

ANNUAL FINANCIAL REPORT

**COUNTY OF KENDALL,
TEXAS**

Boerne, Texas

**For the Year Ended
September 30, 2019**

KENDALL COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019

KENDALL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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Independent Auditor's Report

Honorable Judge and County Commissioners
County of Kendall
Boerne, TX 78006

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 Kendall County, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County'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 Kendall County, Texas, as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in net pension liability and related ratios and the schedule of employer contributions on pages 3 through 9 and 42 through 46 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 Kendall County's basic financial statements. The combining nonmajor and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor and fiduciary fund financial statements 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 nonmajor and fiduciary fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2020, on our consideration of Kendall County'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 Kendall County'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 Kendall County's internal control over financial reporting and compliance.



NEFFENDORF & KNOPP, P.C.

Fredericksburg, Texas

March 17, 2020

KENDALL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

As management of Kendall County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of the County for the year ended September 30, 2019. Please read it in conjunction with the independent auditors' report on page 1, and the County's Basic Financial Statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$47,347,214 (Net Position). Of this amount, \$10,883,935 (Unrestricted Net Position) may be used to meet the County's ongoing obligations to citizen's and creditors.
- The County's Net Position increased by \$1,342,018 as a result of this year's operations.
- At September 30, 2019, the County's governmental funds reported combined ending fund balances of \$16,031,798, a decrease of \$2,604,905 in comparison with the prior year.
- At September 30, 2019, the unassigned fund balance of the general fund was \$11,449,379 or 43% percent of total general fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 - 11). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (on pages 13 - 20) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the County.

The notes to the financial statements (starting on page 21) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedules, the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions are presented as required supplementary information on pages 42, 43, 44, 45 and 46 respectively.

The combining statements for nonmajor funds and fiduciary funds beginning on page 47 contain even more information about the County's individual funds.

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the County's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by outside parties who pay for the costs of some programs and grants provided by the outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County's Net Position and changes in them. The County's Net Position (the difference between assets and liabilities) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's Net Position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider other factors as well, such as changes in the County's customers or its property tax base and the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities, the County has one kind of activity:

➤ Governmental activity - Most of the County's basic services are reported here, including the public safety, roads and bridges, justice system, juvenile services, health and human services, culture and recreation, conservation and development and administration. Property taxes, grants, user charges, sales tax and investment earnings finance most of these activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements on pages 13 - 20 provide detailed information about the most significant funds - not the County as a whole. Laws and contracts require the County to establish some funds, such as grants received from a government agency. The County's administration establishes many other funds to help it control and manage money for particular purposes.

➤ Governmental funds - Most of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Position (Table I) and changes in Net Position (Table II) of the County's governmental activities.

Net Position of the County's governmental activities increased from \$46,005,196 to \$47,347,214. Unrestricted Net Position - the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$10,883,935 at September 30, 2019. This increase in governmental Net Position was the result of four factors. First, the County's expenditures exceed the revenues by \$2,604,905. Second, the County paid principal on long-term debt of \$2,185,000. Third; the County acquired capital assets in the amount of \$4,876,732. Fourth, the County recorded depreciation in the amounts of \$2,678,449.

Table I
Kendall County, Texas

NET POSITION
in thousands

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 20,632	\$ 22,554
Capital Assets	57,809	55,649
Total Assets	<u>\$ 78,441</u>	<u>\$ 78,203</u>
Deferred Charge for Refunding	\$ 28	\$ 47
Deferred Outflow Related to Pension Plan	3,141	1,116
Total Deferred Outflows of Resources	<u>\$ 3,169</u>	<u>\$ 1,163</u>
Noncurrent Liabilities	\$ 26,646	\$ 28,761
Net Pension Liability	3,614	740
Other Liabilities	3,785	3,130
Total Liabilities	<u>\$ 34,045</u>	<u>\$ 32,631</u>
Deferred Inflow Related to Pension Plan	<u>\$ 218</u>	<u>\$ 730</u>
Net Position		
Net Investment in Capital Assets	\$ 31,881	\$ 27,533
Restricted	4,582	4,419
Unrestricted	10,884	14,053
Total Net Position	<u>\$ 47,347</u>	<u>\$ 46,005</u>

Table II
Kendall County, Texas

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2019	2018
Revenues		
Charges for Services	\$ 6,303	\$ 5,881
Property Taxes	23,168	21,918
Sales Tax	3,783	3,449
Other Taxes	31	28
Penalty & Interest	157	131
Investment Earnings	669	597
Miscellaneous	211	110
Grant and Contributions	752	938
Total Assets	\$ 35,074	\$ 33,052
Expenses		
Financial Administration	\$ 951	\$ 876
General Administration	1,721	1,678
Tax Administration	902	835
Election Services	348	386
Facilities Management	1,389	1,163
Law Enforcement	5,722	5,455
Fire Protection	1,286	1,165
Corrections	3,337	2,632
Roads and Bridges	5,441	3,088
Sanitation	906	379
Justice System	4,515	4,380
Juvenile Services	565	561
Health and Human Services	3,361	3,146
Culture and Recreation	1,227	1,040
Conservation and Development	1,370	1,502
Debt Service	691	748
Capital Outlay	-	98
Total Liabilities	\$ 33,732	\$ 29,132
Increase (Decrease) in Net Position	\$ 1,342	\$ 3,920
Net Position- Beginning of Year	46,005	53,492
Prior Period Adjustment	-	(11,407)
Net Position- End of Year	\$ 47,347	\$ 46,005

The cost of all governmental activities this year was \$33,732,859. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$23,168,294 because the other costs were paid by sales tax (\$3,783,319), grants and contributions (\$752,246), user charges (\$6,302,674), investment earnings (\$669,298) and other general revenue (\$399,318).

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$16,031,798, which is less than last year's total of \$18,636,703. Included in this year's total change in fund balance is a decrease of \$2,768,383 in the County's General Fund and a \$447,218 increase in the County's Capital Projects Fund. The primary reasons for the General Fund's decrease and the Capital Project Fund's increase mirror the governmental activities analysis highlighted on page 5.

The Commissioner's Court adopted the General Fund and Road and Bridge Budgets. For the General Fund, the original budget anticipated expenditures to exceed revenues and other sources, and the final budget anticipated expenditures and other financing uses to exceed revenues and other financing sources by \$5,102,351. Revenues were favorable to budget by \$1,411,735; expenditures were favorable to budget by \$931,151 and other financing sources and uses were unfavorable to budget by \$8,918; resulting in a net favorable variance of \$2,333,968. For the Road and Bridge Fund, the original and final budget anticipated expenditures to exceed revenues and other sources. Actual revenues were more than budgeted estimates by \$228,923. Actual expenditures were less than budgeted estimates by \$164,322 and other financing sources were less than budgeted estimates by \$15,795. The net effect is a variance of \$377,450.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2019, the County had \$57,809,329 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and other improvements. This amount represents a net increase of \$2,159,698 or 4%.

CAPITAL ASSETS

in thousands

	Governmental Activities	
	2019	2018
Land	\$ 8,458	\$ 8,458
Construction in Progress	26,059	22,759
Buildings & Improvements	22,187	22,255
Infrastructure	81,712	81,239
Machinery & Equipment	7,980	7,860
Vehicles	5,221	4,728
Total Capital Assets	\$ 151,617	\$ 147,299
Accumulated Depreciation	(93,808)	(91,650)
Capital Assets, Net	<u>57,809</u>	<u>55,649</u>

This year's major additions included:

Law Enforcement Center Project	\$	3,300,140
Equipment		136,922
Vehicles		966,863
New Road Construction		427,807
Improvements		-
Total	\$	<u>4,831,732</u>

More detailed information about the County's capital assets is presented in Note 3.D. to the financial statements.

