

KINNEY COUNTY, TEXAS

Annual Financial Report

For the Fiscal Year Ended

September 30, 2019

Kinney County, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2019

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FINANCIAL SECTION

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

P.O. Box 366 / 442 West Oaklawn
Pleasanton, Texas 78064
Phone: (830) 569-8781 ~ Fax: (830) 569-6776
E-mail: beyerandco@sbcglobal.net

111 North Odem
Sinton, Texas 78387

Please reply to Pleasanton address

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kinney County, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Kinney County, Texas's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kinney County, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, the respective budgetary comparison for the General Fund, the Road and Bridge Fund, and the Jail

Detention Facility Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the employees' retirement system information on pages 3–10 and 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2020, on our consideration of Kinney County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kinney County, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kinney County, Texas's internal control over financial reporting and compliance.



BEYER & COMPANY
Certified Public Accountants
February 6, 2020

Management's Discussion and Analysis

Financial Highlights

- . The assets of Kinney County, Texas exceeded its liabilities at the close of the most recent fiscal year by \$9,031,297 (Net Position). Of this amount, \$4,742,610 (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total Net Position increased by \$2,502,056. This is the result of an increase in revenues of \$3,406,441. The revenue increase is a result of sales taxes increasing by \$872,781, operating grants and contributions increasing by \$710,473, and miscellaneous increasing by \$756,180. The main increase in miscellaneous was a result and insurance recovery of \$654,855. Also, expenditures increased by \$1,030,336 and this increase was divided ratable among the different expense functions.
- . As of the close of the current fiscal year, Kinney County, Texas's governmental funds reported combined ending fund balances of \$4,805,652 an increase of \$1,879,154 in comparison with the prior year. Approximately 62% of this total amount, \$2,995,495, is available for spending at the government's discretion (unassigned fund balance).
- . At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,130,411, or 69 percent of total general fund expenditures, the fund balance for the road and bridge fund was \$15,376, or 5 percent of total road and bridge fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Kinney County, Texas's basic financial statements. Kinney County, Texas's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of Kinney County, Texas's finances, in a manner like a private-sector business.

The statement of Net Position presents information on all of Kinney County, Texas's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of Kinney County, Texas is improving or deteriorating.

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

The government-wide financial statements distinguish functions of Kinney County, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Kinney County, Texas include general administration, public safety, public transportation, health and welfare, public facilities, legal, elections, financial administration, conservation, capital projects, and culture and recreation.

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

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

Fund financial statement: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kinney County, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of Kinney County, Texas are governmental funds and agency funds.

Governmental funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Kinney County, Texas maintains fifty-eight (58) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the road and bridge fund, the investment fund, the jail and detention facility fund, and the CDBG grants fund, all of which are considered to be major funds. Data from the other fifty-three (53) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. Kinney County, Texas adopts an annual appropriated budget for its general fund, the jail and detention facility revenue fund, and road and bridge fund.

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

Notes to the financial statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-58 of this report.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Kinney County, Texas's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 59 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and agency funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 60-71 of this report.

The combined statement of the agency funds can be found on page 72 - 75 of this report.

The single audit section can be found on pages 76 – 88 of this report.

Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of Kinney County, Texas, assets exceeded liabilities by \$9,031,297 at the close of the most recent fiscal year.

A portion of Kinney County, Texas's Net Position (32 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Kinney County, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Kinney County, Texas's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**KINNEY COUNTY, TEXAS
NET POSITION**

	Governmental Activities		Total	
	2019	2018	2019	2018
Current and Other Assets	\$6,244,566	\$4,208,706	\$6,244,566	\$4,208,706
Capital Assets:	2,856,462	2,594,350	2,856,462	2,594,350
Total Assets	9,101,028	6,803,056	9,101,028	6,803,056
Total Deferred Outflows of Resources	741,807	303,603	741,807	303,603
Long-Term Liabilities	66,398	60,186	66,398	60,186
Other Liabilities	519,111	183,145	519,111	183,145
Total Liabilities	585,509	243,331	585,509	243,331
Total Deferred Inflows of Resources	226,029	334,087	226,029	334,087
Invested in Capital Assets, Net of Related Debt	2,856,462	2,594,350	2,856,462	2,594,350
Restricted	1,432,225	917,018	1,432,225	917,018
Unrestricted	4,742,610	3,017,873	4,742,610	3,017,873
Total Net Position	\$9,031,297	\$6,529,241	\$9,031,297	\$6,529,241

An additional portion of Kinney County, Texas's Net Position (16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position (\$4,742,610) may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, Kinney County, Texas reported a positive balance in the governmental activities. For the prior fiscal year, Kinney County, Texas reported positive balances in Net Position, both for the government, as well as for its separate governmental activities.

The government's total Net Position increased by \$2,502,056. This is the result of an increase in revenues of \$3,406,441. The revenue increase is a result of sales taxes increasing by \$872,781, operating grants and contributions increasing by \$710,473, and miscellaneous increasing by \$756,180. The main increase in miscellaneous was a result and insurance recovery of \$654,855. Also, expenditures increased by \$1,030,336.00 and this increase was divided ratable among the different expense functions.

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

	Governmental Activities		Total	
	2019	2018	2019	2018
Revenues:				
Program Revenues:				
Charges for Services	\$1,034,594	\$775,912	\$1,034,594	\$775,912
Operating Grants and Contributions	2,396,750	1,686,277	2,396,750	1,686,277
Capital Grants and Contributions	711,748	156,405	711,748	156,405
General Revenues:				
Maintenance and Operations Taxes	2,524,320	2,312,127	2,524,320	2,312,127
Sales Taxes	1,084,227	211,436	1,084,227	211,436
Other Taxes	4,849	2,810	4,849	2,810
Unrestricted Investment Earnings	89,675	50,935	89,675	50,935
Miscellaneous	897,887	141,707	897,887	141,707
Total Revenue	8,744,050	5,337,609	8,744,050	5,337,609
Expenses:				
General Administration	1,150,600	898,833	1,150,600	898,833
Judicial	520,065	241,088	520,065	241,088
Legal	131,009	129,928	131,009	129,928
Financial Administration	325,695	336,742	325,695	336,742
Public Facilities	981,472	420,507	981,472	420,507
Public Safety	2,434,382	2,397,518	2,434,382	2,397,518
Public Transportation	273,242	314,482	273,242	314,482
Culture and Recreation	125,134	153,996	125,134	153,996
Health and Welfare	219,179	247,780	219,179	247,780
Conservation - Agriculture	81,216	70,784	81,216	70,784
Total Expenses	6,241,994	5,211,658	6,241,994	5,211,658
Increase in Net Position Before Transfers and Special Items Transfers	2,502,056	125,951	2,502,056	125,951
Increase in Net Position	2,502,056	125,951	2,502,056	125,951
Net Position at 09/30/2018	6,529,241	6,403,290	6,529,241	6,403,290
Net Position at 09/30/2019	\$9,031,297	\$6,529,241	\$9,031,297	\$6,529,241

Expenses and Program Revenues - Governmental Activities

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions Capital Grants and Contributions
Primary Government			
Government Activities:			
General Administration	\$1,150,600	\$66,773	\$25,377
Judicial	520,065	491,175	
Legal	131,009	125	50,138
Financial Administration	325,695	11,932	
Public Facilities	981,472		711,748
Public Safety	2,434,382	271,883	2,247,810
Public Transportation	273,242	175,394	9,227
Culture and Recreation	125,134	17,312	
Health and Welfare	219,179		64,198
Conservation - Agriculture	81,216		
Total Government Activities	<u>\$6,241,994</u>	<u>\$1,034,594</u>	<u>\$2,396,750</u> <u>\$711,748</u>

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$1,034,594	12%
Operating Grants and Contributions	2,396,750	27%
Capital Grants and Contributions	711,748	8%
Maintenance and Operations Taxes	2,524,320	30%
Sales Taxes	1,084,227	12%
Other Taxes	4,849	0%
Unrestricted Investment Earnings	89,675	1%
Miscellaneous	897,887	10%
	<u>\$8,744,050</u>	<u>100%</u>

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

Financial Analysis of the Government's Funds

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

Governmental funds:

The focus of Kinney County, Texas's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Kinney County, Texas's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Kinney County, Texas's governmental funds reported combined ending fund balances of \$4,805,652, an increase of \$1,879,154 in comparison with the prior year. Approximately 62% of this total amount, \$2,995,495, is available for spending at the government's discretion (unassigned fund balance).

The general fund is the chief operating fund of Kinney County, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,130,411, while total fund balance reached \$3,145,063. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 69 percent of total general fund expenditures, while total fund balance represents 70 percent of that same amount.

The fund balance of Kinney County, Texas's general fund increased by \$1,287,831 during the current fiscal year. Key factors in this increase are as follows:

- . This is the result of sales taxes increasing by \$872,791 and miscellaneous increasing by \$701,192. The main increase in miscellaneous was a result and insurance recovery of \$654,855.

At the end of the current fiscal year, unassigned fund balance of the road and bridge fund was \$0, while total fund balance reached \$15,376. As a measure of the road and bridge fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 0 percent of total road and bridge fund expenditures, while total fund balance represents 5 percent of that same amount.

The fund balance of Kinney County, Texas's road and bridge fund increased by \$6,530 during the current fiscal year. This increase is immaterial.

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

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

Budgetary Highlights

There was no change between the original budget and the final amended budget in the general fund.

