capital market assumptions.

(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount rate ⁽¹⁾	7.60%
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Long-term expected rate of return, net of investment expense ⁽¹⁾	7.60%
Municipal bond rate ⁽²⁾	Does not apply

¹ This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus a 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

² The Plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return and the municipal bond rate does not apply.

Changes in the Net Pension Liability

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2020	\$ 9,269,899	\$ 9,368,672	\$ (98,773)
Changes for the year:			
Service cost	348,898	-	348,898
Interest on total pension liability	716,302	-	716,302
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(153,301)	-	(153,301)
Effect of assumptions changes or inputs	(26,937)	-	(26,937)
Refund of Contributions	(41,483)	(41,483)	-
Benefit payments	(353,295)	(353,295)	-
Administrative expenses		(6,166)	6,166
Member contributions		191,408	(191,408)
Net investment income		2,055,330	(2,055,330)
Employer contributions		181,563	(181,563)
Other	-	1,962	(1,962)
Balances as of December 31, 2021	\$ 9,760,083	\$ 11,397,991	\$ (1,637,908)

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 7.60%, as well as what the 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 (8.6%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$ 11,035,536	\$ 9,760,083	\$ 8,693,263
Fiduciary net position	11,397,992	11,397,992	11,397,992
Net pension liability/(Asset)	\$ (362,456)	\$ (1,637,909)	\$ (2,704,729)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www/tcdrs.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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For the current year, the County recognized pension expense of \$ 65,630).

As of December 31, 2021, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 118,863	\$ 20,098
Changes in assumptions	20,203	168,299
Net difference between projected and actual earnings	1,288,258	-
Contributions made subsequent to measurement date	N/A	187,643
Total	<u>\$ 1,427,324</u>	<u>\$ 376,040</u>

Amounts currently reported 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 ended December 31:	
2021	(140,964)
2022	(476,540)
2023	(352,565)
2024	(268,858)
2025	0
Thereafter	0

VIII. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

1. General Liability Insurance

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

The County pays an annual premium to Texas Association of Counties Risk Management Pool for auto vehicle insurance coverage. The agreement with Texas Association of Counties Risk Management Pool 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

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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.

4. Group Health and Life Insurance

Kinney County 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

IX. COMMITMENTS AND CONTINGENCIES

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. The County was a defendant in several lawsuits as of September 30, 2022. 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,

X. 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.

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NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2022

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.

XI. DEFICIT FUND BALANCES

As of September 30, 2022, the county had deficit fund balances in the following funds:

Operation Stonegarden	\$136,477
City Deputy	\$88,609
TXDOT Grant CITE	\$8,208
Operation Lone Star	\$414,822
Covid 19 Grant 4156201	\$960
3753703 HLS LETPA	\$44,129
Elderly Nutrition	\$894
4381601 Body Worn Cameras	\$5,559
Border Star Jag	\$67,527
TXCDBG Grant 7217077 Disaster Relief	\$20,337

REQUIRED SUPPLEMENTARY INFORMATION

KINNEY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	GAAP Basis	Final Budget Positive (Negative)
REVENUES:				
Taxes				
Property Taxes	\$ 3,761,977	\$ 3,761,977	\$ 3,642,598	\$ (119,379)
Sales	160,000	160,000	191,872	31,872
Intergovernmental	130,450	130,450	308,407	177,957
Licenses & Permits	2,900	2,900	4,430	1,530
Charges for services	221,900	221,900	406,754	184,854
Fines & Forfeitures	198,000	198,000	175,728	(22,272)
Interest	20,000	20,000	52,816	32,816
Grant Revenue			-	-
Miscellaneous	16,800	16,800	80,744	63,944
Total Revenue	<u>4,512,027</u>	<u>4,512,027</u>	<u>4,863,349</u>	<u>351,322</u>
EXPENDITURES:				
Current:				
General Administration	1,550,830	1,550,830	1,259,491	291,339
Judicial	483,513	483,513	470,953	12,560
Legal	156,361	156,361	158,740	(2,379)
Financial Administration	260,078	260,078	240,455	19,623
Public Facilities	970,349	970,349	670,903	299,446
Public Safety	2,364,056	2,364,056	2,233,116	130,940
Public Transportation	-	-	-	-
Culture and Recreation	203,988	203,988	176,673	27,315
Conservation - Agriculture	107,951	107,951	104,537	3,414
Health & Welfare	-	-	-	-
Capital Projects:				
Capital Outlay and Other	-	-	-	-
Total Expenditures	<u>6,097,125</u>	<u>6,097,125</u>	<u>5,314,868</u>	<u>782,257</u>
Excess (Deficiency) Revenues Over Expenditures	<u>(1,585,098)</u>	<u>(1,585,098)</u>	<u>(451,519)</u>	<u>1,133,579</u>
OTHER FINANCING SOURCES (USES):				
Lease Proceeds	-	-	15,520	15,520
Operating Transfers In	500,000	500,000	820,000	320,000
Operating Transfers Out	(450,660)	(450,660)	(397,873)	52,787
Total Other Financing Sources (Uses)	<u>49,340</u>	<u>49,340</u>	<u>437,647</u>	<u>388,307</u>
Net Change in Fund Balances	(1,535,758)	(1,535,758)	(13,872)	1,521,886
Fund Balance - October 1 (Beginning)	2,851,511	2,851,511	2,851,511	-
Fund Balance - September 30 (Ending)	<u>\$ 1,315,753</u>	<u>\$ 1,315,753</u>	<u>\$ 2,837,639</u>	<u>\$ 1,521,886</u>