DEBT

At September 30, 2019, the County had the following outstanding debt:

OUTSTANDING DEBT in thousands

	Governmental Activities	
	2019	2018
Bonds Payable	\$ 25,899,063	\$ 28,102,813
Net Pension Liability	3,614,381	740,202
Compensated Absences	711,312	658,217
Total	<u>30,224,756</u>	<u>29,501,232</u>

At year-end the County had \$25,899,063 in general obligation and refunding bonds outstanding; a decrease of \$2,203,750 or 8% from the prior year. The County paid \$2,185,000 in principal on the outstanding long-term debt.

More detailed information about the County's long-term liabilities is presented in Note 3.F. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2020 budget and tax rates. The major factors are the economy, population growth, and assessed property valuation. These indicators were taken into account when adopting the General Fund and Road and Bridge Fund budgets for 2020. Amounts available for appropriation in the General Fund budget are \$28,928,426 and expenditures are estimated to be \$30,136,331. If these estimates are realized, the County's budgetary General fund balance is expected to decrease by \$1,207,905 for fiscal year 2020. Amounts available for appropriation in the Road and Bridge Fund budget are \$3,047,000 and expenditures are estimated to be \$4,606,685. If these estimates are realized, the County's budgetary Road and Bridge Fund balance is expected to decrease by \$1,559,685 for fiscal year 2020.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor or Commissioners' Court, at Kendall County, Texas, Boerne, Texas.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 5,802,113
Investments - Current	12,765,880
Accounts Receivable (Net)	2,055,234
Due from Other Governments	9,176
Capital Assets:	
Land	8,458,241
Infrastructure, Net	6,935,141
Buildings, Net	9,472,514
Improvements other than Buildings, Net	4,241,967
Furniture and Equipment, Net	2,642,693
Construction in Progress	26,058,773
Total Assets	78,441,732
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge for Refunding	27,791
Deferred Outflow Related to Pension Plan	3,141,311
Total Deferred Outflows of Resources	3,169,102
LIABILITIES	
Accounts Payable	2,759,395
Wages and Salaries Payable	932,620
Accrued Interest Payable	53,126
Unearned Revenues	40,086
Noncurrent Liabilities:	
Debt Due Within One Year	2,245,000
Debt Due in More Than One Year	24,400,749
Net Pension Liability	3,614,381
Total Liabilities	34,045,357
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	218,263
Total Deferred Inflows of Resources	218,263
NET POSITION	
Net Investment in Capital Assets	31,880,860
Restricted for:	
Restricted for Special Revenue	3,229,990
Restricted for Capital Acquisition	447,218
Restricted for Debt Service	905,211
Unrestricted Net Position	10,883,935
Total Net Position	\$ 47,347,214

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

KENDALL COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
Financial Administration	\$ 951,099	\$ 37,461	\$ -
General Administration	1,720,614	456,553	49,821
Tax Administration	902,539	453,605	-
Facilities Administration	1,389,026	-	-
Election Services	347,856	-	-
Law Enforcement	5,721,559	84,447	9,547
Fire Protection	1,285,540	-	681
Corrections	3,336,536	126,919	-
Roads and Bridges	5,440,508	2,832,336	66,980
Sanitation	905,867	-	-
Justice System	4,514,544	1,624,789	231,095
Juvenile Services	565,432	-	334,721
Health and Human Services	3,360,974	643,711	-
Culture and Recreation	1,227,295	42,853	-
Conservation and Development	1,370,056	-	5,737
Interest on Debt	691,708	-	-
Other Debt Service	1,706	-	-
TOTAL PRIMARY GOVERNMENT	\$ 33,732,859	\$ 6,302,674	\$ 698,582

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

General Sales and Use Taxes

Other Taxes

Penalty and Interest on Taxes

Grants and Contributions

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Position

Net Position-- Beginning

Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
		Capital Grants and Contributions	Primary Government Governmental
\$	-	\$	(913,638)
	-		(1,214,240)
	-		(448,934)
	-		(1,389,026)
	-		(347,856)
	-		(5,627,565)
	-		(1,284,859)
	-		(3,209,617)
	-		(2,541,192)
	-		(905,867)
	-		(2,658,660)
	-		(230,711)
	-		(2,717,263)
	-		(1,184,442)
	44,388		(1,319,931)
	-		(691,708)
	-		(1,706)
\$	<u>44,388</u>		<u>(26,687,215)</u>

19,693,375
3,474,919
3,783,319
30,514
157,401
9,276
211,403
669,026
<u>28,029,233</u>
1,342,018
46,005,196
<u>\$ 47,347,214</u>

KENDALL COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Road and Bridge Fund	Capital Projects
ASSETS			
Cash and Cash Equivalents	\$ 1,956,524	\$ 1,864,570	\$ 1,283,186
Investments - Current	10,251,699	733,153	-
Taxes Receivable	380,350	-	-
Allowance for Uncollectible Taxes (credit)	(11,410)	-	-
Accounts Receivable (Net)	945,226	161,842	-
Due from Other Governments	-	-	-
Due from Other Funds	45,114	-	-
Total Assets	\$ 13,567,503	\$ 2,759,565	\$ 1,283,186
LIABILITIES			
Accounts Payable	\$ 835,161	\$ 1,048,620	\$ 835,968
Wages and Salaries Payable	912,104	-	-
Due to Other Funds	-	-	-
Unearned Revenues	1,920	-	-
Total Liabilities	1,749,185	1,048,620	835,968
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	368,939	-	-
Total Deferred Inflows of Resources	368,939	-	-
FUND BALANCES			
Federal or State Funds Grant Restriction	-	-	-
Restricted for Special Revenue	-	1,710,945	-
Capital Acquisition and Contractual Obligation	-	-	447,218
Retirement of Long-Term Debt	-	-	-
Unassigned Fund Balance	11,449,379	-	-
Total Fund Balances	11,449,379	1,710,945	447,218
Total Liabilities, Deferred Inflows & Fund Balances	\$ 13,567,503	\$ 2,759,565	\$ 1,283,186

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

Debt Service Fund	Other Funds	Total Governmental Funds
\$ 54,473	\$ 643,360	\$ 5,802,113
849,359	931,669	12,765,880
60,212	-	440,562
(1,807)	-	(13,217)
1,378	78,282	1,186,728
-	9,176	9,176
-	-	45,114
<u>\$ 963,615</u>	<u>\$ 1,662,487</u>	<u>\$ 20,236,356</u>
\$ -	\$ 39,646	\$ 2,759,395
-	20,516	932,620
-	45,114	45,114
-	38,166	40,086
-	143,442	3,777,215
58,404	-	427,343
<u>58,404</u>	-	<u>427,343</u>
-	344,930	344,930
-	1,174,115	2,885,060
-	-	447,218
905,211	-	905,211
-	-	11,449,379
<u>905,211</u>	<u>1,519,045</u>	<u>16,031,798</u>
<u>\$ 963,615</u>	<u>\$ 1,662,487</u>	<u>\$ 20,236,356</u>