Capital Asset and Debt Administration

Capital assets:

Kinney County, Texas's investment in capital assets for its governmental activities as of September 30, 2019, amounts to \$2,856,462 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and park facilities. The total increase in Kinney County, Texas's investment in capital assets for the current fiscal year was 10 percent.

The major capital asset events during the current fiscal year included in the following: The County completed a fire station building project in the audit year. The County has various projects on behalf of the community including a street construction and water facilities construction.

KINNEY COUNTY, TEXAS
CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Total	
	2019	2018	2019	2018
Land	\$126,796	\$126,796	\$126,796	\$126,796
Construction in Progress	0	394,350	0	394,350
Intangible	38,979	45,155	38,979	45,155
Building and Improvements	1,856,546	1,404,100	1,856,546	1,404,100
Machinery and Equipment	834,141	623,949	834,141	623,949
Infrastructure	0	0	0	0
Total	<u>\$2,856,462</u>	<u>\$2,594,350</u>	<u>\$2,856,462</u>	<u>\$2,594,350</u>

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

Long-term debt:

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

Future Outlook

The County expects its finances to remain approximately the same as in the past. Inflation will play a factor but will affect both revenues and expenditures equally. There are no major events planned in the future.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

KINNEY COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government	
	Governmental	
	Activities	Total
<i>ASSETS</i>		
Cash and Cash Equivalents	\$4,911,424	\$4,911,424
Receivables (net of allowance for uncollectibles)	1,203,247	1,203,247
Net Pension Receivable	113,412	113,412
Prepaid Items	16,483	16,483
Capital assets not being depreciated:		
Land	126,796	126,796
Total Capital assets being depreciated, net		
Intangible	38,979	38,979
Building and Improvements	1,856,546	1,856,546
Machinery, Vehicles, and Equipment	834,141	834,141
Total Assets	<u>\$9,101,028</u>	<u>\$9,101,028</u>
 DEFERRED OUTFLOWS OF RESOURCES		
GASB 68		
Deferred Outflow of Resources-Contributions (after 12/31/18)	237,672	237,672
Deferred Outflow-Net difference between projected and actual earnings	479,490	479,490
Deferred Outflow-Changes of Assumptions	24,645	24,645
Total Deferred Outflows of Resources	<u>741,807</u>	<u>741,807</u>
 LIABILITIES:		
Accounts Payable	\$478,668	\$478,668
Accrued Wages	17,110	17,110
Unearned Revenues	23,333	23,333
Noncurrent Liabilities:		
Due Within One Year	66,398	66,398
Due in More Than One Year	0	0
Total Liabilities	<u>585,509</u>	<u>585,509</u>
 DEFERRED INFLOWS OF RESOURCES		
GASB 68		
Deferred Inflow-Differences between expected and actual experience	226,029	226,029
Total Deferred Inflows of Resources	<u>226,029</u>	<u>226,029</u>
 NET POSITION		
Invested in Capital Assets, Net of Related Debt	2,856,462	2,856,462
Restricted		
Administration - County	72,173	72,173
Administration - County Clerk	6,587	6,587
Archives	14,938	14,938
Health and Welfare	4,421	4,421
Judicial	58,926	58,926
Legal	6,310	6,310
Public Safety	1,117,074	1,117,074
Public Transportation	151,796	151,796
Unrestricted	4,742,610	4,742,610
Total Net Position	<u>\$9,031,297</u>	<u>\$9,031,297</u>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in
		Charges for Services	Operating Grants and Contributions			Total
Primary Government						
Government Activities:						
General Administration	\$1,150,600	\$66,773	\$25,377		(\$1,058,450)	(\$1,058,450)
Judicial	520,065	491,175			(28,890)	(28,890)
Legal	131,009	125	50,138		(80,746)	(80,746)
Financial Administration	325,695	11,932			(313,763)	(313,763)
Public Facilities	981,472			711,748	(269,724)	(269,724)
Public Safety	2,434,382	271,883	2,247,810		85,311	85,311
Public Transportation	273,242	175,394	9,227		(88,621)	(88,621)
Culture and Recreation	125,134	17,312			(107,822)	(107,822)
Health and Welfare	219,179		64,198		(154,981)	(154,981)
Conservation - Agriculture	81,216				(81,216)	(81,216)
Total Government Activities	6,241,994	1,034,594	2,396,750	711,748	(2,098,902)	(2,098,902)
Total Primary Government	\$6,241,994	\$1,034,594	\$2,396,750	\$711,748	(2,098,902)	(2,098,902)
General Revenues						
Taxes						
Property Taxes, Levies for General Purposes					2,524,320	2,524,320
Sales					1,084,227	1,084,227
Other					4,849	4,849
Unrestricted Investment Earnings					89,675	89,675
Miscellaneous					897,887	897,887
Total General Revenues and Transfers					4,600,958	4,600,958
Change in Net Position					2,502,056	2,502,056
Net Position - Beginning					6,529,241	6,529,241
Net Position - Ending					\$9,031,297	\$9,031,297

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

KINNEY COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Road and Bridge	Investment Fund	Jail and Detention Facility Revenue	CDBG Grants	Other Governmental Funds	Total Governmental Funds
<i>ASSETS</i>							
Cash and Cash Equivalents	\$3,318,147	\$16,747	\$350,000	\$735,824		\$520,647	\$4,941,365
Receivables (net of allowance for uncollectibles)	247,642	554		176,148	119,905	64,303	608,552
Due from Other Funds	91,305					7,554	98,859
Prepaid Expenses	14,652	965				866	16,483
Total Assets	<u>\$3,671,746</u>	<u>\$18,266</u>	<u>\$350,000</u>	<u>\$911,972</u>	<u>\$119,905</u>	<u>\$593,370</u>	<u>\$5,665,259</u>
<i>LIABILITIES AND FUND BALANCES:</i>							
<i>Liabilities:</i>							
Accounts Payable	\$279,290	\$2,890			\$134,427	\$62,061	\$478,668
Bank Overdraft					359	29,582	29,941
Accrued Wages	17,110					0	17,110
Due to Other Funds						98,859	98,859
Total Liabilities	<u>296,400</u>	<u>2,890</u>	<u>0</u>	<u>0</u>	<u>134,786</u>	<u>190,502</u>	<u>624,578</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>							
Deferred Property Taxes	206,950					4,746	211,696
Unavailable Revenue-County Attorney Grant	23,333						23,333
Total deferred inflows of resources	<u>230,283</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,746</u>	<u>235,029</u>
<i>Fund Balances:</i>							
Non-Spendable							
Prepaid Items	14,652	965				866	16,483
Restricted							
Administration - County						72,173	72,173
Administration - County Clerk						6,587	6,587
Archives						14,938	14,938
Health and Welfare						4,421	4,421
Judicial						58,926	58,926
Legal						6,310	6,310
Public Safety				911,972		205,102	1,117,074
Public Transportation		14,411				137,385	151,796
Committed							
Administration - County			350,000			7,812	357,812
Culture and Recreation						3,637	3,637
Unassigned	3,130,411				(14,881)	(120,035)	2,995,495
Total Fund Balance	<u>3,145,063</u>	<u>15,376</u>	<u>350,000</u>	<u>911,972</u>	<u>(14,881)</u>	<u>398,122</u>	<u>4,805,652</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$3,671,746</u>	<u>\$18,266</u>	<u>\$350,000</u>	<u>\$911,972</u>	<u>\$119,905</u>	<u>\$593,370</u>	<u>\$5,665,259</u>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED SEPTEMBER 30, 2019

Total Fund Balances - governmental funds balance sheet	4,805,652
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Amounts reported for governmental activities in the statement of Net Position
("SNA") are different because:

Capital assets used in governmental activities are not reported in the funds.	2,856,462
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,223,885
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Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	211,696
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Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(66,398)
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Net Position of governmental activities - statement of Net Position	<u>\$9,031,297</u>
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The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Road and Bridge	Investment Fund	Jail and Detention Facility Revenue	CDBG Grants	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>							
Taxes							
Property	\$2,316,778					\$96,775	\$2,413,553
Sales	1,084,227						1,084,227
Other	4,849						4,849
Licenses and Permits		175,079					175,079
Intergovernmental	104,154	0		1,547,261	409,600	1,047,483	3,108,498
Charges for Services	317,045					332,666	649,711
Fines and Forfeitures	243,161						243,161
Interest	66,390	341		14,785		8,159	89,675
Miscellaneous	820,312	36,014				41,561	897,887
Total Revenues	4,956,916	211,434	0	1,562,046	409,600	1,526,644	8,666,640
<i>EXPENDITURES</i>							
Current:							
General Administration	1,164,840					69,662	1,234,502
Judicial	258,879					277,235	536,114
Legal	141,169						141,169
Financial Administration	352,632						352,632
Public Facilities	336,942						336,942
Public Safety	2,023,566			25,539		614,588	2,663,693
Public Transportation		318,897				5,000	323,897
Culture and Recreation	158,490					0	158,490
Health and Welfare						225,055	225,055
Conservation - Agriculture	87,757						87,757
Capital Projects -							
Capital Outlay and Other					424,481	302,754	727,235
Total Expenditures	4,524,275	318,897	0	25,539	424,481	1,494,294	6,787,486
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	432,641	(107,463)	0	1,536,507	(14,881)	32,350	1,879,154
OTHER FINANCING SOURCES (USES):							
Transfers In	1,049,190	113,993				194,000	1,357,183
Transfers Out	(194,000)	0		(1,049,190)		(113,993)	(1,357,183)
Total Other Financing Sources (Uses)	855,190	113,993	0	(1,049,190)	0	80,007	0
Net Changes in Fund Balances	1,287,831	6,530	0	487,317	(14,881)	112,357	1,879,154
Fund Balances - Beginning	1,857,232	8,846	350,000	424,655		285,765	2,926,498
Fund Balances - Ending	\$3,145,063	\$15,376	\$350,000	\$911,972	(\$14,881)	\$398,122	\$4,805,652