KINNEY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD & BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	GAAP Basis	Final Budget Positive (Negative)
REVENUES:				
Taxes				
Property Taxes	\$ 156,316	\$ 156,316	\$ 149,417	\$ (6,899)
Intergovernmental	2,484	2,484	9,218	6,734
Licenses & Permits	-	-	166,681	166,681
Charges for services	160,400	160,400	18,901	(141,499)
Interest	200	200	1,463	1,263
Miscellaneous	-	-	-	-
Total Revenue	<u>319,400</u>	<u>319,400</u>	<u>345,680</u>	<u>26,280</u>
EXPENDITURES:				
Current:				
Infrastructure and Environmental Services	<u>383,611</u>	<u>383,611</u>	<u>602,559</u>	<u>(218,948)</u>
Total Expenditures	<u>383,611</u>	<u>383,611</u>	<u>602,559</u>	<u>(218,948)</u>
Excess (Deficiency) Revenues Over Expenditures	<u>(64,212)</u>	<u>(64,212)</u>	<u>(256,879)</u>	<u>(192,667)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	269,907	269,907	227,873	(42,034)
Operating Transfers Out	<u>(2,584)</u>	<u>(2,584)</u>	<u>-</u>	<u>2,584</u>
Total Other Financing Sources (Uses)	<u>267,323</u>	<u>267,323</u>	<u>227,873</u>	<u>(39,450)</u>
Net Change in Fund Balances	203,111	203,111	(29,006)	(232,117)
Fund Balance - October 1 (Beginning)	<u>200,825</u>	<u>200,825</u>	<u>200,825</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 403,936</u>	<u>\$ 403,936</u>	<u>\$ 171,819</u>	<u>\$ (232,117)</u>

KINNEY COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2022

	Year Ended December 31									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Pension Liability										
Service cost	\$ 348,898	\$ 308,735	\$ 313,778	\$ 317,249	\$ 299,322	\$ 302,229	\$ 287,554	\$ 313,069	\$ N/A	\$ N/A
Interest on total pension liability	716,302	668,602	627,579	595,726	561,618	529,112	495,671	451,004	N/A	N/A
Effect of plan changes	-	-	-	-	47,511	-	(42,716)	-	N/A	N/A
Effect of assumption changes or input	(26,937)	504,899	-	-	49,290	-	78,575	-	N/A	N/A
Effect of economic gains or losses	(153,301)	60,292	(15,554)	(125,986)	(154,495)	(217,168)	(147,672)	(34,863)	N/A	N/A
Benefit payments/refund of contributions	(394,778)	(428,139)	(400,999)	(379,944)	(419,459)	(310,700)	(188,031)	(177,849)	N/A	N/A
Net change in total pension liability	490,184	1,114,389	524,804	407,045	383,787	303,473	483,381	551,361	N/A	N/A
Total pension liability, beginning	9,269,899	8,155,510	7,630,706	7,223,662	6,839,875	6,536,403	6,053,021	5,501,660	N/A	N/A
Total pension liability, ending	\$ 9,760,083	\$ 9,269,899	\$ 8,155,510	\$ 7,630,707	\$ 7,223,662	\$ 6,839,876	\$ 6,536,402	\$ 6,053,021	\$ N/A	\$ N/A
Fiduciary Net Position										
Employer contributions	\$ 181,563	\$ 182,380	\$ 161,545	\$ 177,494	\$ 178,675	\$ 166,690	\$ 166,307	\$ 160,005	\$ N/A	\$ N/A
Member contributions	191,408	187,746	170,050	167,900	164,352	156,203	153,784	147,956	N/A	N/A
Investment income net of investment expenses	2,055,330	883,271	1,217,124	(141,856)	976,681	459,120	(87,435)	381,006	N/A	N/A
Benefit payments/refunds of contributions	(394,778)	(428,139)	(400,999)	(379,944)	(419,459)	(310,700)	(188,031)	(177,849)	N/A	N/A
Administrative expenses	(6,166)	(6,855)	(6,516)	(5,953)	(5,050)	(5,003)	(4,472)	(4,584)	N/A	N/A
Other	1,962	(869)	(1,185)	(267)	(1,072)	24,462	(30,419)	3,771	N/A	N/A
Net change in fiduciary net position	2,029,319	817,534	1,140,019	(182,626)	894,127	490,772	9,734	510,305	N/A	N/A
Fiduciary net position, beginning	9,368,672	8,551,138	7,411,118	7,593,743	6,699,617	6,208,846	6,199,112	5,688,807	N/A	N/A
Fiduciary net position, ending	\$ 11,397,991	\$ 9,368,672	\$ 8,551,137	\$ 7,411,117	\$ 7,593,744	\$ 6,699,618	\$ 6,208,846	\$ 6,199,112	\$ N/A	\$ N/A
Net pension liability/asset	\$ (1,637,908)	\$ (98,773)	\$ (395,627)	\$ 219,588	\$ (370,082)	\$ 140,258	\$ 327,556	\$ (146,091)	\$ N/A	\$ N/A
Fiduciary net position as a % of total pension liability	116.78%	101.07%	104.85%	97.12%	105.12%	97.95%	94.99%	102.41%	N/A	N/A
Pension covered payroll	\$ 2,734,401	\$ 2,682,088	\$ 2,429,289	\$ 2,398,569	\$ 2,347,882	\$ 2,231,472	\$ 2,196,916	\$ 2,113,659	\$ N/A	\$ N/A
Net pension liability as a % of covered payroll	-59.90%	-3.68%	-16.29%	9.15%	-15.76%	6.29%	14.91%	-6.91%	N/A	N/A