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

Total Fund Balances - Governmental Funds	\$	16,031,798
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		27,536,162
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase net position.		7,061,732
The items reported as a result of this implementation included a net pension liability of \$3,614,381, a Deferred Resource Inflow of \$218,263 and a Deferred Resource Outflow of \$3,141,311. The net effect of these was to decrease the ending net position by \$691,333.		(691,333)
The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,678,449)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		87,304
Net Position of Governmental Activities	\$	47,347,214

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

KENDALL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Road and Bridge Fund	Capital Projects
REVENUES:			
Taxes:			
Property Taxes	\$ 20,210,018	\$ -	\$ -
General Sales and Use Taxes	3,783,319	-	-
Other Taxes	30,514	-	-
Penalty and Interest on Taxes	135,532	-	-
Licenses and Permits	302,319	2,832,336	-
Intergovernmental Revenue and Grants	95,016	40,491	-
Charges for Services	2,247,863	-	-
Fines	376,098	-	-
Forfeits	4,706	-	-
Special Assessments	27,315	-	-
Investment Earnings	603,797	-	7,358
Rents and Royalties	10,409	-	-
Contributions & Donations from Private Sources	3,000	6,277	-
Other Revenue	215,464	1,819	-
Total Revenues	28,045,370	2,880,923	7,358
EXPENDITURES:			
Current:			
Financial Administration	863,686	-	-
General Administration	1,551,115	-	-
Tax Administration	822,064	-	-
Facilities Administration	1,276,398	-	-
Election Services	339,946	-	-
Law Enforcement	5,591,639	-	-
Fire Protection	1,189,485	-	-
Corrections	3,028,803	-	-
Roads and Bridges	2,300,011	3,382,223	-
Sanitation	834,916	-	-
Justice System	3,498,302	-	-
Juvenile Services	1,200	-	-
Health and Human Services	3,196,401	-	-
Culture and Recreation	1,127,214	-	-
Conservation and Development	1,238,774	-	-
Debt Service:			
Principal on Debt	-	-	-
Interest on Debt	-	-	-
Other Debt Service	-	-	-
Capital Outlay:			
Capital Outlay	-	-	3,300,140
Total Expenditures	26,859,954	3,382,223	3,300,140
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,185,416	(501,300)	(3,292,782)
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	23,977	19,205	-
Transfers In	-	-	3,740,000
Other Resources	29,183	-	-
Transfers Out (Use)	(4,006,959)	-	-
Total Other Financing Sources (Uses)	(3,953,799)	19,205	3,740,000
Net Change in Fund Balances	(2,768,383)	(482,095)	447,218
Fund Balance - October 1 (Beginning)	14,217,762	2,193,040	-
Fund Balance - September 30 (Ending)	\$ 11,449,379	\$ 1,710,945	\$ 447,218

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

Debt Service Fund	Other Funds	Total Governmental Funds
\$ 2,968,816	\$ -	\$ 23,178,834
-	-	3,783,319
-	-	30,514
21,869	-	157,401
-	-	3,134,655
-	607,462	742,969
-	217,703	2,465,566
-	199,701	575,799
-	3,585	8,291
-	-	27,315
37,241	20,630	669,026
-	-	10,409
-	-	9,277
-	688	217,971
<u>3,027,926</u>	<u>1,049,769</u>	<u>35,011,346</u>
-	-	863,686
-	18,666	1,569,781
-	67	822,131
-	-	1,276,398
-	-	339,946
-	52,832	5,644,471
-	-	1,189,485
-	-	3,028,803
-	11,440	5,693,674
-	-	834,916
-	540,645	4,038,947
-	552,431	553,631
-	49,999	3,246,400
-	-	1,127,214
-	44,388	1,283,162
2,185,000	-	2,185,000
695,775	-	695,775
1,706	-	1,706
-	-	3,300,140
<u>2,882,481</u>	<u>1,270,468</u>	<u>37,695,266</u>
<u>145,445</u>	<u>(220,699)</u>	<u>(2,683,920)</u>
-	6,650	49,832
-	266,959	4,006,959
-	-	29,183
-	-	(4,006,959)
-	273,609	79,015
<u>145,445</u>	<u>52,910</u>	<u>(2,604,905)</u>
<u>759,766</u>	<u>1,466,135</u>	<u>18,636,703</u>
<u>\$ 905,211</u>	<u>\$ 1,519,045</u>	<u>\$ 16,031,798</u>

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

Total Net Change in Fund Balances - Governmental Funds	\$	(2,604,905)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to increase the change in net position.		7,061,732
The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$1,615,669 and total debits to expenses were \$1,952,147. The net effect on the change in net position on Exhibit B-1 is a decrease of \$336,478.		(336,478)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(2,678,449)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(99,882)
Change in Net Position of Governmental Activities	\$	<u>1,342,018</u>

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

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

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 100,656	\$ 3,778,440
Investments - Current	-	331,284
Accounts Receivable (Net)	389	68,023
Total Assets	<u>101,045</u>	<u>\$ 4,177,747</u>
LIABILITIES		
Accounts Payable	1,202	\$ 269,943
Due to Other Governments	-	3,376,401
Due to Others	-	531,403
Total Liabilities	<u>1,202</u>	<u>\$ 4,177,747</u>
NET POSITION		
Unrestricted Net Position	<u>99,843</u>	
Total Net Position	<u>\$ 99,843</u>	

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

KENDALL COUNTY, TEXAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Private Purpose Trust Funds
ADDITIONS:	
Contributions & Donations from Private Sources	\$ 31,492
Other Revenue	20
Total Additions	<u>31,512</u>
DEDUCTIONS:	
Other Operating Costs	<u>10,817</u>
Total Deductions	<u>10,817</u>
Net Change in Fiduciary Net Position	20,695
Total Net Position - October 1 (Beginning)	<u>79,148</u>
Total Net Position - September 30 (Ending)	<u><u>\$ 99,843</u></u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Kendall County have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1.A. FINANCIAL REPORTING ENTITY

The County is an independent unit and is managed by a governing body of elected officials. The accompanying financial statements present the County's primary government.

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there was no component units identified that would require inclusion in this report.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria.

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service of capital projects.

Debt Service Funds

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on general long-term debt of the County other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the County's debt.

Capital Projects Fund

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the County in a purely custodial capacity. The reporting entity includes three agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

Private Purpose Trust Funds

Private Purpose Trust Funds report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The reporting entity includes two private purpose trust funds.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor. The major funds are as follows:

Major Fund	Brief Description
General	See above for description.
Special Revenue Fund: Road and Bridge	Accounts for all road and bridge construction and maintenance activity.
Debt Service Fund	Accounts for collection of taxes to pay principal and interest on bonds.
Capital Projects Fund:	Accounts for all activity concerning the EMS and LEC Construction Projects.

Nonmajor funds consist of special revenue funds, debt service funds and capital project funds and are detailed in the Combining and Individual Fund Statements - Nonmajor Funds.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statement, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized revenues when both "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectable within the current period or within 60 days after year end. Also under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

1.D. ASSETS, LIABILITIES AND EQUITY

Cash and Cash Investments

For the purpose of the Statement of Net Position, "Cash and Cash Equivalents" includes demand deposit accounts and government investment pools. All amounts are considered available upon demand and are considered to be "cash equivalents."

Several funds may be invested in an investment account and each fund has an equity interest therein. Interest earned on the Investment of these monies is allocated based upon relative equity at month end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances of uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The major receivable balances for the governmental activities relate to property taxes and court fines and fees.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants, and other intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Fixed Assets

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable.

Donated assets are recorded at their estimated fair value at the date of donation.