The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2019

Net Changes in Fund Balances - total governmental funds	\$1,879,154
Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	262,112
(Increase) decrease in Net Pension Receivable from beginning of period to end of period.	(256,670)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(33,357)
GASB 68	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	(9,320)
Deferred Outflow-Changes of assumptions. This is the change in these amounts this year.	(31,966)
Deferred Outflow-Net difference between projected and actual earnings. This is the change in these amounts this year.	545,231
Deferred Inflow-Differences between expected and actual experience. This is the change in these amounts this year.	42,317
(Increase) decrease in compensated absences from beginning of period to end of period.	(6,212)
(Increase) decrease in Net Pension Liability from beginning of period to end of period.	0
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	110,767
Change in Net Position of governmental activities - statement of activities	<u>\$2,502,056</u>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<i>REVENUES</i>				
Taxes				
Property	\$2,277,764	\$2,277,764	\$2,316,778	\$39,014
Sales	120,500	120,500	1,084,227	963,727
Other	1,800	1,800	4,849	3,049
Intergovernmental	73,833	73,833	104,154	30,321
Charges for Services	210,120	210,120	317,045	106,925
Fines and Forfeitures	171,000	171,000	243,161	72,161
Interest	20,000	20,000	66,390	46,390
Miscellaneous	115,084	115,084	820,312	705,228
Total Revenues	2,990,101	2,990,101	4,956,916	1,966,815

EXPENDITURES

Current:

General Administration				
County Judge	172,157	172,157	162,500	9,657
County-District Clerk	169,850	169,850	165,795	4,055
Non-Departmental	716,467	716,467	721,280	(4,813)
P.C. Bridge Salaries	7,000	7,000	699	6,301
Roads and Bridges	119,436	119,436	114,566	4,870
Judicial				
District Court	110,763	110,763	109,555	1,208
Justice of the Peace	144,421	144,421	149,324	(4,903)
Legal				
County Attorney	141,386	141,386	141,169	217
Financial Administration				
County Auditor	118,038	118,038	105,073	12,965
County Treasurer	119,746	119,746	118,281	1,465
Tax Assessor-Collector	132,071	132,071	129,278	2,793
Public Facilities				
Civic Center	26,500	26,500	23,406	3,094
County Courthouse and Annex	332,405	332,405	310,830	21,575
Filippone Building	10,135	10,135	2,706	7,429

(continued)

(continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Public Safety				
Ambulance	\$645,353	\$645,353	\$603,868	\$41,485
Constable	72,790	72,790	67,825	4,965
Drug Task Force	47,665	47,665	30,517	17,148
Fire	123,500	123,500	76,556	46,944
Sheriff	1,022,396	1,022,396	1,244,800	(222,404)
Culture and Recreation				
County Library	142,657	142,657	135,025	7,632
Parks	26,548	26,548	23,465	3,083
Conservation - Agriculture				
Agriculture Extension Service	102,912	102,912	87,757	15,155
Total Expenditures	<u>\$4,504,196</u>	<u>\$4,504,196</u>	<u>\$4,524,275</u>	<u>(\$20,079)</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(1,514,095)	(1,514,095)	432,641	1,946,736
OTHER FINANCING SOURCES (USES):				
Transfers In	800,000	800,000	1,049,190	249,190
Transfers Out	(318,084)	(318,084)	(194,000)	124,084
Total Other Financing Sources (Uses)	<u>481,916</u>	<u>481,916</u>	<u>855,190</u>	<u>373,274</u>
Net Changes in Fund Balances	(\$1,032,179)	(\$1,032,179)	1,287,831	\$2,320,010
Fund Balances - Beginning	<u>1,857,232</u>	<u>1,857,232</u>	<u>1,857,232</u>	
Fund Balances - Ending	<u>\$825,053</u>	<u>\$825,053</u>	<u>\$3,145,063</u>	<u>\$2,320,010</u>

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

KINNEY COUNTY, TEXAS
ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final		(Negative)
REVENUES				
Licenses and Permits	\$145,000	\$145,000	\$175,079	\$30,079
Intergovernmental				0
Interest	250	250	341	91
Miscellaneous			36,014	36,014
Total Revenues	145,250	145,250	211,434	66,184
EXPENDITURES				
Current				
Public Transportation	316,974	316,974	318,897	(1,923)
Total Expenditures	316,974	316,974	318,897	(1,923)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(171,724)	(171,724)	(107,463)	64,261
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	171,724	171,724	113,993	(57,731)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	171,724	171,724	113,993	(57,731)
Net Changes in Fund Balances	0	0	6,530	6,530
Fund Balances - Beginning	0	0	8,846	8,846
Fund Balances - Ending	\$0	\$0	\$15,376	\$15,376

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

KINNEY COUNTY, TEXAS
JAIL DETENTION FACILITY REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<i>REVENUES</i>				
Intergovernmental	\$890,000	\$890,000	\$1,547,261	\$657,261
Interest	2,500	2,500	14,785	12,285
Miscellaneous				0
Total Revenues	892,500	892,500	1,562,046	669,546
<i>EXPENDITURES</i>				
Current:				
Public Safety	92,500	92,500	25,539	66,961
Total Expenditures	92,500	92,500	25,539	66,961
Excess (Deficiency) of Revenues Over (Under) Expenditures	800,000	800,000	1,536,507	736,507
OTHER FINANCING SOURCES (USES):				
Transfers In				0
Transfers Out	(800,000)	(800,000)	(1,049,190)	(249,190)
Total Other Financing Sources (Uses)	(800,000)	(800,000)	(1,049,190)	(249,190)
Net Changes in Fund Balances	0	0	487,317	487,317
Fund Balances - Beginning	0	0	424,655	424,655
Fund Balances - Ending	\$0	\$0	\$911,972	\$911,972

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

KINNEY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2019

ASSETS

Cash and Cash Equivalents	\$969,725
Receivables	<u>0</u>
Total Assets	<u><u>\$969,725</u></u>

LIABILITIES:

Accounts Payable	\$86,091
Due to Others	<u>883,634</u>
Total Liabilities	<u><u>\$969,725</u></u>

The accompanying notes are an integral part of this statement.

Note: The Agency funds were the only fiduciary fund type of the County in the 2019 year.

KINNEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

I. Summary of Significant Accounting Policies

A. Reporting entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

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

C. Fiduciary Funds

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

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The government's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value.

2. Receivables and Payables

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

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

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2019 and 10 percent of the delinquent outstanding property taxes at September 30, 2019.

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

3. Inventories and Prepaid Items

Inventories of materials and supplies held by the General Fund are considered immaterial and thus are not accounted for in the Balance Sheet. In the General Fund, disbursements for supplies and materials are expenditures at the time of purchase. There were no inventory items at September 30, 2019. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide but not in the fund financial statements.

4. Restricted Assets

There were no restricted assets at September 30, 2019.

5. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The County completed a fire station building project in the audit year. The County has various projects on behalf of the community including a street construction and water facilities construction.

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

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

6. Compensated Absences

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

7. Fund Balances – Governmental Funds

As of September 30, 2019, fund balances of the governmental funds are classified as follows:

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

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

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

Unassigned — all other spendable amounts.

As of September 30, 2019, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Prepaid Items	\$16,483
Restricted	
Administration - County	72,173
Administration - County Clerk	6,587
Archives	14,938
Health and Welfare	4,421
Judicial	58,926
Legal	6,310
Public Safety	1,117,074
Public Transportation	151,796
Committed	
Administration - County	357,812
Culture and Recreation	3,637
Unassigned	2,995,495
Total Fund Balance	<u>\$4,805,652</u>

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

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

8. Deferred outflows/inflows of resources

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

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

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

9. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "long-term liabilities (compensated absences), are not due and payable in the current period and therefore are not reported in the funds." The details of this \$66,398 difference are as follows:

Compensated Absences	<u>\$66,398</u>
	<u>\$66,398</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds" report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$2,856,462 difference are as follows:

Capital Assets Not Being Depreciated	\$126,796
Capital Assets Being Depreciated	8,143,744
Depreciation Expense	(5,414,078)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$2,856,462</u>

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$211,696 difference are as follows:

Property Taxes Receivable	\$221,866
Allowance for Doubtful Accounts	<u>(10,170)</u>
Net	<u>\$211,696</u>

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this \$1,223,885 difference are as follows:

Fines Receivable	\$974,000
Allowance for Doubtful Accounts	(379,305)
Net Pension Receivable	113,412
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/18)	237,672
Deferred Outflow-Differences between expected and actual experience	(226,029)
Deferred Outflow-Changes of assumptions	24,645
Deferred Inflow-Differences between projected and actual experience	<u>479,490</u>
Net	<u>\$1,223,885</u>

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

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

The details of this \$262,112 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	(\$394,350)
Capital Outlay - Additions - Being Depreciated	1,054,822
Capital Outlay - Deletions - Net	(113,725)
Depreciation Expense	(284,635)

Net Adjustment to	
Increase Net Changes	
in Fund Balances - Total	
Governmental Funds to	
Arrive at Changes in	
Net Position of	
Governmental Activities	<u><u>\$262,112</u></u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

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

Budgets for all budgeted General and Special Revenue Funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2019 fiscal year were adopted for the General Fund, the Road and Bridge Fund and the Jail and Detention Facility Revenue Fund.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2019, expenditures did not exceed appropriations in any fund except for the General fund whereby actual expenditures of \$4,524,175 exceeded budgeted expenditures of \$4,504,196 by \$20,079 and the Road and Bridge fund whereby actual expenditures of \$318,897 exceeded budgeted expenditures of \$316,974 by \$1,923.