KINNEY COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2022

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pension Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2012	\$ 121,064	\$ 121,064	\$ -	\$ 1,674,484	7.2%
2013	145,055	145,055	-	1,883,835	7.7%
2014	160,005	160,005	-	2,113,659	7.6%
2015	166,307	166,307	-	2,196,916	7.6%
2016	166,690	166,690	-	2,231,475	7.5%
2017	178,675	178,675	-	2,347,882	7.6%
2018	177,494	177,494	-	2,398,569	7.4%
2019	161,545	161,545	-	2,429,289	6.6%
2020	182,380	182,380	-	2,682,088	6.8%
2021	181,563	181,563	-	2,734,401	6.6%

(1) Payroll is calculated based on contributions as reported to TCDRS

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

KINNEY COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVENMENTAL FUNDS
SEPTEMBER 30, 2022

	11 RM&P VARIOUS COUNTY OFFICES	12 DISTRICT CLERK RM&P	13 LAW LIBRARY
ASSETS			
Cash and Cash Equivalents	\$ 2,000.00	\$ 2,152.00	\$ 8,622.00
Receivables (net of allowance for uncollectibles)	-	-	-
Due from Other Funds	-	-	-
Prepaid Items	-	-	-
Total Assets	<u>2,000</u>	<u>2,152</u>	<u>8,622</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	-	-	-
Bank Overdraft	-	-	-
Accrued Wages Payable	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue- Property Taxes	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Non Spendable:	-	-	-
Prepaid Items	-	-	-
Restricted For:			
Administration-County	-	-	-
Administration- County Clerk	-	-	-
Archives	-	-	-
Health and Welfare	-	-	-
Judicial	-	2,152	-
Legal	-	-	8,622
Public Safety	-	-	-
Public Transportation	-	-	-
Committed:			
Administration- County	-	-	-
Culture and Recreation	-	-	-
Unassigned:	2,000	-	-
Total Fund Balances	<u>2,000</u>	<u>2,152</u>	<u>8,622</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,000</u>	<u>\$ 2,152</u>	<u>\$ 8,622</u>

14	15	16	21	22	26	31
RECORD PRESERVATION	HOT CHECK	COMMUNITY DEVELOPMENT	RECORD MANAGEMENT AND PRES- ERVATION	COURTHOUSE SECURITY	CONTINUING EDUCATION CONSTABLE	STRAC EMS GRANT
\$ 23,532.00	\$ 2.00	\$ 85,403.00	\$ 4,224.00	\$ 27,094.00	\$ 1,328.00	\$ -
170	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
23,702	2	85,403	4,224	27,094	1,328	-
15,750	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
15,750	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
7,952	-	85,403	4,224		1,328	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2	-	-	-	-	-
-	-	-	-	27,094	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
7,952	2	85,403	4,224	27,094	1,328	-
\$ 23,702	\$ 2	\$ 85,403	\$ 4,224	\$ 27,094	\$ 1,328	\$ -

KINNEY COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVENMENTAL FUNDS
SEPTEMBER 30, 2022