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, not all infrastructure assets acquired prior to October 1, 2002 have been capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 - 50 years
Improvements	10 - 50 years
Machinery and Equipment	3 - 20 years
Infrastructure	25 - 50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-term Debt

All long term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bond and note payables and capital lease transactions.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Compensated Absences

The County allows employees to accumulate vacation, sick leave, and comp time with certain limitations. Sick leave of twelve (12) days per year accumulates. Sick leave can accumulate up to (40) days to be paid only upon retirement and up to (20) days if the employee has at least 8 years of service with the County. Vacation leave accumulates up to twenty (20) days and is paid in full upon termination with at least one year of employment with Kendall County. Comp time accumulates up to (10) days and is paid in full upon termination. The County has adopted a policy of granting compensatory time off in lieu of cash payment for overtime work in compliance with the Fair Labor Standards Act. Comp-time is computed at one and one half (1 1/2) hours for every overtime hour worked and accumulated up to certain limits as defined by law. At September 30, 2019, the accumulated vacation, sick leave, and comp-time amounted to \$746,683. This amount will be liquidated in future years, and is reported as a liability in the government-wide statement of Net Position.

Equity Classifications

Government-wide Statements

Equity is classified as Net Position and displayed in three components:

- a. Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position - Consists of Net Position with constraints placed on the use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Position - All other Net Position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Beginning with fiscal year end September 30, 2011, the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are in non-spendable form (such as inventory and prepaids) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e. County Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the County intends to use for a specific purpose. Intent can be expressed by the County Commissioners or by an official or body to which the County Commissioners delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The County Commissioners establish (and modify or rescind) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the County Commissioners through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of The Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

However, the total of the budgets for the General and certain Special Revenue Funds can be increased once the budgets are adopted.

Budgets for the Governmental Funds are prepared using the modified accrual basis of accounting. Unexpended appropriations (including outstanding encumbrances) lapse at the end of the fiscal year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

3.A. DEPOSITS AND INVESTMENTS

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2019, the carrying amount of the County's deposits was \$6,221,850 and the bank balance was \$6,518,237. The County's cash deposits held at Frost National Bank at September 30, 2019 and during the year ended September 30, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

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.

Temporary investments consisted of certificates of deposits and government pool investments as follows:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>
<u>Certificates of Deposits-</u>				
Texas Regional Bank	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
Texas Heritage	249,000	249,000	249,000	-
Security State Bank & Trust	250,000	250,000	250,000	-
Hondo National Bank	250,000	250,000	250,000	-
Randolph Brooks FCU	245,000	245,000	245,000	-
Security Service FCU	250,000	250,000	250,000	-
<u>Liquid Asset Portfolio-</u>				
LOGIC	\$ 11,603,162	\$ 11,603,162	*	*
TOTAL INVESTMENTS	<u><u>13,097,162</u></u>	<u><u>13,097,162</u></u>		

*The County invests in Logic (a Local Government Investment Pool) to provide its primary liquidity needs. Logic is established in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code and the Public Investment Act, Chapter 2256 of the Code. Logic is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are adjusted daily and the fund seeks to maintain a constant net asset value of \$1.00, although this cannot be guaranteed. Logic is rated AAAM and must maintain a weighted average maturity not to exceed 60 days. At September 30, 2019, Logic had a weighted average maturity of 49 days. The County considers the holdings in these funds to have a one-day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, short of a significant change in value.

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

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments (certificates of deposit) were secured by FDIC insurance and pledged securities.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2019, the County was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

3.B. AD VALOREM TAXES RECEIVABLE

The County contracted with the Kendall County Appraisal District for the appraisal of taxes. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. For the 2018 tax roll, the total assessed valuation was \$6,594,103,649 and the taxes assessed amounted to \$23,623,486. The total tax rate was \$0.4127 per \$100 valuation and allocated \$0.351963 to Maintenance and Operations and \$0.060737 to Debt Service. The maximum tax levy allowed by State law for the above purposes is \$.80 per \$100 valuation.

Ad Valorem taxes have been reported in the financial statements net of the allowance for uncollectible taxes. Ad Valorem taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible within the General and Debt Service Funds are based upon historical experience in collecting property taxes. The County is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

Ad Valorem tax payments, received throughout the year, are recognized as revenue in the year received, except for those received within 60 days after year-end, which are recognized as revenue as of September 30, 2019.

The following is a summary, by major and nonmajor funds, of the gross taxes, the allowance for uncollectible taxes, and net taxes receivable.

	Taxes Receivable	Allowance for Uncollectible Taxes	Net Taxes Receivable
General Fund	\$ 380,350	\$ (11,410)	\$ 368,940
Nonmajor Funds- Debt Service	60,212	(1,807)	58,405
TOTAL- ALL FUNDS	\$ 440,562	\$ (13,217)	\$ 427,345

Governmental funds report *unavailable revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report *unearned revenue* in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *unavailable and unearned revenues* reported in the governmental funds were as follows:

General Fund	
Unavailable Revenue- Property Taxes	\$ 368,939
Unearned Revenue	1,920
Debt Service	
Unavailable Revenue- Property Taxes	58,404
Nonmajor Governmental Funds	
Unearned Revenue	38,166
 Total Unavailable & Unearned Revenue	 <u>\$ 467,429</u>

3.C. COURT FINES, FEES AND EMS FEES RECEIVABLE

With the implementation of GASB Statement Number 34, the County has determined the amount of court fines and fees and EMS fees receivable to be \$1,764,643 which represents amounts owed and outstanding for the last 10 years. Based on historical collection rates for the various courts and departments, the County has booked an allowance for uncollectible court fines and fees and EMS fees of \$1,323,482 resulting in a net receivable of \$441,161.

3.D. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended September 30, 2019.

	Balance 09/30/18	Additions	Deletions	Adjustments	Balance 09/30/19
<i>Governmental Activities:</i>					
Capital Assets, Not Being Depreciated:					
Land	\$ 8,458,241	\$ -	-	-	\$ 8,458,241
Construction Work in Progress	22,758,633	3,300,140	-	-	26,058,773
Total Assets Not Being Depreciated	<u>31,216,874</u>	<u>3,300,140</u>	<u>-</u>	<u>-</u>	<u>34,517,014</u>
Capital Assets, Being Depreciated:					
Buildings	15,904,241	-	(68,000)	-	15,836,241
Improvements	6,350,594	-	-	-	6,350,594
Machinery & Equipment	7,860,535	136,922	(17,184)	-	7,980,273
Vehicles	4,728,423	966,863	(474,294)	-	5,220,992
Infrastructure	81,239,168	472,807	-	-	81,711,975
Total Capital Assets Being Depreciated	<u>116,082,961</u>	<u>1,576,592</u>	<u>(559,478)</u>	<u>-</u>	<u>117,100,075</u>
Less Accumulated Depreciation:					
Buildings	(6,079,623)	(314,653)	30,549	-	(6,363,727)
Improvements	(1,860,816)	(247,811)	-	-	(2,108,627)
Machinery & Equipment	(6,632,481)	(655,985)	16,050	-	(7,272,416)
Vehicles	(3,349,539)	(410,911)	474,294	-	(3,286,156)
Infrastructure	(73,727,745)	(1,049,089)	-	-	(74,776,834)
Total Accumulated Depreciation	<u>(91,650,204)</u>	<u>(2,678,449)</u>	<u>520,893</u>	<u>-</u>	<u>(93,807,760)</u>
Total Capital Assets Being Depreciated, Net	<u>24,432,757</u>	<u>(1,101,857)</u>	<u>(38,585)</u>	<u>-</u>	<u>23,292,315</u>
Governmental Activities Capital Assets, Net	<u>\$ 55,649,631</u>	<u>\$ 2,198,283</u>	<u>\$ (38,585)</u>	<u>\$ -</u>	<u>\$ 57,809,329</u>