- C. Deficit fund equity: There were no deficit fund balances as of September 30, 2019 except for the CDBG Grants fund which had a negative fund balance of \$14,881, the KSCO LBSP Grant fund which had a negative fund balance of \$5,839, the LBSP Grant fund which had a negative fund balance of \$2,506, Kinney Stonegarden 2016 fund which had a negative fund balance of \$5,009, the Border Star JAG fund which had a negative fund balance of \$67,527, the Operation Stonegarden fund which had a negative fund balance of \$32,058, the Indigent Health Care fund which had a negative fund balance of \$99, the JAG 2532507 fund which had a negative fund balance of \$2,787, the Kinney Stonegarden 2018 fund which had a negative fund balance of \$16,855, and the Operation Stonegarden Grant 2013 which had a negative fund balance of \$4,366. These negative fund balances are expected to be liquidated by future resources of the funds.

IV. Detailed Notes on All Funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments:

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

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

Deposits:

Custodial Credit Risk - Deposits: The County's deposits and certificates of deposit are entirely with the county depository covered by federal depository insurance (FDIC) or by collateral held by the government's agent in the government's name. The County's deposits of \$2,127,226 is not exposed to custodial credit risk because its deposits were fully covered by either depository insurance or \$10,380,042 securities pledged in the name of the County. The book amount of the cash at September 30, 2019 is \$2,115,022.

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 in order 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, 2019, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
Texpool	\$2,595,769	Less than 1 year	Less than 1 year
Tex Star Funds	\$1,170,358	Less than 1 year	Less than 1 year

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

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

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

B. Receivables

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

	General	Road and Bridge	Jail and Detention Facility Revenue	CDBG Grants	Other Governmental Funds	Total
<u>Receivables</u>						
Taxes	\$216,741				\$5,125	\$221,866
Accounts		554	176,148		592	177,294
Intergovernmental	40,692			119,905	58,965	219,562
Fees and Fines	974,000					974,000
Gross Receivables	1,231,433	554	176,148	119,905	64,682	1,592,722
Less: Allowance for Uncollectibles	389,096				379	389,475
Net Total Receivables	\$842,337	\$554	\$176,148	\$119,905	\$64,303	\$1,203,247

The receivables are expected to be collected within one year.

C. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$126,796			\$126,796
Construction in Progress	394,350	31,702	426,052	0
Total capital assets not being depreciated:	521,146	31,702	426,052	126,796
Capital assets being depreciated:				
Intangible	61,763			61,763
Building and Improvements	2,429,304	546,555		2,975,859
Machinery, Equipment and Vehicles	3,473,984	508,267	458,273	3,523,978
Infrastructure	1,582,144			1,582,144
Total capital assets being depreciated:	7,547,195	1,054,822	458,273	8,143,744
Less: Accumulated Depreciation for:				
Intangible	16,608	6,176		22,784
Building and Improvements	1,025,204	94,109		1,119,313
Machinery, Equipment and Vehicles	2,850,035	184,350	344,548	2,689,837
Infrastructure	1,582,144			1,582,144
Total Accumulated Depreciation	5,473,991	284,635	344,548	5,414,078
Total Capital Assets Depreciated, Net	2,073,204	770,187	113,725	2,729,666
Governmental Activities capital assets, Net	\$2,594,350	\$801,889	\$539,777	\$2,856,462

Construction commitments

The County completed a fire station building project in the audit year. The County has various projects on behalf of the community including a street construction and water facilities construction.

The depreciation expensed for the year ended September 30, 2019 is as follows:

Governmental Activities	
General Administration	\$43,001
Judicial	1,008
Financial Administration	1,080
Public Facilities	18,126
Public Safety	151,520
Public Transportation	42,035
Culture and Recreation	24,332
Health and Welfare	3,245
Conservation - Agriculture	288
Total Depreciation Expense - Governmental Activities	<u>\$284,635</u>

D. Interfund Receivables, Payables, and Transfers

Due to/from other funds are as follows:

<i>Account</i>	<i>Amount</i>	<i>Reason</i>	<i>Expected to be Liquidated</i>
General Fund			
Due from Various Non-Departmental Funds	\$91,306	Fund General Operations	Within year
Various Non-Departmental Funds			
Due from Various Non-Departmental Funds	7,554	Fund General Operations	Within year
	<u>\$98,860</u>		

These amounts above were for operating capital and are expected to be repaid during the 2019 fiscal year.

There were no interfund balances as of September 30, 2019.

There were no advances at September 30, 2019.

The transfers for the year ended September 30, 2019 are as follows:

TRANSFER				
IN				
	GENERAL FUND	ROAD AND BRIDGE FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL
TRANSFER OUT				
GENERAL FUND			\$194,000	\$194,000
JAIL AND DETENTION FACILITY FUNDS	1,049,190			1,049,190
OTHER GOVERNMENTAL FUNDS		113,993		113,993
TOTALS	<u>\$1,049,190</u>	<u>\$113,993</u>	<u>\$194,000</u>	<u>\$1,357,183</u>

The above transfers are non-recurring. The transfers into the General Fund, the Road and Bridge Fund, and the Jail and Detention Facility fund are for daily operations. The transfer into the CDBG Grant Funds is for the administration of the grants.

E. Long-Term Debt

The government had no long-term debt during the audit year and at September 30, 2019 except for the following:

	Beginning			Ending	Due Within	Due After
<u>Governmental Activities:</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>	<u>One Year</u>
Compensated Absences	\$60,186	\$66,398	\$60,186	\$66,398	\$66,398	\$0
	\$60,186	\$66,398	\$60,186	\$66,398	\$66,398	\$0

F. Leases

Operating Leases:

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$11,600 for the year ended September 30, 2019. The future minimum lease payments for these leases are as follows:

<u>Year Ending Sep. 30</u>	<u>Amount</u>
2020	\$ 12,424
2021	9,506
2022	10,954
2023	9,569
Total	<u>\$42,453</u>

Rent expenditures were \$0 for the year ended September 30, 2019. Rental income was \$5,965 for the year ended September 30, 2019.

V. Other Information

A. Risk Management

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

1. General Liability Insurance

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

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

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

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

2. Property and Casualty Insurance

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

3. Workers' Compensation Insurance

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

4. Group Health and Life Insurance

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

5. Unemployment Compensation Insurance

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

B. Related Party Transaction

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

Commissioner Pct #3 owns D&D Hardware where the County occasionally purchases various items. The total amount of the purchases for the 2018-2019 year was \$10,881.41. There were no amounts owed to the company by the County at year end nor did the Commissioner owe any amounts to the County at year end.

Commissioner Pct #4 owns TW Equipment LLC. The total amount of the purchases for the 2018-2019 year was \$26,275.00. There were no amounts owed to the company by the County at year end nor did Commissioner Pct #4 owe any amounts to the County at year end.

C. Subsequent Events

On October 7, 2019, in a special open meeting of the court, approval was given for the purchase of three (3) law enforcement vehicles, one (1) for the Kinney County Constable and two (2) for the Kinney County Sheriff's Department.

On December 2, 2019, in a special open meeting of the court, approval was given for the contract with netPro1 for the services and installation for Network Security for Kinney County set forth in Estimate #3014 for the amount of \$92,960.10 and to be paid out of maintenance.

D. Contingent Liabilities

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

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

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

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

The State of Texas, Ex. Rel. Todd Durden v. James T. Shahan – Case No. 4866 – This case is regarding the Commissioners Court reduction of the 2018-19 salary for Mr. Durden. The case was dismissed, and Mr. Durden was ordered to pay \$51,575.69 in attorney's fees incurred by the County. Mr. Durden has appealed this ruling and the County has filed a Motion to Dismiss the appeal. A ruling has not been made at the time of the report.

State of Texas, Ex. Rel. Todd A. "Tadeo" Durden, County Attorney – Cause No. 04-19-00776-CV – Mr. Durden has asked for the recusal of Judge Shahan on the claim that he has lodged against his own County and elected officials and has a bias against the State of Texas in misdemeanor prosecutions filed with the office of the County Attorney of Kinney County. The Honorable Sid Harle has been appointed to hear the recusal cases and the civil cases referenced above. Judge Harle has denied the motions to recuse Judge Shahan. The case is still pending but a ruling in the near term is anticipated.

E. Other Post-Employment Benefits

There are no post-employment benefits.

F. Tax abatements

There are currently no tax abatements.