	33	38
	JP TECHNOLOGY FUND	SHERIFF CONTINUING EDUCATION
ASSETS		
Cash and Cash Equivalents	\$ 52,205.00	\$ 11,332.00
Receivables (net of allowance for uncollectibles)	4	-
Due from Other Funds	-	-
Prepaid Items	-	-
Total Assets	<u>52,209</u>	<u>11,332</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	2,281	-
Bank Overdraft	-	-
Accrued Wages Payable	-	-
Due to Other Funds	-	-
Total Liabilities	<u>2,281</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES		
Unavailable Revenue- Property Taxes	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
FUND BALANCE		
Non Spendable:	-	-
Prepaid Items	-	-
Restricted For:		
Administration-County	-	-
Administration- County Clerk	-	-
Archives	-	-
Health and Welfare	-	-
Judicial	49,928	-
Legal	-	-
Public Safety	-	11,332
Public Transportation	-	-
Committed:		
Administration- County	-	-
Culture and Recreation	-	-
Unassigned:	-	-
Total Fund Balances	<u>49,928</u>	<u>11,332</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 52,209</u>	<u>\$ 11,332</u>

42	43	50	60	64	65	66	67
KINNEY COUNTY HISTORICAL COMMISSION CONTRIBUTIONS	RECORD ARCHIVE FEE	INDIGENT HEALTH CARE	ELDERLY NUTRITION	CONTINUING EDUCATION JUDGE	CHAPTER 203 RMP- VAR.	CHAPTER 203 RMP- CLERK	VITAL STATISTICS PRES- ERVATION
\$ 4,137.00	\$ 40,163.00	\$ 6,494.00	\$ 933.00	\$ 355.00	\$ 2,470.00	\$ 5,335.00	\$ 526.00
-	-	-	155	-	-	-	1
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,137	40,163	6,494	1,088	355	2,470	5,335	527
-	-	-	1,982	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,982	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	355	2,470	5,335	527
-	40,163	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	6,494	(894)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,137	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,137	40,163	6,494	(894)	355	2,470	5,335	527
\$ 4,137	\$ 40,163	\$ 6,494	\$ 1,088	\$ 355	\$ 2,470	\$ 5,335	\$ 527

KINNEY COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVENMENTAL FUNDS
SEPTEMBER 30, 2022

	68	69	73
	FAMILY PROTECTION	UNCLAIMED FUNDS	ELECTION
ASSETS			
Cash and Cash Equivalents	\$ 300.00	\$ 6,213.00	\$ -
Receivables (net of allowance for uncollectibles)	-	-	5,966
Due from Other Funds	-	-	-
Prepaid Items	-	-	-
Total Assets	300	6,213	5,966
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	-	-	-
Bank Overdraft	-	-	2,647
Accrued Wages Payable	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	-	-	2,647
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue- Property Taxes	-	-	-
Total Deferred Inflows of Resources	-	-	-
FUND BALANCE			
Non Spendable:	-	-	-
Prepaid Items	-	-	-
Restricted For:			
Administration-County	-	-	3,319
Administration- County Clerk	300	-	-
Archives	-	-	-
Health and Welfare	-	-	-
Judicial	-	-	-
Legal	-	-	-
Public Safety	-	-	-
Public Transportation	-	-	-
Committed:			
Administration- County	-	6,213	-
Culture and Recreation	-	-	-
Unassigned:	-	-	-
Total Fund Balances	300	6,213	3,319
TOTAL LIABILITIES AND FUND BALANCES	\$ 300	\$ 6,213	\$ 5,966

KINNEY COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVENMENTAL FUNDS
SEPTEMBER 30, 2022

	108	110	116
	HEALTHY	TXDBG -	INVESTMENT
	COUNTY	WATER	FUND
		LINE	
		IMPROVEMENTS	
ASSETS			
Cash and Cash Equivalents	\$ 238.00	\$ -	\$ 350,000.00
Receivables (net of allowance for uncollectibles)	-	-	-
Due from Other Funds	-	-	-
Prepaid Items	-	-	-
Total Assets	238	-	350,000
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	-	-	-
Bank Overdraft	-	-	-
Accrued Wages Payable	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	-	-	-
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue- Property Taxes	-	-	-
Total Deferred Inflows of Resources	-	-	-
FUND BALANCE			
Non Spendable:	-	-	-
Prepaid Items	-	-	-
Restricted For:			
Administration-County	-	-	-
Administration- County Clerk	-	-	-
Archives	-	-	-
Health and Welfare	238	-	-
Judicial	-	-	-
Legal	-	-	-
Public Safety	-	-	-
Public Transportation	-	-	-
Committed:			
Administration- County	-	-	350,000
Culture and Recreation	-	-	-
Unassigned:	-	-	-
Total Fund Balances	238	-	350,000
TOTAL LIABILITIES			
AND FUND BALANCES	\$ 238	\$ -	\$ 350,000