Depreciation expense was charged to functions/programs of the County as follows:

Governmental Activities:	
Financial Administration	\$ 71,824
General Administration	130,543
Tax Administration	68,368
Facilities Management	106,145
Election Services	1,059
Law Enforcement	469,401
Fire Protection	98,917
Corrections	287,179
Roads & Bridges	473,485
Sanitation	69,431
Justice System	384,298
Juvenile Services	46,419
Health & Human Services	269,970
Culture and Recreation	93,803
Conservation & Development	107,607
Total Depreciation Expense - Governmental Activities	<u>\$ 2,678,449</u>

3.E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2019, is as follows:

Interfund Receivables and Payables

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 45,114	\$ -
Nonmajor Special Revenue Funds	<u>-</u>	<u>45,114</u>
TOTAL	\$ <u>45,114</u>	\$ <u>45,114</u>

This balance results from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 4,006,959
Road and Bridge Fund	-	-
Capital Projects Fund	3,740,000	-
Nonmajor Debt Service Fund	-	-
Nonmajor Special Revenue Fund	<u>266,959</u>	<u>-</u>
TOTAL	\$ <u>4,006,959</u>	\$ <u>4,006,959</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

3.F. LONG-TERM DEBT

Governmental Activities Changes in Long-Term Debt

As of September 30, 2019, the governmental long-term debt consisted of the following:

	Balance 10/1/2018	Issued	Retired	Balance 9/30/2019	Due Within One Year
Bonds Payable -					
Series 2007	\$ 920,000		\$ 220,000	\$ 700,000	\$ 225,000
Series 2013	4,295,000		690,000	3,605,000	710,000
Series 2014 Refunding	1,875,000		635,000	1,240,000	650,000
Series 2016	20,780,000		640,000	20,140,000	660,000
Total Bonds Payable	<u>\$ 27,870,000</u>	<u>\$ -</u>	<u>\$ 2,185,000</u>	<u>\$ 25,685,000</u>	<u>\$ 2,245,000</u>
Premium on Bonds	\$ 232,813		\$ 18,750	\$ 214,063	
Total Net Bonds Payable	<u>\$ 28,102,813</u>	<u>\$ -</u>	<u>\$ 2,203,750</u>	<u>\$ 25,899,063</u>	<u>\$ 2,245,000</u>
Net Pension Liability	740,202	3,887,604	1,013,425	3,614,381	
Compensated Absences	\$ 658,217	\$ 53,095	\$ -	\$ 711,312	
TOTAL LONG TERM DEBT	<u>\$ 29,501,232</u>	<u>\$ 3,940,699</u>	<u>\$ 3,217,175</u>	<u>\$ 30,224,756</u>	<u>\$ 2,245,000</u>

3.G. CERTIFICATES OF OBLIGATIONS AND TAX REFUNDING BONDS

Certificates of Obligation and Limited Tax Refunding Bonds payable at September 30, 2019 consists of the following:

	Balance at 9/30/2019	Due Within One Year
\$3,000,000 Limited Tax General Obligation Bonds, Series 2008 due in annual installments of \$155,000 to \$250,000 through March 1, 2022; interest on remaining bonds at 3.63% to 4.02%.	\$ 700,000	\$ 225,000
\$7,500,000 Unlimited Texas Tax Road Bonds, Series 2013 due in annual installments of \$595,000 to \$1,085,000 through March 1, 2023; interest on remaining bonds at 1.99%.	3,605,000	710,000
\$4,400,000 Limited Tax Refunding Bonds, Series 2014 due in annual installments of \$90,000 to \$650,000 through March 1, 2021; interest on remaining bonds at 0.20% to 2.22%.	1,240,000	650,000
\$22,000,000 Limited Tax General Obligation Bonds, Series 2016 due in annual installments of \$585,000 to \$2,200,000 through March 1, 2031; interest on remaining bonds at 1.50% to 4.00%.	20,140,000	660,000
Total Certificates of Obligation	<u>\$ 25,685,000</u>	<u>\$ 2,245,000</u>

The annual requirements for principal and interest on the outstanding certificates of obligation and limited tax bonds are as follows:

Year Ended September 30	Principal	Interest	Total
2020	2,245,000	635,886	\$ 2,880,886
2021	2,305,000	572,250	\$ 2,877,250
2022	2,350,000	502,567	\$ 2,852,567
2023	2,385,000	428,796	\$ 2,813,796
2024	2,200,000	348,000	\$ 2,548,000
2025-2029	10,200,000	962,000	\$ 11,162,000
2030-2034	4,000,000	60,000	\$ 4,060,000
Totals	<u>\$ 25,685,000</u>	<u>\$ 3,509,499</u>	<u>\$ 29,194,499</u>

3.H. LONG-TERM DEBT ADVANCE REFUNDING

During 2014, the County advance refunded portions of the Kendall County, Texas Limited Tax Refunding Bonds, Series 2005 and the Kendall County, Texas Limited Tax Obligation Bonds, Series 2005 by issuing \$4,400,000 Limited Tax Refunding Bonds, Series 2014. The Limited Tax Refunding Bonds, Series 2005 and Limited Tax Obligation Bonds, Series 2005 were called and were redeemed by depositing \$4,343,523 into an escrow account on January 16, 2014. The Limited Tax Refunding Bonds, Series 2005 and Limited Tax Obligation Bonds, Series 2005 have been defeased and removed as a liability of the County. The Limited Tax Refunding Bonds, Series 2014 mature on March 1, in each of the years 2014 through 2021. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

Description	Refunded Amount	Balance 9/30/2019
Limited Tax Refunding Bonds, Series 2005	\$ 2,670,000	\$ 845,000
Limited Tax Obligation Bonds, Series 2005	1,590,000	460,000
Total	<u>\$ 4,260,000</u>	<u>\$ 1,305,000</u>

3.I. OPERATING LEASES

Commitments under operating (non-capitalized) lease agreements for equipment provide for minimum future rental payments as of September 30, 2019, as follows:

Year Ended September 30	
2020	\$ 53,271
2021	42,301
2022	40,809
2023	17,004
	<u>\$ 153,384</u>

Rental Expenditures in Fiscal Year 2019 \$ 59,995

NOTE 4 - OTHER NOTES

4.A. RETIREMENT PLAN

Plan Description

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

- a. Kendall County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full-and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCERS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 160%) and is then converted to an annuity.
 - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCERS Act. They may be amended as of January 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 Kendall County contribution rate is based on the TCERS funding policy adopted by the TCERS Board of Trustees and must conform with the TCERS Act. The employee contribution rates are set by the county and are currently 7%.
- e. The most recent comprehensive annual financial report for TCERS can be found at the following link, www.tcdrs.org.

Members covered by benefit terms.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	116
Inactive employees entitled to but not yet receiving benefits	140
Active employees	270
	526

Contributions

A combination of three elements fund 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 TCERS 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.

The contribution rate payable by the employee members for calendar year 2018 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The County's contributions to TCDRS for the year ended September 30, 2019 were \$1,083,626, and were equal to the required contributions.