G. Casualty Gain

The county sustained hail damage on February 23, 2016, resulting in damage to several County Buildings; the most was to the roofs and windows. The cost of the repairs totaled \$570,865.18 and the insurance recovery was \$654,855.15. The repairs were mostly performed in the prior audit years and were expended in the different expenditure functions. The insurance proceeds were received in the current audit year and is recorded in miscellaneous income in the general fund.

H. Defined Benefit Pension Plans

Net Pension Liability/ (Asset)

Net Pension Liability / (Asset)	<u>December 31, 2017</u>	<u>December 31, 2018</u>
Total pension liability	\$7,223,662	\$7,630,706
Fiduciary net position	7,593,743	7,411,118
Net pension liability / (asset)	(370,082)	219,588
Fiduciary net position as a % of total pension liability	105.12%	97.12%
Pensionable covered payroll	\$2,347,882	\$2,398,569
Net pension liability as a % of covered payroll	(15.76%)	9.15%

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

Discount Rate

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

Other Key Actuarial Assumptions

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

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

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

	Beginning Date	Ending Date
Valuation date	December 31, 2017	December 31, 2018
Measurement date	December 31, 2017	December 31, 2018
Employer's fiscal year	October 1, 2018	September 30, 2019

Projection of Fiduciary Net Position

Calendar Year Ending	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2019	\$7,411,118	\$319,194	\$640,648	\$7,411	\$587,241	\$7,669,493
2020	7,669,493	293,876	496,864	7,669	612,863	8,071,699
2021	8,071,699	295,959	529,536	8,072	644,211	8,474,261
2022	8,474,261	300,514	546,467	8,474	676,311	8,896,145
2023	8,896,145	305,609	570,736	8,896	709,706	9,331,828
2024	9,331,828	304,542	608,104	9,332	743,453	9,762,387
2025	9,762,387	296,233	640,085	9,762	776,711	10,185,484
2026	10,185,484	289,131	666,752	10,185	809,624	10,607,302
2027	10,607,302	282,964	692,567	10,607	842,504	11,029,596
2028	11,029,596	271,932	720,322	11,030	875,153	11,445,330
2038	14,771,258	189,475	1,054,058	14,771	1,161,551	15,053,455
2048	16,440,601	36,356	1,275,333	16,441	1,281,834	16,467,018
2058	16,467,905	9,172	1,233,554	16,468	1,284,624	16,511,680
2068	18,712,967	873	904,001	18,713	1,479,143	19,270,268
2078	29,182,366	0	494,151	29,182	2,342,989	31,002,022
2088	57,535,686	0	180,113	57,536	4,650,953	61,948,991
2098	122,531,454	0	29,464	122,531	9,919,012	132,298,470

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2017	\$7,223,662	\$7,593,743	(\$370,082)
Changes of the year:			
Service cost	317,249		317,249
Interest on total pension liability	595,726		595,726
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	(125,986)		(125,986)
Effect of assumptions changes or inputs	0		0
Refund of contributions	(71,388)	(71,388)	0
Benefit payments	(308,556)	(308,556)	0
Administrative expenses		(5,953)	5,953
Member contributions		167,900	(167,900)
Net investment income		(141,856)	141,856
Employer contributions		177,494	(177,494)
Other	0	(267)	267
Balances as of December 31, 2018	\$7,630,706	\$7,411,118	\$219,588

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$8,531,936	\$7,630,706	\$6,866,919
Fiduciary net position	7,411,118	7,411,118	7,411,118
Net pension liability/(asset)	\$1,120,818	\$219,588	(\$544,199)

Pension Expense / (Income)	
Pension Expense / (Income)	January 1, 2018 to December 31, 2018
Service cost	\$317,249
Interest on total pension liability	595,726
Effect of plan changes	0
Administrative expenses	5,953
Member contributions	(167,900)
Expected investment return net of investment expenses	(613,474)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(168,304)
Recognition of assumption changes or inputs	31,967
Recognition of investment gains or losses	210,099
Other	267
Pension expense	\$211,582

As of December 31, 2018, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$226,029	\$0
Changes of assumptions	0	24,645
Net difference between projected and actual earnings	0	479,490
Contributions made subsequent to measurement date	N/A	Employer determined

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

Year ending December 31:

2019	\$80,108
2020	14,819
2021	32,113
2022	151,066
2023	0
Thereafter	0

Schedule of Deferred Inflows and Outflows of Resources

Expense / (Income) Calculation				Balances of Deferred Inflows and Outflows as of 12/31/2018	
Original Amount (a)	Date Established (b)	Original Recognition Period (c)	Amount Recognized for 2018 (a) / (c)	Inflows	Outflows
Investment (gains) or losses					
\$755,330	12/31/2018	5.0	\$151,066	\$0	\$604,264
(437,290)	12/31/2017	5.0	(87,458)	262,374	0
45,054	12/31/2016	5.0	9,011	0	18,021
597,894	12/31/2015	5.0	119,579	0	119,579
89,506	12/31/2014	5.0	17,901	0	0
Economic/demographic (gains) or losses					
(125,986)	12/31/2018	4.0	(31,497)	94,489	0
(154,495)	12/31/2017	4.0	(38,624)	77,248	0
(217,168)	12/31/2016	4.0	(54,292)	54,292	0
(147,672)	12/31/2015	4.0	(36,918)	0	0
(34,863)	12/31/2014	5.0	(6,973)	0	0
Assumption changes or inputs					
0	12/31/2018	4.0	0	0	0
49,290	12/31/2017	4.0	12,323	0	24,645
0	12/31/2016	4.0	0	0	0
78,575	12/31/2015	4.0	19,644	0	0
0	12/31/2014	5.0	0	0	0

Schedule of Changes in Net Pension Liability and Related Ratios

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

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2009	\$78,369	\$78,369	\$0	\$1,424,888	5.5%
2010	109,993	109,993	0	1,578,092	7.0%
2011	108,238	108,238	0	1,620,325	6.7%
2012	121,064	121,064	0	1,674,484	7.2%
2013	145,055	145,055	0	1,883,835	7.7%
2014	160,005	160,005	0	2,113,659	7.6%
2015	166,307	166,307	0	2,196,916	7.6%
2016	166,690	166,690	0	2,231,472	7.5%
2017	178,675	178,675	0	2,347,882	7.6%
2018	177,494	177,494	0	2,398,569	7.4%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	8.7 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: Employer contributions reflect that a 2% flat COLA was adopted

Appendix A- GASB 68 Plan Description for Kinney County

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

- a. Kinney County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.
 - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Kinney County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2017 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Membership Information

Members	Dec. 31, 2017	Dec. 31, 2018
Number of inactive employees entitled to but not yet receiving benefits:	51	53
Number of active employees:	77	72
Average monthly salary*:	\$2,618	\$2,735
Average age*:	46.83	46.78
Average length of service in years*:	7.77	8.21

Inactive Employees (or their Beneficiaries) Receiving Benefits

Number of benefit recipients:	34	35
Average monthly benefit:	\$754	\$808

Appendix B-Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2018 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Kinney County December 31, 2018 Summary Valuation Report for further details.

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as funding valuation: See Appendix C
Salary Increases Investment	Same as funding valuation: See Appendix C
Rate of Return Cost-of-	8.10% (Gross of administrative expenses)
Living Adjustments	Cost-of-Living Adjustments for Kinney County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation: See Appendix C
Turnover	Same as funding valuation: See Appendix C
Mortality	Same as funding valuation: See Appendix C

Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

Appendix C-Actuarial Methods and Assumptions Used for Funding Valuation

Except where indicated in the section of this GASB 68 report entitled "Actuarial Methods and Assumptions Used for GASB Calculations", the assumptions used in this analysis for the December 31, 2018 financial reporting metrics are the same as those used in the December 31, 2018 actuarial valuation analysis for Kinney County.

The following is a description of the assumptions used in the December 31, 2018 actuarial valuation analysis for Kinney County. This information may also be found in the Kinney County December 31, 2018 Summary Valuation Report.

Economic Assumptions

TCDRS system-wide economic assumptions:

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

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

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. (See Table 1 for Merit Salary Increases.)