137	140	141	142	145	146	149	150	151	152
KCSO LBSP GRANT	JP IN COURT	COPS GRANT	TXCDBG GRANT 7217077 DISASTER RELIEF	KCSO DONATIONS	CITY DEPUTY	EMS DONATIONS	FEMA GRANT	BISD STUDENT ELECTION WORKERS	TXDOT GRANT/ CTIF -2-255
\$ -	\$ 20.00	\$ -	\$ -	\$ 4,235.00	\$ -	\$ 3,930.00	\$ -	\$ 849.00	\$ -
-	-	-	-	-	-	-	-	576	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	20	-	-	4,235	-	3,930	-	1,425	-
-	-	-	20,337	-	2,286	-	-	-	-
-	-	-	-	-	86,323	-	-	-	8,208
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	20,337	-	88,609	-	-	-	8,208
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,425	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,930	-	-	-
-	20	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	4,235	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	(20,337)	-	(88,609)	-	-	-	(8,208)
-	20	-	(20,337)	4,235	(88,609)	3,930	-	1,425	(8,208)
\$ -	\$ 20	\$ -	\$ -	\$ 4,235	\$ -	\$ 3,930	\$ -	\$ 1,425	\$ -

KINNEY COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVENMENTAL FUNDS
SEPTEMBER 30, 2022

	153	154	155	156
	LCRA	LBSP	COVID 19	BODY
	GRANT	3667603	GRANT	ARMOR
			4156201	GRANT
				3780102
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 379.00	\$ -	\$ 45,962.00
Receivables (net of allowance for uncollectibles)	-	-	-	-
Due from Other Funds	-	-	-	-
Prepaid Items	-	-	-	-
Total Assets	-	379	-	45,962
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	-	-	-	-
Bank Overdraft	-	-	960	-
Accrued Wages Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	-	-	960	-
DEFERRED INFLOW OF RESOURCES				
Unavailable Revenue- Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCE				
Non Spendable:	-	-	-	-
Prepaid Items	-	-	-	-
Restricted For:				
Administration-County	-	-	-	-
Administration- County Clerk	-	-	-	-
Archives	-	-	-	-
Health and Welfare	-	-	-	-
Judicial	-	-	-	-
Legal	-	-	-	-
Public Safety	-	379	-	45,962
Public Transportation	-	-	-	-
Committed:				
Administration- County	-	-	-	-
Culture and Recreation	-	-	-	-
Unassigned:	-	-	(960)	-
Total Fund Balances	-	379	(960)	45,962
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 379	\$ -	\$ 45,962

159	160	161	162	163	167	168	169
COUNTY CONSTABLE	AMERICAN RESCUE PLAN ACT	LBSP 3667604	SW BORDER RURAL LE	DONATIONS / KC BORDER SECURITY	3753703 HLS LETPA	4412401 OLS TOWER PROJECT	4381601 BODY WORN CAMERAS
\$ 300.00	\$ 688,577.00	\$ 22.00	\$ -	\$ 4,853.00	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
300	688,577	22	-	4,853	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	44,129	-	5,559
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	44,129	-	5,559
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	688,577	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
300	-	22	-	4,853	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(44,129)	-	(5,559)
300	688,577	22	-	4,853	(44,129)	-	(5,559)
\$ 300	\$ 688,577	\$ 22	\$ -	\$ 4,853	\$ -	\$ -	\$ -

KINNEY COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	89/119/123/ 134/136/138/ 139/166 OPERATION STONE GARDEN	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 1,482,679.00
Receivables (net of allowance for uncollectibles)	39,488	46,538
Due from Other Funds	-	7,554
Prepaid Items	-	-
Total Assets	39,488	1,536,771
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	1,152	44,302
Bank Overdraft	131,421	279,247
Accrued Wages Payable	11,709	11,709
Due to Other Funds	31,683	98,860
Total Liabilities	175,965	434,118
DEFERRED INFLOW OF RESOURCES		
Unavailable Revenue- Property Taxes	-	-
Total Deferred Inflows of Resources	-	-
FUND BALANCE		
Non Spendable:	-	-
Prepaid Items	-	-
Restricted For:		
Administration-County	-	117,068
Administration- County Clerk	-	112,272
Archives	-	-
Health and Welfare	-	698,345
Judicial	-	57,242
Legal	-	8,624
Public Safety	-	118,558
Public Transportation	-	-
Committed:		
Administration- County	-	356,213
Culture and Recreation	-	4,137
Unassigned:	(136,477)	(369,806)
Total Fund Balances	(136,477)	1,102,653
TOTAL LIABILITIES AND FUND BALANCES	\$ 39,488	\$ 1,536,771

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KINNEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVENMENTAL FUNDS
SEPTEMBER 30, 2022

	11	12	13	14	15	16
	RM&P					
	VARIOUS	DISTRICT				
	COUNTY	CLERK	LAW	RECORD	HOT	COMMUNITY
	OFFICES	RM&P	LIBRARY	PRESERVATION	CHECK	DEVELOPMENT
REVENUES						
Taxes						
Intergovernmental						
Charges for Services				9,325	2	
Interest						617
Miscellaneous						
Total Revenues	\$ -	\$ -	\$ -	\$ 9,325	\$ 2	\$ 617
EXPENDITURES						
Current:						
General Administration				28,852		8,000
Judicial						
Legal						
Public Safety						
Public Transportation						
Culture and Recreation						
Health and Welfare						
Public Facilities						
Capital Projects:						
Capital Outlay and Other						
Total Expenditures	-	-	-	28,852	-	8,000
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	-	-	-	(19,527)	2	(7,383)
OTHER FINANCING SOURCES (USES):						
Transfers In						
Transfers Out						
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change In Fund Balance	-	-	-	(19,527)	2	(7,383)
Fund Balances- Beginning	2,000	2,152	8,622	27,479	-	92,786
Fund Balances- Ending	2,000	2,152	8,622	7,952	2	85,403