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Timing	Actuarially determined contribution rates are calculated 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 (1)
Amortization Method Recognition of Economic/Demographic Gains or Losses	Straight-Line amortization over Expected Working Life
Recognition of Assumptions, Changes or Inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method Smooth period Recognition method Corridor	5 years Non-asymptotic None
Inflation	2.75%
Salary Increases	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.

Investment Rate of Return	8.10% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Kendall 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	Deferred members are assumed to retire (100% probability) at the later of : a) age 60, b) earliest retirement eligibility.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	RP-2014 Mortality Tables

(1) 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

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed	MSCI World EX USA (net) Index	10.00%	5.40%
International Equities - Emerging	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

⁽¹⁾ Target asset allocation adopted at the April 2019 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.70%, per Cliffwater's 2019 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage year 2007-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes 8.00%, increased by .10% to be gross of administrative expenses. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pensions plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability/ (Asset)

	Increase/(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2017	\$ 33,777,361	\$ 33,037,159	\$ 740,202
Changes for the year:			
Service cost	1,414,049		1,414,049
Interest on total pension liability (1)	2,808,842		2,808,842
Effect of plan changes (2)	-		-
Effects of economic/demographic gains or losses	(42,307)		(42,307)
Effect of assumptions changes or inputs	-		-
Refund of contributions	(145,353)	(145,353)	-
Benefit payments	(903,782)	(903,782)	-
Administrative expenses		(26,742)	26,742
Member contributions		930,404	(930,404)
Net investment income		(605,861)	605,861
Employer contributions		979,636	(979,636)
Other (3)	-	28,968	(28,968)
	\$ 36,908,810	\$ 33,294,429	\$ 3,614,381
Balances as of December 31, 2018			

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

(2) No plan changes valued.

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

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the Kendall 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	\$ 42,082,561	\$36,908,810	\$ 32,582,902
Fiduciary net position	33,294,429	33,294,429	33,294,429
Net pension liability/(asset)	\$ 8,788,132	\$ 3,614,381	\$ (711,527)

Pension Expense/ (Income)

Prepaid Expense / (Income)	January 1, 2018 to December 31, 2018	
Service cost	\$	1,414,049
Interest on total pension liability ⁽¹⁾		2,808,842
Effect of plan changes		-
Administrative expenses		26,742
Member contributions		(930,404)
Expected investment return net of investment expenses		(2,710,286)
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses		(131,799)
Recognition of assumption changes or inputs		120,828
Recognition of investment gains or losses		851,156
Other ⁽²⁾		(28,968)
Pension expense/ (income)	\$	1,420,160

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

⁽²⁾ Relates to allocation of system-wide items.

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 218,263	\$ 9,202
Changes of assumptions	-	247,937
Net difference between projected and actual earnings	-	2,086,749
Contributions made subsequent to measurement date	N/A	797,423
	\$ 218,263	\$ 3,141,311

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 ended December 31:	
2019	\$ 731,561
2020	382,057
2021	357,239
2022	654,768
2023	-
Thereafter ⁽³⁾	-

⁽³⁾ Total remaining balance to be recognized in future year, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

4.B. RISK MANAGEMENT

Kendall County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, error and omissions and personnel risks which relate to workers' compensation. The County contracts in the form of interlocal agreements with the Texas Association of Counties (TAC) to provide the aforementioned types of insurance coverage through an intergovernmental risk pool. These multi-employer accounts provide for a combination of modified self-insurance and stop loss coverage. Contributions are set annually by Texas Association of Counties. Liability by the County is generally limited to the amounts calculated by the County interlocal agreements. Kendall County also provides accident and property and liability coverage for the Kendall County Volunteer Fire Departments and Kendall County Emergency Medical Services through commercial carriers.

4.C. HEALTH INSURANCE

The County provides group health, dental and life insurance coverage for regular, full-time employees through United Healthcare, Dental Select, and Metlife. The County pays the premium for eligible employees. Employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

4.D. DEFERRED COMPENSATION PLAN

The County offers all its employees deferred compensation programs through the National Association of Counties administered by Nationwide Retirement Solutions and One America - American United Life Insurance Company. The plans, created in accordance with Internal Revenue Code Section 457, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County, subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

The County has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

At September 30, 2019, the participants had a balance of \$410,511 in Nationwide Retirement Solutions and \$1,600,638 in One America - American United Life Insurance Company.

4.E. CONTINGENT LIABILITIES

Amounts received or receivable from grantor 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 which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The County is currently involved in pending and threatened litigation suits or claims and is subject to other various litigation and claims arising out of the normal course of operations. Although the outcome of these claims is not presently determinable, in the opinion of County management, the resolution of these matters will not have a material adverse effect on the accompanying financial statements. Therefore, no provision for any liability, if any, has been made in the accompanying financial statements.

4.F. LETTERS OF CREDIT

The County is the beneficiary of several letters of credit issued by banks for developers. The developer must complete the required improvements before the expiration date of the letter of credit. The following is a summary of the letters of credit:

<u>Developer/Purpose</u>	<u>Issuing Bank</u>	<u>Amount</u>	<u>Issue Date</u>	<u>Expiration Date</u>
CR Devco 2013 LLC- Cordillera Ranch Water & Wastewater Improvements	Southside Bank	\$ 131,593	4/12/2018	4/12/2020
CR Devco 2013 LLC- Cordillera Ranch Streets & Drainage Improvements	Southside Bank	\$ 678,877	4/12/2018	4/12/2020
CR Devco 2013 LLC- Cordillera Ranch Streets & Drainage Improvements	Southside Bank	\$ 243,053	7/12/2018	7/12/2020
Crenwelge LLC- Hidden Springs Improvements	Security State Bank	\$ 313,832	5/29/2019	5/29/2020

4.G. SUBSEQUENT EVENTS

The County has evaluated subsequent events through March 17, 2020, the date which the financial statements were available to be issued. The County is not aware of any subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KENDALL COUNTY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 19,790,000	\$ 19,790,000	\$ 20,210,018	\$ 420,018
General Sales and Use Taxes	3,400,000	3,400,000	3,783,319	383,319
Other Taxes	27,500	27,500	30,514	3,014
Penalty and Interest on Taxes	130,000	130,000	135,532	5,532
Licenses and Permits	266,000	266,000	302,319	36,319
Intergovernmental Revenue and Grants	97,882	99,142	95,016	(4,126)
Charges for Services	2,061,038	2,061,038	2,247,863	186,825
Fines	321,000	321,000	376,098	55,098
Forfeits	-	-	4,706	4,706
Special Assessments	25,155	25,155	27,315	2,160
Investment Earnings	350,000	350,000	603,797	253,797
Rents and Royalties	13,000	13,000	10,409	(2,591)
Contributions & Donations from Private Sources	20,000	20,000	3,000	(17,000)
Other Revenue	130,800	130,800	215,464	84,664
Total Revenues	26,632,375	26,633,635	28,045,370	1,411,735
EXPENDITURES:				
Current:				
Financial Administration	889,520	870,666	863,686	6,980
General Administration	1,759,599	1,615,789	1,551,115	64,674
Tax Administration	821,789	835,494	822,064	13,430
Facilities Administration	1,169,666	1,305,997	1,276,398	29,599
Election Services	360,339	354,293	339,946	14,347
Law Enforcement	6,018,585	5,849,138	5,591,639	257,499
Fire Protection	1,300,916	1,276,528	1,189,485	87,043
Corrections	3,017,174	3,116,353	3,028,803	87,550
Roads and Bridges	2,363,477	2,323,850	2,300,011	23,839
Sanitation	870,399	868,999	834,916	34,083
Justice System	3,405,029	3,682,371	3,498,302	184,069
Juvenile Services	1,200	1,200	1,200	-
Health and Human Services	3,163,942	3,281,772	3,196,401	85,371
Culture and Recreation	1,166,890	1,154,309	1,127,214	27,095
Conservation and Development	1,266,520	1,254,346	1,238,774	15,572
Total Expenditures	27,575,045	27,791,105	26,859,954	931,151
Excess (Deficiency) of Revenues Over (Under) Expenditures	(942,670)	(1,157,470)	1,185,416	2,342,886
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	45,000	45,000	23,977	(21,023)
Other Resources	30,000	30,000	29,183	(817)
Transfers Out (Use)	(2,239,881)	(4,019,881)	(4,006,959)	12,922
Total Other Financing Sources (Uses)	(2,164,881)	(3,944,881)	(3,953,799)	(8,918)
Net Change in Fund Balances	(3,107,551)	(5,102,351)	(2,768,383)	2,333,968
Fund Balance - October 1 (Beginning)	14,217,762	14,217,762	14,217,762	-
Fund Balance - September 30 (Ending)	\$ 11,110,211	\$ 9,115,411	\$ 11,449,379	\$ 2,333,968