Employer-specific economic assumptions:

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

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

Appendix D-Contributions Made Subsequent to Measurement Date

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

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

Texas County & District Retirement System

Funding Policy

Effective as of the Dec. 31, 2014 valuation

Introduction

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

This policy documents the current funding policies in effect for the Dec. 31, 2018 actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

TCDRS funding overview

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

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

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

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

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

Methodology for determining employer contribution rates

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

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

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

Actuarial cost method

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

Amortization policy

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

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

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

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

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

Asset valuation method

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

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

Actuarial assumptions

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

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

Oversight

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

Review of actuarial assumptions

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

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

Review of employer contribution rates

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

Review and modification of funding policy

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

KINNEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

	BORDER STAR JAG	CCP RECORD MANAGEMENT	CHAPTER 203 RMP - CLERK	CHAPTER 203 RMP - VAR.	CIVIL COURT FEES	COMMUNITY DEVELOP- MENT	CONGRESS- IONAL LINEBACKER
ASSETS							
Cash and Cash Equivalents		\$864	\$5,327	\$2,402	\$3,940	\$52,061	
Receivables (net of allowance for uncollectibles)							178
Due to Other Funds							
Prepaid Items							
	\$0	\$864	\$5,327	\$2,402	\$3,940	\$52,061	\$178
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable	\$514						
Bank Overdraft							
Accrued Wages							
Due to Other Funds	67,013						163
Total Liabilities	67,527	0	0	0	0	0	163
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue-Property Taxes							
Total deferred inflows of resources	0	0	0	0	0	0	0
Fund Balances:							
Non-Spendable							
Prepaid Items							
Restricted							
Administration - County				2,402	3,940	52,061	
Administration - County Clerk		864	5,327				
Archives							
Health and Welfare							
Judicial							
Legal							
Public Safety							15
Public Transportation							
Committed							
Administration - County							
Culture and Recreation							
Unassigned	(67,527)						
Total Fund Balances	(67,527)	864	5,327	2,402	3,940	52,061	15
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$864	\$5,327	\$2,402	\$3,940	\$52,061	\$178

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

CONTINUING EDUCATION JUDGE	CONTINUING EDUCATION CONSTABLE	COPS GRANT	COUNTY AND DISTRICT COURT TECH	COUNTY DETENTION CENTER	COURTHOUSE SECURITY	DISTRICT CLERK - RM&P	DISTRICT COURT CIVIL	ELDERLY NUTRITION	ELECTION
\$215		\$14,750	\$4,287	\$197	\$92,060	\$1,737	\$55	\$8,043	\$2,790
					5				
								866	
\$215	\$0	\$14,750	\$4,287	\$197	\$92,065	\$1,737	\$55	\$8,909	\$2,790
					\$13			\$4,507	
0	0	0	0	0	13	0	0	4,507	0
0	0	0	0	0	0	0	0	0	0
								866	
215									2,790
			4,287			1,737	55	3,536	
		14,750		197	92,052				
215	0	14,750	4,287	197	92,052	1,737	55	4,402	2,790
\$215	\$0	\$14,750	\$4,287	\$197	\$92,065	\$1,737	\$55	\$8,909	\$2,790

KINNEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019
 (continued)

	FAMILY PROTECTION	FIRE RESCUE DONATIONS	FM & LATERAL ROAD FUND	HEALTHY COUNTY	HOT CHECK	INDIGENT HEALTH CARE	JAG NO. 2532502
ASSETS							
Cash and Cash Equivalents	\$300	\$7,000	\$114,907	\$910	\$2	\$1,399	\$0
Receivables (net of allowance for uncollectibles)			5,052				
Due to Other Funds							
Prepaid Items							
	\$300	\$7,000	\$119,959	\$910	\$2	\$1,399	\$0
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable				\$25		\$1,498	
Bank Overdraft							
Accrued Wages							
Due to Other Funds							
Total Liabilities	0	0	0	25	0	1,498	0
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue-Property Taxes			4,746				
Total deferred inflows of resources	0	0	4,746	0	0	0	0
Fund Balances:							
Non-Spendable							
Prepaid Items							
Restricted							
Administration - County							
Administration - County Clerk							
Archives							
Health and Welfare				885			
Judicial							
Legal					2		
Public Safety	300	7,000					
Public Transportation			115,213				
Committed							
Administration - County							
Culture and Recreation							
Unassigned						(99)	
Total Fund Balances	300	7,000	115,213	885	2	(99)	0
TOTAL LIABILITIES AND FUND BALANCES	\$300	\$7,000	\$119,959	\$910	\$2	\$1,399	\$0

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

SPECIAL REVENUE

JAG NO. 2532506	JAG NO. 2532507	JP IN COURT	JP TECH- NOLOGY FUND	KINNEY COUNTY HISTORICAL COMMISSION - CONTRIBUTIONS	KCSO SB1849 AWARD	KCSO BODY WORN CAMERA	KCSO DONATIONS	KCSO LBSP GRANT	KCSO PLAIN MKTING GRANT	LATERAL ROAD FUND	LAW LIBRARY
		\$5	\$55,872	\$3,637	\$1,749		\$8,304		\$851	\$22,172	\$6,308
\$0	\$0	\$5	\$55,872	\$3,637	\$1,749	\$0	\$8,304	\$0	\$851	\$22,172	\$6,308
			\$3,030				\$4,069	\$14 5,825			
0	2,787	0	3,030	0	0	0	4,069	5,839	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
		5	52,842		1,749		4,235		851	22,172	6,308
	(2,787)			3,637				(5,839)			
0	(2,787)	5	52,842	3,637	1,749	0	4,235	(5,839)	851	22,172	6,308
\$0	\$0	\$5	\$55,872	\$3,637	\$1,749	\$0	\$8,304	\$0	\$851	\$22,172	\$6,308

KINNEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019
 (continued)

	LBSP FUND	LBSP GRANT	PRE- TRIAL DIVERSION	RECORD ARCHIVE FEE	RECORD MANAGEMENT AND PRES- ERVATION	RM&P VARIOUS COUNTY OFFICES	SHERIFF CONTIN- UING EDUCATION
ASSETS							
Cash and Cash Equivalents			\$65,983	\$14,886	\$9,125	\$1,590	\$7,202
Receivables (net of allowance for uncollectibles)				52	50		
Due to Other Funds	7,554						
Prepaid Items							
	<u>\$7,554</u>	<u>\$0</u>	<u>\$65,983</u>	<u>\$14,938</u>	<u>\$9,175</u>	<u>\$1,590</u>	<u>\$7,202</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable		\$248					
Bank Overdraft		2,258					
Accrued Wages							
Due to Other Funds							
Total Liabilities	<u>0</u>	<u>2,506</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue-Property Taxes							
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:							
Non-Spendable							
Prepaid Items							
Restricted							
Administration - County					9,175	1,590	
Administration - County Clerk							
Archives				14,938			
Health and Welfare							
Judicial							
Legal							
Public Safety	7,554		65,983				7,202
Public Transportation							
Committed							
Administration - County							
Culture and Recreation							
Unassigned		(2,506)					
Total Fund Balances	<u>7,554</u>	<u>(2,506)</u>	<u>65,983</u>	<u>14,938</u>	<u>9,175</u>	<u>1,590</u>	<u>7,202</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$7,554</u>	<u>\$0</u>	<u>\$65,983</u>	<u>\$14,938</u>	<u>\$9,175</u>	<u>\$1,590</u>	<u>\$7,202</u>

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

STRAC	TXCDBG GRANT	UNCLAIMED	OPERA- TION STONE GARDEN	STONE GARDEN GRANT 2013	STONE GARDEN GRANT 2014	KINNEY STONE GARDEN 2016	KINNEY STONE GARDEN 2017	KINNEY STONE GARDEN 2018	VITAL STATISTICS PRES- ERVATION	TOTAL NON-MAJOR GOVERN- MENTAL FUNDS
EMS GRANT	DISASTER RELIEF	FUNDS								
		\$7,812					\$1,510		\$395	\$520,647
	40,250				3,214		15,501		1	64,303
										7,554
										866
\$0	\$40,250	\$7,812	\$0	\$0	\$3,214	\$0	\$17,011	\$0	\$396	\$593,370

	\$40,250		\$375	\$4,366				\$3,152		\$62,061
						5,009		13,703		29,582
										0
			31,683							98,859
0	40,250	0	32,058	4,366	0	5,009	0	16,855	0	190,502

0	0	0	0	0	0	0	0	0	0	4,746
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										866
										72,173
									396	6,587
										14,938
										4,421
										58,926
										6,310
					3,214					205,102
										137,385
		7,812								7,812
			(32,058)	(4,366)		(5,009)	17,011	(16,855)		3,637
0	0	7,812	(32,058)	(4,366)	3,214	(5,009)	17,011	(16,855)	396	(120,035)

\$0	\$40,250	\$7,812	\$0	\$0	\$3,214	\$0	\$17,011	\$0	\$396	\$593,370
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KINNEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	BORDER STAR JAG	CCP RECORD MANAGEMENT	CHAPTER 203 RMP - CLERK	CHAPTER 203 RMP - VAR.	CIVIL COURT FEES	COMMUNITY DEVELOP- MENT	CONGRESS- IONAL LINEBACKER
<i>REVENUES</i>							
Taxes							
Property							
Intergovernmental							
Charges for Services		50	25	3	620	0	
Interest						1,175	
Miscellaneous							
Total Revenues	\$0	\$50	\$25	\$3	\$620	\$1,175	\$0
<i>EXPENDITURES</i>							
Current:							
General Administration						2,500	
Judicial							
Public Safety							
Public Transportation							
Culture and Recreation							
Health and Welfare							
Capital Projects -							
Capital Outlay and Other							
Total Expenditures	0	0	0	0	0	2,500	0
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	0	50	25	3	620	(1,325)	0
OTHER FINANCING SOURCES (USES):							
Transfers In							
Transfers Out							
Total Other Financing Sources (Uses)	0	0	0	0	0	0	0
Net Changes in Fund Balances	0	50	25	3	620	(1,325)	0
Fund Balances - Beginning	(67,527)	814	5,302	2,399	3,320	53,386	15
Fund Balances - Ending	(\$67,527)	\$864	\$5,327	\$2,402	\$3,940	\$52,061	\$15