21	22	26	31	33	38	42
RECORD MANAGEMENT AND PRES- ERVATION	COURTHOUSE SECURITY	CONTINUING EDUCATION CONSTABLE	STRAC EMS GRANT	JP TECHNOLOGY FUND	SHERIFF CONTINUING EDUCATION	KINNEY COUNTY HISTORICAL COMMISSION CONTRIBUTIONS
			19,500			
3,360	2,510			1,609	1,582	
	133			314		
						500
\$ 3,360	\$ 2,643	\$ -	\$ 19,500	\$ 1,923	\$ 1,582	\$ 500
				5,968		
			19,500			
-	-	-	19,500	5,968	-	-
3,360	2,643	-	-	(4,045)	1,582	500
-	-	-	-	-	-	-
3,360	2,643	-	-	(4,045)	1,582	500
864	24,451	1,328		53,973	9,750	3,637
4,224	27,094	1,328	-	49,928	11,332	4,137

KINNEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVENMENTAL FUNDS
SEPTEMBER 30, 2022

	43	50	60	64	65	66
	RECORD ARCHIVE FEE	INDIGENT HEALTH CARE	ELDERLY NUTRITION	CONTINUING EDUCATION JUDGE	CHAPTER 203 RMP- VAR.	CHAPTER 203 RMP- CLERK
REVENUES						
Taxes						
Intergovernmental			75,065			
Charges for Services	8,675					
Interest		43				
Miscellaneous						
Total Revenues	\$ 8,675	\$ 43	\$ 75,065	\$ -	\$ -	\$ -
EXPENDITURES						
Current:						
General Administration	7,475					
Judicial						
Legal						
Public Safety						
Public Transportation						
Culture and Recreation						
Health and Welfare		47,669	210,850			
Public Facilities						
Capital Projects:						
Capital Outlay and Other						
Total Expenditures	7,475	47,669	210,850	-	-	-
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	1,200	(47,626)	(135,785)	-	-	-
OTHER FINANCING SOURCES (USES):						
Transfers In		50,000	120,000			
Transfers Out						
Total Other Financing Sources (Uses)	-	50,000.00	120,000.00	-	-	-
Net Change In Fund Balance	1,200	2,374	(15,785)	-	-	-
Fund Balances- Beginning	38,963	4,120	14,891	355	2,470	5,335
Fund Balances- Ending	40,163	6,494	(894)	355	2,470	5,335

67	68	69	73	82	83	84	86	90
VITAL STATISTICS PRES- ERVATION	FAMILY PROTECTION	UNCLAIMED FUNDS	ELECTION	LBSP FUND	BORDER STAR JAG	PRE- TRIAL DIVERSION	CONGRSSIONAL LINEBACKER	CIVIL COURT FEES
40			5,966			319		
\$ 40	\$ -	\$ -	\$ 5,966	\$ -	\$ -	\$ 319	\$ -	\$ -
			5,437			166		
-	-	-	5,437	-	-	166	-	-
40	-	-	529	-	-	153	-	-
-	-	-	-	-	-	-	-	-
40	-	-	529	-	-	153	-	-
487	300	6,213	2,790	7,554	(67,527)	71,656	14	4,730
527	300	6,213	3,319	7,554	(67,527)	71,809	14	4,730

KINNEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVENMENTAL FUNDS
SEPTEMBER 30, 2022

	91	92	107	108	110
	DISTRICT	COUNTY	FIRE	HEALTHY	TXDBG -
	COURT	AND DISTRICT	RESCUE	COUNTY	WATER
	CIVIL	COURT	DONATIONS		LINE
		TECH			IMPROVEMENTS
REVENUES					
Taxes					
Intergovernmental					33,875
Charges for Services					
Interest					
Miscellaneous			5,250		
Total Revenues	\$ -	\$ -	\$ 5,250	\$ -	\$ 33,875
EXPENDITURES					
Current:					
General Administration					
Judicial					
Legal					
Public Safety			1,427		
Public Transportation					
Culture and Recreation					
Health and Welfare				131	
Public Facilities					33,875
Capital Projects:					
Capital Outlay and Other					
Total Expenditures	-	-	1,427	131	33,875
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	-	-	3,823	(131)	-
OTHER FINANCING SOURCES (USES):					
Transfers In					
Transfers Out					
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change In Fund Balance	-	-	3,823	(131)	-
Fund Balances- Beginning	75	5,067	12,990	369	-
Fund Balances- Ending	75	5,067	16,813	238	-