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

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

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Licenses and Permits	\$ 2,610,000	\$ 2,610,000	\$ 2,832,336	\$ 222,336
Intergovernmental Revenue and Grants	35,000	35,000	40,491	5,491
Contributions & Donations from Private	-	-	6,277	6,277
Other Revenue	7,000	7,000	1,819	(5,181)
Total Revenues	<u>2,652,000</u>	<u>2,652,000</u>	<u>2,880,923</u>	<u>228,923</u>
EXPENDITURES:				
DO NOT PRINT	<u>3,546,545</u>	<u>3,546,545</u>	<u>3,382,223</u>	<u>164,322</u>
Total Expenditures	<u>3,546,545</u>	<u>3,546,545</u>	<u>3,382,223</u>	<u>164,322</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(894,545)</u>	<u>(894,545)</u>	<u>(501,300)</u>	<u>393,245</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	<u>35,000</u>	<u>35,000</u>	<u>19,205</u>	<u>(15,795)</u>
Total Other Financing Sources (Uses)	<u>35,000</u>	<u>35,000</u>	<u>19,205</u>	<u>(15,795)</u>
Change in Fund Balance	(859,545)	(859,545)	(482,095)	377,450
Fund Balance - October 1 (Beginning)	<u>2,193,040</u>	<u>2,193,040</u>	<u>2,193,040</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,333,495</u>	<u>\$ 1,333,495</u>	<u>\$ 1,710,945</u>	<u>\$ 377,450</u>

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

KENDALL COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
A. Total Pension Liability		
Service Cost	\$ 1,414,049	\$ 1,341,780
Interest (on the Total Pension Liability)	2,808,842	2,524,822
Changes of Benefit Terms	-	244,116
Difference between Expected and Actual Experience	(42,307)	15,337
Changes of Assumptions	-	317,774
Benefit Payments, Including Refunds of Employee Contributions	(1,049,135)	(971,745)
Net Change in Total Pension Liability	\$ 3,131,449	\$ 3,472,084
Total Pension Liability - Beginning	33,777,361	30,305,277
Total Pension Liability - Ending	\$ 36,908,810	\$ 33,777,361
B. Total Fiduciary Net Position		
Contributions - Employer	\$ 979,636	\$ 795,716
Contributions - Employee	930,404	833,837
Net Investment Income	(605,861)	4,135,192
Benefit Payments, Including Refunds of Employee Contributions	(1,049,135)	(971,745)
Administrative Expense	(26,742)	(21,971)
Other	28,968	8,609
Net Change in Plan Fiduciary Net Position	\$ 257,270	\$ 4,779,638
Plan Fiduciary Net Position - Beginning	33,037,159	28,257,521
Plan Fiduciary Net Position - Ending	\$ 33,294,429	\$ 33,037,159
C. Net Pension Liability	\$ 3,614,381	\$ 740,202
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.21%	97.81%
E. Covered Payroll	\$ 13,291,486	\$ 11,911,953
F. Net Pension Liability as a Percentage of Covered Payroll	27.19%	6.21%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only five years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$	1,308,420	\$ 1,173,891	\$ 1,113,274
	2,259,198	2,109,062	1,896,754
	-	(219,294)	-
	(82,610)	(756,865)	207,443
	-	286,366	-
	(842,767)	(705,330)	(614,402)
\$	2,642,241	\$ 1,887,830	\$ 2,603,068
	27,663,036	25,775,206	23,172,138
\$	30,305,277	\$ 27,663,036	\$ 25,775,206
\$	820,085	\$ 777,746	\$ 782,906
	778,916	726,864	719,206
	1,896,749	(145,262)	1,548,686
	(842,767)	(705,331)	(614,402)
	(20,643)	(18,253)	(18,380)
	34,451	(51,736)	(42,969)
\$	2,666,791	\$ 584,028	\$ 2,375,048
	25,590,731	25,006,702	22,631,654
\$	28,257,522	\$ 25,590,730	\$ 25,006,702
\$	2,047,755	\$ 2,072,306	\$ 768,504
	93.24%	92.51%	97.02%
\$	11,127,366	\$ 10,383,778	\$ 10,274,371
	18.40%	19.96%	7.48%

KENDALL COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Year Ending December 31</u>	<u>Actuarially Determined Contribution ⁽¹⁾</u>	<u>Actual Employer Contribution ⁽¹⁾</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll ⁽²⁾</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2009	550,977	550,977	-	8,360,804	6.60%
2010	622,408	622,408	-	8,791,077	7.10%
2011	656,132	656,132	-	9,125,619	7.20%
2012	692,064	692,064	-	9,428,733	7.30%
2013	720,988	720,988	-	9,690,764	7.40%
2014	782,906	782,906	-	10,274,371	7.60%
2015	777,746	777,746	-	10,383,778	7.50%
2016	820,085	820,085	-	11,127,366	7.40%
2017	795,716	795,716	-	11,911,953	6.70%
2018	979,583	979,636	(53)	13,291,486	7.40%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

KENDALL COUNTY, TEXAS
 NOTES TO THE SCHEDULE OF CONTRIBUTIONS
 SEPTEMBER 30, 2019

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the 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	12.9 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 benefits 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 Tables 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 the current service matching rate was increased to 160% for future benefits.

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to the Schedule.