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

SPECIAL REVENUE									
CONTINUING EDUCATION JUDGE	CONTINUING EDUCATION CONSTABLE	COPS GRANT	COUNTY AND DISTRICT COURT TECH	COUNTY DETENTION CENTER	COURTHOUSE SECURITY	DISTRICT CLERK - RM&P	DISTRICT COURT CIVIL	ELDERLY NUTRITION	ELECTION
		79,005						42,122	
65	682		619		11,423 1,819	320			
				20,260				13,080	
\$65	\$682	\$79,005	\$619	\$20,260	\$13,242	\$320	\$0	\$55,202	\$0
	682	64,255			2,260				
								174,887	
0	682	64,255	0	0	2,260	0	0	174,887	0
65	0	14,750	619	20,260	10,982	320	0	(119,685)	0
								120,000	
0	0	0	0	0	0	0	0	120,000	0
65	0	14,750	619	20,260	10,982	320	0	315	0
150	0	0	3,668	(20,063)	81,070	1,417	55	4,087	2,790
\$215	\$0	\$14,750	\$4,287	\$197	\$92,052	\$1,737	\$55	\$4,402	\$2,790

KINNEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(continued)

	FAMILY PROTECTION	FIRE RESCUE DONATIONS	FM & LATERAL ROAD FUND	HEALTHY COUNTY	HOT CHECK	INDIGENT HEALTH CARE	JAG NO. 2532502
<i>REVENUES</i>							
Taxes							
Property			\$96,775				
Intergovernmental							7,500
Charges for Services							
Interest			2,522			58	
Miscellaneous		7,000					
Total Revenues	\$0	\$7,000	\$99,297	\$0	\$0	\$58	\$7,500
<i>EXPENDITURES</i>							
Current:							
General Administration							
Judicial							
Public Safety							7,500
Public Transportation							
Culture and Recreation							
Health and Welfare				142		50,026	
Capital Projects -							
Capital Outlay and Other							
Total Expenditures	0	0	0	142	0	50,026	7,500
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	0	7,000	99,297	(142)	0	(49,968)	0
OTHER FINANCING SOURCES (USES):							
Transfers In						74,000	
Transfers Out			(103,993)				
Total Other Financing Sources (Uses)	0	0	(103,993)	0	0	74,000	0
Net Changes in Fund Balances	0	7,000	(4,696)	(142)	0	24,032	0
Fund Balances - Beginning	300	0	119,909	1,027	2	(24,131)	0
Fund Balances - Ending	\$300	\$7,000	\$115,213	\$885	\$2	(\$99)	\$0

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

SPECIAL REVENUE

JAG NO. 2532506	JAG NO. 2532507	JP IN COURT	JP TECH- NOLOGY FUND	KINNEY COUNTY HISTORICAL COMMISSION - CONTRIBUTIONS	KCSO SB1849 AWARD	KCSO BODY WORN CAMERA	KCSO DONATIONS	KCSO LBSP GRANT	KSCO PLAIN MKTING GRANT	LATERAL ROAD FUND	LAW LIBRARY
22,786	27,397	262,934	9,838		5,304	20,800	4,235		23,809	9,227	1,960
		5	1,083							472	
				500							
\$22,786	\$27,397	\$262,939	\$10,921	\$500	\$5,304	\$20,800	\$4,235	\$0	\$23,809	\$9,699	\$1,960
22,786		262,934	14,301								
	27,052				3,555	20,800		5,839	26,919	5,000	
22,786	27,052	262,934	14,301	0	3,555	20,800	0	5,839	26,919	5,000	0
0	345	5	(3,380)	500	1,749	0	4,235	(5,839)	(3,110)	4,699	1,960
0	0	0	0	0	0	0	0	0	0	(10,000)	0
0	345	5	(3,380)	500	1,749	0	4,235	(5,839)	(3,110)	(5,301)	1,960
0	(3,132)	0	56,222	3,137	0	0	0	0	3,961	27,473	4,348
\$0	(\$2,787)	\$5	\$52,842	\$3,637	\$1,749	\$0	\$4,235	(\$5,839)	\$851	\$22,172	\$6,308

KINNEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(continued)

	LBSP FUND	LBSP GRANT	PRE- TRIAL DIVERSION	RECORD ARCHIVE FEE	RECORD MANAGEMENT AND PRES- ERVATION	RM&P VARIOUS COUNTY OFFICES	SHERIFF CONTIN- UING EDUCATION
<i>REVENUES</i>							
Taxes							
Property							
Intergovernmental		17,077					
Charges for Services			6,200	23,609	11,900	315	2,053
Interest			1,025				
Miscellaneous							
Total Revenues	\$0	\$17,077	\$7,225	\$23,609	\$11,900	\$315	\$2,053
<i>EXPENDITURES</i>							
Current:							
General Administration				31,498	12,878		
Judicial							
Public Safety		19,583	4,000				
Public Transportation							
Culture and Recreation							
Health and Welfare							
Capital Projects -							
Capital Outlay and Other							
Total Expenditures	0	19,583	4,000	31,498	12,878	0	0
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	0	(2,506)	3,225	(7,889)	(978)	315	2,053
OTHER FINANCING SOURCES (USES):							
Transfers In							
Transfers Out							
Total Other Financing Sources (Uses)	0	0	0	0	0	0	0
Net Changes in Fund Balances	0	(2,506)	3,225	(7,889)	(978)	315	2,053
Fund Balances - Beginning	7,554	0	62,758	22,827	10,153	1,275	5,149
Fund Balances - Ending	\$7,554	(\$2,506)	\$65,983	\$14,938	\$9,175	\$1,590	\$7,202

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

										TOTAL
STRAC	TXCDBG		OPERA-	STONE	STONE	KINNEY	KINNEY	KINNEY	VITAL	NON-MAJOR
EMS	GRANT		TION	GARDEN	GARDEN	STONE	STONE	STONE	STATISTICS	GOVERN-
GRANT	DISASTER	UNCLAIMED	STONE	GRANT	GRANT	GARDEN	GARDEN	GARDEN	PRES-	MENTAL
	RELIEF	FUNDS	GARDEN	2013	2014	2016	2017	2018	ERVATION	FUNDS
										\$96,775
13,861	302,754					24,247	336,845	110,514		1,047,483
									50	332,666
										8,159
		721								41,561
\$13,861	\$302,754	\$721	\$0	\$0	\$0	\$24,247	\$336,845	\$110,514	\$50	1,526,644
										69,662
										277,235
13,861							290,913	127,369		614,588
										5,000
										0
										225,055
	302,754									302,754
13,861	302,754	0	0	0	0	0	290,913	127,369	0	1,494,294
0	0	721	0	0	0	24,247	45,932	(16,855)	50	32,350
										194,000
										(113,993)
0	0	0	0	0	0	0	0	0	0	80,007
0	0	721	0	0	0	24,247	45,932	(16,855)	50	112,357
0	0	7,091	(32,058)	(4,366)	3,214	(29,256)	(28,921)	0	346	285,765
\$0	\$0	\$7,812	(\$32,058)	(\$4,366)	\$3,214	(\$5,009)	\$17,011	(\$16,855)	\$396	\$398,122

KINNEY COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	COURT COSTS	PAYROLL	COUNTY DETENTION CENTER	OLD SHERIFF FORFEITURE FUND	COUNTY OFFICER ACCOUNTS	TOTAL
<i>ASSETS</i>						
Cash and Cash Equivalents	\$173,866	\$58,089	\$0	\$38,257	\$699,513	\$969,725
Receivables	0	0	0	0	0	0
Total Assets	\$173,866	\$58,089	\$0	\$38,257	\$699,513	\$969,725
<i>LIABILITIES:</i>						
Accounts Payable	86,091	0	0	0	0	\$86,091
Due to Others	87,775	58,089	0	38,257	699,513	883,634
Total Liabilities	\$173,866	\$58,089	\$0	\$38,257	\$699,513	\$969,725

KINNEY COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>COURT COSTS</u>			
	BALANCE 10/1/2018	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2019
ASSETS				
Cash and Cash Equivalents	\$159,595	\$310,361	\$296,090	\$173,866
Receivables				0
Total Assets	\$159,595	\$310,361	\$296,090	\$173,866

LIABILITIES:				
Accounts Payable	\$59,619	\$86,091	\$59,619	\$86,091
Due to Others	99,976	224,270	236,471	87,775
Total Liabilities	\$159,595	\$310,361	\$296,090	\$173,866

	<u>PAYROLL</u>			
	BALANCE 10/1/2018	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2019
ASSETS				
Cash and Cash Equivalents	\$46,235	\$11,854		\$58,089
Receivables				0
Total Assets	\$46,235	\$11,854	\$0	\$58,089

LIABILITIES:				
Accounts Payable				\$0
Due to Others	46,235	11,854	0	58,089
Total Liabilities	\$46,235	\$11,854	\$0	\$58,089

<u>COUNTY DETENTION CENTER</u>	BALANCE			BALANCE
	10/1/2018	ADDITIONS	DEDUCTIONS	9/30/2019
<i>ASSETS</i>				
Cash and Cash Equivalents	\$0	\$10,345,928	\$10,345,928	\$0
Total Assets	\$0	\$10,345,928	\$10,345,928	\$0

LIABILITIES:				
Accounts Payable	\$0			\$0
Due to Others	0	10,345,928	10,345,928	0
Total Liabilities	\$0	\$10,345,928	\$10,345,928	\$0

<u>OLD SHERIFF FORFEITURE FUND</u>	BALANCE			BALANCE
	10/1/2018	ADDITIONS	DEDUCTIONS	9/30/2019
<i>ASSETS</i>				
Cash and Cash Equivalents	\$46,250	\$10,580	\$18,573	\$38,257
Total Assets	\$46,250	\$10,580	\$18,573	\$38,257