116	137	140	141	142	145	146	149	150
INVESTMENT	KCSO	JP IN	COPS	TXCDBG	KCSO	CITY	EMS	FEMA
FUND	LBSP	COURT	GRANT	GRANT 7217077	DONATIONS	DEPUTY	DONATIONS	GRANT
	3,327		306					57,637
		290,975				2,940		
		5						
							1,000	
\$	-	\$ 3,327	\$ 290,980	\$ 306	\$ -	\$ 2,940	\$ 1,000	\$ 57,637
				20,337				
		292,255				47,302		
-	-	292,255	-	20,337	-	47,302	-	-
-	3,327	(1,275)	306	(20,337)	-	(44,362)	1,000	57,637
-	-	-	-	-	-	-	-	-
-	3,327	(1,275)	306	(20,337)	-	(44,362)	1,000	57,637
350,000	(3,327)	1,295	(306)	-	4,235	(44,247)	2,930	(57,637)
350,000	-	20	-	(20,337)	4,235	(88,609)	3,930	-

KINNEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVENMENTAL FUNDS
SEPTEMBER 30, 2022

	151	152	153	154	155	156	159
	BISD	TXDOT				BODY	
	STUDENT	GRANT/	LCRA	LBSP	COVID 19	ARMOR	COUNTY
	ELECTION	CTIF	GRANT		GRANT	GRANT	CONSTABLE
	WORKERS	-2-255		3667603	4156201	3780102	
REVENUES							
Taxes							
Intergovernmental			13,200				
Charges for Services							
Interest							
Miscellaneous							
Total Revenues	\$ -	\$ -	\$ 13,200	\$ -	\$ -	\$ -	\$ -
EXPENDITURES							
Current:							
General Administration							
Judicial							
Legal							
Public Safety							
Public Transportation							
Culture and Recreation							
Health and Welfare							
Public Facilities							
Capital Projects:							
Capital Outlay and Other							
Total Expenditures	-	-	-	-	-	-	-
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	-	-	13,200	-	-	-	-
OTHER FINANCING SOURCES (USES):							
Transfers In							
Transfers Out							
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
Net Change In Fund Balance	-	-	13,200	-	-	-	-
Fund Balances- Beginning	1,425	(8,208)	(13,200)	379	(960)	45,962	300
Fund Balances- Ending	1,425	(8,208)	-	379	(960)	45,962	300

160 AMERICAN RESCUE PLAN ACT	161 LBSP 3667604	162 SW BORDER RURAL LE	163 DONATIONS / KC BORDER SECURITY	167 3753703 HLS LETPA	169 4381601 BODY WORN CAMERAS	89/119/123/ 134/136/138/ 139/166 OPERATION STONE GARDEN	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
356,136	4,955	106,714			12,588	644,671	\$ -
							1,327,974
							326,984
							1,431
			25,049				31,799
\$ 356,136	\$ 4,955	\$ 106,714	\$ 25,049	\$ -	\$ 12,588	\$ 644,671	\$ 1,688,188
23,695							93,962
							298,223
	3,129	106,714	20,196		18,147	659,160	-
							875,575
							-
							-
							258,650
				44,129			78,004
							-
							-
23,695	3,129	106,714	20,196	44,129	18,147	659,160	1,604,414
332,441	1,826	-	4,853	(44,129)	(5,559)	(14,489)	83,774
							170,000
							-
-	-	-	-	-	-	-	170,000.00
332,441	1,826	-	4,853	(44,129)	(5,559)	(14,489)	253,774
356,136	(1,804)	-	-	-	-	(121,988)	848,879
688,577	22	-	4,853	(44,129)	(5,559)	(136,477)	1,102,653

OVERALL COMPLIANCE, INTERNAL CONTROLS

FEDERAL AND STATE AWARDS SECTION

EDE & COMPANY, LLC

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Independent Auditor's Report

County Commissioners
Kinney County, Texas
P.O. Box 1219
Brackettville, TX 78832

Members of the Board:

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, 2022, and the related notes to the financial statements, which collectively comprise Kinney County, Texas's basic financial statements, and have issued our report thereon dated June 29, 2023.

Internal Control Over Financial Reporting

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

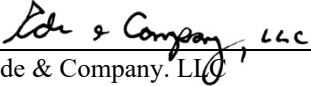
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kinney County, Texas's financial statements are free of 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*.

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.



Ede & Company, LLC
Certified Public Accountants
Uvalde, Texas

June 29, 2023

EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede, CPA
Donna Ede Jones, CPA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

County Commissioners
Kinney County, Texas
P.O Box 1219
Brackettville, TX 78832

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Kinney County, Texas's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and in the *State of Texas Single Audit Circular* that could have a direct and material effect on each of Kinney County, Texas's federal and state programs for the year ended September 30, 2022. Kinney County, Texas's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kinney, County Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Our responsibilities under those standards and the *Uniform Guidance* and *State of Texas Single Audit Circular* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance* and the *State of Texas Single Audit Circular*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kinney County, Texas's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Kinney County, Texas's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance* and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of Kinney County, Texas's internal control over compliance. Accordingly, no such opinion is expressed.

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

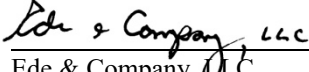
Report on Internal Control over Compliance

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 and state 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 and state 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 and state 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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* and the *State of Texas Single Audit Circular* , this report is not suitable for any other purpose


Ede & Company, LLC
Certified Public Accountants
Uvalde, Texas

June 29, 2023

**KINNEY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's opinion(s) issued: Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified? _____yes Xno

Significant deficiency(ies) identified? _____yes Xnone reported

Noncompliance material to financial statements noted? _____yes Xno

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____yes Xno

Significant deficiency(ies) identified? _____yes Xnone reported

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

Any audit findings disclosed that are
required to be reported in accordance
with section OMB Uniform Guidance §200.516(a) _____yes Xno

3. State Awards

Internal control over major programs:

Material weakness(es) identified? _____yes Xno

Significant deficiency(ies) identified? _____yes Xnone reported

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

Any audit findings disclosed that are
required to be reported in accordance
with Uniform Grant Management Standards _____yes Xno

**KINNEY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Name of major federal program

CDFA Number

Operation Stonegarden Grant Program

CFDA #97.067

Dollar threshold used to distinguish between Type A
and Type B Programs

\$750,000.00

Auditee qualified as low risk?

_____yes X_____no

Name of major state program

Operation Lone Star

Dollar threshold used to distinguish between Type A
and Type B Programs

\$300,000.00

Auditee qualified as low risk?

_____yes X_____no

B. Financial Statement Findings

There were no financial statement findings required to be reported in accordance with Government Auditing Standards.

C. Federal Award Findings and Questioned

There were no federal award findings and question costs required to be reported by the Uniform Guidance, Section 200.516(a).

D. State Award Findings and Questioned

There were no federal award findings and question costs required to be reported by the State of Texas Single Audit Circular Grant Management Standards

**KINNEY COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

There were no prior audit findings relative to federal or state awards; therefore, the summary schedule of prior audit findings is not required.

**KINNEY COUNTY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

There are no current year findings; therefore, a corrective action plan is not required.

KINNEY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor Pass-Through Grantor Program Title	Federal Award Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Pass through Texas Department of Agriculture</u>			
Community Facilities Direct Loan & Grant Program	10.766		\$ 261,748
Total ALN 10.766			<u>261,748</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>261,748</u>
U.S. DEPARTMENT OF TREASURY			
Direct Program			
COVID-19 -ARPA Coronavirus State and Local Fiscal Recovery Funds	21.027		23,717
Total ALN 21.027			<u>23,717</u>
TOTAL U.S. DEPARTMENT OF TREASURY			<u>23,717</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
<u>Passed through Middle Rio Grande Development Council</u>			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		3,164
Total ALN 93.044			<u>3,164</u>
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045		43,519
Total ALN 93.045			<u>43,519</u>
Special Services Block Grant	93.667		7,708
Total ALN 93.667			<u>7,708</u>
Total Passed Through Middle Rio Grande Development Council			<u>54,391</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>54,391</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<u>Direct Program</u>			
Homeland Security Grant Program			
Stonegarden FY 17	97.067		1,278
Stonegarden FY 18	97.067		9,973
Stonegarden FY 20	97.067		332,757
Stonegarden FY 21	97.067		320,690
Total ALN 97.067			<u>664,698</u>
Emergency Management Performance Grants			
Disaster Grant -Public Assistance	97.036		20,337
Total ALN 97.036			<u>20,337</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>685,035</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,024,891</u>

See Notes Schedule of Federal Awards

KINNEY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Pass-Through Grantor Grantor Agency/Program Title	Grant Contract Number	Expenditures
OFFICE OF THE TEXAS GOVERNORS OFFICE		
Southwest Border Rural Law Enforcement Assistance Program		106,714
Local Border Security		3,129
Operation Lonestar		2,180,841
Operation Lonestar - Tower		1,412,824
Law Enforcement Terrorism Prevention		44,129
Body-Worn Camera Grant Program, FY2022		<u>18,147</u>
TOTAL OFFICE OF THE TEXAS GOVERNORS OFFICE		<u><u>3,765,784</u></u>
TOTAL EXPENDITURES OF STATE AWARDS		<u><u>\$ 3,765,784</u></u>

KINNEY COUNTY
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AND STATE AWARDS FOR THE
YEAR ENDED SEPTEMBER 30, 2022

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedules) includes the federal and state award activity of Kinney County, Texas under programs of the federal and state government for the year ended September 30, 2022. The information in these Schedules 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) and the *State Single Audit Circular*. Because the Schedules presents only a selected portion of the operations of Kinney County, Texas, they are not intended to and do 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 Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, the State Single Audit Circular 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.