LIABILITIES:				
Accounts Payable	\$61			\$61
Due to Others	46,189	10,580	18,573	38,196
Total Liabilities	\$46,250	\$10,580	\$18,573	\$38,257

<u>COUNTY OFFICER ACCOUNTS</u>		BALANCE		BALANCE
		10/1/2018	ADDITIONS	9/30/2019
<i>ASSETS</i>				
Cash and Cash Equivalents		\$168,059	\$531,454	\$699,513
Total Assets		\$168,059	\$531,454	\$0
				\$699,513
LIABILITIES:				
Accounts Payable		\$0		\$0
Due to Others		168,059	531,454	0
Total Liabilities		\$168,059	\$531,454	\$0
				\$699,513
<u>TOTAL</u>		BALANCE		BALANCE
		10/1/2018	ADDITIONS	9/30/2019
<i>ASSETS</i>				
Cash and Cash Equivalents		\$420,139	\$11,210,177	\$10,660,591
Receivables		0	0	0
Total Assets		\$420,139	\$11,210,177	\$10,660,591
				\$969,725
LIABILITIES:				
Accounts Payable		\$59,619	\$86,091	\$59,619
Due to Others		360,520	11,124,086	10,600,972
Total Liabilities		\$420,139	\$11,210,177	\$10,660,591
				\$969,725

SINGLE AUDIT SECTION

KINNEY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASS-THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDI- TURES
FEDERAL ASSISTANCE				
NON-STIMULUS PROGRAMS				
U.S. Department of Health and Human Services				
Passed Through				
Coastal Bend Area Agency on Aging				
Special Programs for the Aging - Title III, Part B -				
Grants for Supportive Services and Senior Centers				
TITLE III-B	93.044	AAA-1048-11B	NONE	\$1,455
Special Programs for the Aging - Title III, Part C - Nutrition Services				
TITLE III-C	93.045	AAA-1048-11	NONE	33,741
Passed Through				
Texas Department of Aging and Disability Services				
Social Services Block Grant - Title XX - DADS	93.667	001001461	NONE	6,926
Medical Assistance Program - Title XIX Superior Health	93.778	NONE	NONE	0
Passed Through				
Office of the Attorney General				
Child Support Enforcement-Title IV-D	93.563	NONE	NONE	909
Fiscal Year 2019				
Total U.S. Department of Health and Human Services				<u>43,031</u>
Executive Office of the President				
Direct				
High Intensity Drug Trafficking Areas Program	95.001	G16SS0014A & G17SS0014A	NONE	26,805
Total Executive Office of the President				<u>26,805</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grants/States Program	14.228			
Passed Through				
Texas Department of Agriculture (TDA)				
Water Improvements		7216065	NONE	409,600
Street Improvements		7217077	NONE	302,754
Total U.S. Department of Housing and Urban Development				<u>712,354</u>
Department of Justice				
Passed Through				
Texas - Office of the Governor				
Edward Byrne Memorial Justice Assistance Grant Program	16.738			
Operation Border Star (JAG)		#2532507	NONE	27,052
Body Camera Grant		NONE	NONE	20,800
Total U.S. Department of Justice				<u>47,852</u>
U.S. Department of Homeland Security				
Passed Through				
Texas Division of Emergency Management				
Homeland Security Grant Program	97.067			
Operation Stonegarden Grant Program - Kinney Stonegarden 2017		NONE	NONE	303,461
Operation Stonegarden Grant Program - Kinney Stonegarden 2018		NONE	NONE	127,369
Total U.S. Department of Homeland Security				<u>430,830</u>
Total Federal Assistance				<u>\$1,260,872</u>

See Accompanying Notes to Schedule of Federal Financial Assistance

KINNEY COUNTY, TEXAS
 BUDGET COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor: U.S. Department of Housing and Urban Development
 Pass Through Grantor: Texas Department of Agriculture
 CFDA Number: 14.228
 Project Number: 7216065
 Contract Period: 11/30/2016 to 11/29/2018

	FEDERAL		VARIANCE
	PRIOR	CURRENT	
	BUDGET	YEAR	YEAR
REVENUE			
Federal	\$462,000	\$52,400	\$409,600
TOTAL REVENUE:	462,000	52,400	409,600
EXPENSES			
Federal			
Water Improvements-Construction	341,000	0	341,000
Water Improvements-Engineering	47,800	33,460	14,340
Water Improvements-Acquisition	4,000	4,000	0
Rehab Single-Unit-Water	10,000	0	10,000
Rehab Single-Unit-Water Eng.	9,200	6,440	2,760
General Administration	50,000	8,500	41,500
TOTAL EXPENSES	462,000	52,400	409,600
Excess Revenue			
over Expenditures	\$0	\$0	\$0

KINNEY COUNTY, TEXAS
 BUDGET COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor: U.S. Department of Housing and Urban Development

Pass Through Grantor: Texas Department of Agriculture

CFDA Number: 14.228

Project Number: 7214207

Contract Period: 1/11/2015 to 1/10/2017

	FEDERAL		
	PRIOR	CURRENT	
	BUDGET	YEAR	YEAR VARIANCE
REVENUE			
Federal	\$350,000	\$47,246	\$302,754 \$0
TOTAL REVENUE:	350,000	47,246	302,754 0
EXPENSES			
Federal			
Street Improvements-Construction	315,000	47,246	267,754 0
General Administration	35,000		35,000 0
TOTAL EXPENSES	350,000	47,246	302,754 0
Excess Revenue			
over Expenditures	\$0	\$0	\$0 \$0

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

P.O. Box 366 / 442 West Oaklawn
Pleasanton, Texas 78064
Phone: (830) 569-8781 ~ Fax: (830) 569-6776
E-mail: beyerandco@sbcglobal.net

111 North Odem
Sinton, Texas 78387

Please reply to Pleasanton address

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kinney County, Texas, as of and for the year ended September 30, 2019, 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 February 6, 2020.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-004, 2019-005, and 2019-006 to be significant deficiencies.

Compliance and Other Matters

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

Kinney County, Texas's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wayne R. Beyer". The signature is written in a cursive, flowing style.

BEYER & COMPANY
Certified Public Accountants
February 6, 2020

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

P.O. Box 366 / 442 West Oaklawn
Pleasanton, Texas 78064
Phone: (830) 569-8781 ~ Fax: (830) 569-6776
E-mail: beyerandco@sbcglobal.net

111 North Odem
Sinton, Texas 78387

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

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

Report on Compliance for Each Major Federal Program

We have audited Kinney County, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kinney County, Texas's major federal programs for the year ended September 30, 2019. Kinney County, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Kinney County, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Other Matter

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

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

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



BEYER & COMPANY
Certified Public Accountants
February 6, 2020

KINNEY COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Kinney County, Texas under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Kinney County, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Kinney County, Texas.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C-INDIRECT COST RATE

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

KINNEY COUNTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal

There were no prior audit findings for Federal Awards.

KINNEY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Kinney County, Texas.
2. There were three significant deficiencies disclosed during the audit. There were three material weaknesses disclosed during the audit.
3. There were no instances of noncompliance material to the financial statements of the Kinney County, Texas, which would be required to be reported in accordance with Government Auditing Standards.
4. There was no significant deficiency over major Federal award programs disclosed during the audit. There was no material weakness over major Federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major Federal award programs for Kinney County, Texas expresses an unmodified opinion on all major Federal programs.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major programs: Community Development Block Grants/States Program - CFDA 14.228.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Kinney County did not qualify as a low-risk auditee.

Findings:

Material Weaknesses:

2019-001 County Clerk/District Clerk

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

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

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

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

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

2019-002 County Clerk/District Clerk

Condition: County Clerk/District Clerk – We noted the County/District Clerk escrow bank account has an unknown balance of \$571,878.75 and the County Clerk bank account has an unknown balance of \$5,610.81, as of September 30, 2019.

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

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

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

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

2019-003 EMS

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

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

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

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

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

Significant Deficiencies:

2019-004 Segregation of Duties

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

Criteria: Internal controls should be in place that provides reasonable assurance that to the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

Effect: Because the County does not have proper segregation of duties the possibility exists that the financial statements can be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because it would be impracticable and expensive for the County to have a proper segregation of duties.

Recommendation: We recommend that the County look into the possibility of dividing up the accounting, bookkeeping/cash duties and/or to institute more oversight by management; to avoid the possibility of financial statements being materially misstated either through mistake, error, or fraud.

2018-005 Sheriff's Department

Condition: Sheriff's Department – We noted that the Inmate Bank Account had an unknown balance of \$2,059.57.

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

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

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

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

2018-006 Administrative

Condition: Administrative – We noted that the County is not posting deposits and withdrawals to the TexPool and TexStar bank accounts. These transactions are being posted to the Miscellaneous account.

Criteria: Internal controls should be in place that provide reasonable assurance that deposits and withdrawals to the TexPool and TexStar bank accounts are posted to the respective accounts.

Effect: Since the County does not have proper internal controls in place that provide reasonable assurance that deposits and withdrawals to the TexPool and TexStar bank accounts are posted to the respective accounts, the financial statements could be materially misstated either through mistake, error, or fraud.

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

Recommendation: The County should install internal controls to provide reasonable assurance that deposits and withdrawals to the TexPool and TexStar bank accounts are posted to the respective accounts; to avoid the possibility of the financial statements being materially misstated either through mistake, error, or fraud.