SUPPLEMENTARY INFORMATION

KENDALL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

	13 Courthouse Security Fund	15 Lateral Road & Bridge Fund	16 Court Reporter Service	17 Attorney Hot Checks Fund
ASSETS				
Cash and Cash Equivalents	\$ 23,707	\$ 17,502	\$ 4,831	\$ 1,218
Investments - Current	26,258	208,524	-	-
Accounts Receivable (Net)	2,389	-	1,202	-
Due from Other Governments	-	-	-	-
Total Assets	<u>\$ 52,354</u>	<u>\$ 226,026</u>	<u>\$ 6,033</u>	<u>\$ 1,218</u>
LIABILITIES				
Accounts Payable	\$ 6,874	\$ 3,735	\$ -	\$ 99
Wages and Salaries Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>6,874</u>	<u>3,735</u>	<u>-</u>	<u>99</u>
FUND BALANCES				
Federal or State Funds Grant Restriction	-	222,291	-	-
Restricted for Special Revenue	45,480	-	6,033	1,119
Total Fund Balances	<u>45,480</u>	<u>222,291</u>	<u>6,033</u>	<u>1,119</u>
Total Liabilities and Fund Balances	<u>\$ 52,354</u>	<u>\$ 226,026</u>	<u>\$ 6,033</u>	<u>\$ 1,218</u>

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

18 911 Projects Fund	19 County Clerk Records Management	20 Law Library Fund	21 Justice Court Technology	22 Justice Court Building Security	23 County and District Tech Archive Fund	24 Alternative Dispute Resolution	25 District Clerk Records Management
\$ -	\$ 40,428	\$ 52,409	\$ 46,906	\$ 35,230	\$ 17,933	\$ 2,457	\$ 24,356
-	255,896	-	-	-	-	-	-
-	9,414	2,803	1,058	310	476	1,396	1,895
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 305,738</u>	<u>\$ 55,212</u>	<u>\$ 47,964</u>	<u>\$ 35,540</u>	<u>\$ 18,409</u>	<u>\$ 3,853</u>	<u>\$ 26,251</u>
\$ -	\$ 5,369	\$ 1,849	\$ -	\$ -	\$ 1,033	\$ 3,853	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	5,369	1,849	-	-	1,033	3,853	-
-	-	-	-	-	-	-	-
-	300,369	53,363	47,964	35,540	17,376	-	26,251
-	300,369	53,363	47,964	35,540	17,376	-	26,251
<u>\$ -</u>	<u>\$ 305,738</u>	<u>\$ 55,212</u>	<u>\$ 47,964</u>	<u>\$ 35,540</u>	<u>\$ 18,409</u>	<u>\$ 3,853</u>	<u>\$ 26,251</u>

KENDALL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

	26 County Clerk Records Archive	27 Vital Statistics Records	28 Pre-Trial Intervention Fund	29 LEOSE Training Allocation
ASSETS				
Cash and Cash Equivalents	\$ 66,679	\$ 1,111	\$ 41,962	\$ 44,634
Investments - Current	110,210	-	-	-
Accounts Receivable (Net)	9,400	45	1,107	-
Due from Other Governments	-	-	-	-
Total Assets	<u>\$ 186,289</u>	<u>\$ 1,156</u>	<u>\$ 43,069</u>	<u>\$ 44,634</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages and Salaries Payable	-	-	557	-
Due to Other Funds	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>557</u>	<u>-</u>
FUND BALANCES				
Federal or State Funds Grant Restriction	-	-	-	44,634
Restricted for Special Revenue	186,289	1,156	42,512	-
Total Fund Balances	<u>186,289</u>	<u>1,156</u>	<u>42,512</u>	<u>44,634</u>
Total Liabilities and Fund Balances	<u>\$ 186,289</u>	<u>\$ 1,156</u>	<u>\$ 43,069</u>	<u>\$ 44,634</u>

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

33 Juvenile Board State Grants	34 Juvenile Board Title IV-E	35 County Juvenile Probation	41 MVDIT Interest Fund	42 Special Election Fund	43 Fire Inspection Fund	50 Crime Victim's Grant	51 VAWA Grant Fund
\$ 34,507	\$ -	\$ 11,952	\$ 20,412	\$ 62,885	\$ 31,296	\$ 5,422	\$ 4,119
-	11,023	-	-	-	143,700	-	-
-	-	90	-	-	3,449	25,452	17,796
9,176	-	-	-	-	-	-	-
<u>\$ 43,683</u>	<u>\$ 11,023</u>	<u>\$ 12,042</u>	<u>\$ 20,412</u>	<u>\$ 62,885</u>	<u>\$ 178,445</u>	<u>\$ 30,874</u>	<u>\$ 21,915</u>
\$ -	\$ 207	\$ 6,198	\$ -	\$ -	\$ 248	\$ 192	\$ -
4,574	-	5,844	-	-	-	5,422	4,119
-	2,058	-	-	-	-	25,260	17,796
38,166	-	-	-	-	-	-	-
<u>42,740</u>	<u>2,265</u>	<u>12,042</u>	<u>-</u>	<u>-</u>	<u>248</u>	<u>30,874</u>	<u>21,915</u>
-	8,758	-	-	-	-	-	-
943	-	-	20,412	62,885	178,197	-	-
<u>943</u>	<u>8,758</u>	<u>-</u>	<u>20,412</u>	<u>62,885</u>	<u>178,197</u>	<u>-</u>	<u>-</u>
<u>\$ 43,683</u>	<u>\$ 11,023</u>	<u>\$ 12,042</u>	<u>\$ 20,412</u>	<u>\$ 62,885</u>	<u>\$ 178,445</u>	<u>\$ 30,874</u>	<u>\$ 21,915</u>

KENDALL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

	80 Tobacco Settlement Fund	84 Sheriff Abandoned Vehicles	85 Sheriff Local Asset Forfeiture	87 Sheriff Federal Asset Forfeiture
ASSETS				
Cash and Cash Equivalents	\$ 28,693	\$ 4,953	\$ 12,131	\$ 5,546
Investments - Current	50,462	-	-	125,596
Accounts Receivable (Net)	-	-	-	-
Due from Other Governments	-	-	-	-
Total Assets	<u>\$ 79,155</u>	<u>\$ 4,953</u>	<u>\$ 12,131</u>	<u>\$ 131,142</u>
LIABILITIES				
Accounts Payable	\$ 9,989	\$ -	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>9,989</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Federal or State Funds Grant Restriction	69,166	-	-	-
Restricted for Special Revenue	-	4,953	12,131	131,142
Total Fund Balances	<u>69,166</u>	<u>4,953</u>	<u>12,131</u>	<u>131,142</u>
Total Liabilities and Fund Balances	<u>\$ 79,155</u>	<u>\$ 4,953</u>	<u>\$ 12,131</u>	<u>\$ 131,142</u>

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

96 TCDP & FEMA Grants Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 81	\$ 643,360	\$ 643,360
-	931,669	931,669
-	78,282	78,282
-	9,176	9,176
<u>\$ 81</u>	<u>\$ 1,662,487</u>	<u>\$ 1,662,487</u>
\$ -	\$ 39,646	\$ 39,646
-	20,516	20,516
-	45,114	45,114
-	38,166	38,166
-	<u>143,442</u>	<u>143,442</u>
81	344,930	344,930
-	1,174,115	1,174,115
<u>81</u>	<u>1,519,045</u>	<u>1,519,045</u>
<u>\$ 81</u>	<u>\$ 1,662,487</u>	<u>\$ 1,662,487</u>

KENDALL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	13 Courthouse Security Fund	15 Lateral Road & Bridge Fund	16 Court Reporter Service	17 Attorney Hot Checks Fund
REVENUES:				
Intergovernmental Revenue and Grants	\$ -	\$ 26,489	\$ -	\$ -
Charges for Services	-	-	-	-
Fines	26,589	-	10,382	-
Forfeits	-	-	-	-
Investment Earnings	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>26,589</u>	<u>26,489</u>	<u>10,382</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Administration	-	-	-	-
Tax Administration	-	-	-	-
Law Enforcement	24,887	-	-	-
Roads and Bridges	-	11,440	-	-
Justice System	-	-	15,550	1,285
Juvenile Services	-	-	-	-
Health and Human Services	-	-	-	-
Conservation and Development	-	-	-	-
Total Expenditures	<u>24,887</u>	<u>11,440</u>	<u>15,550</u>	<u>1,285</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,702</u>	<u>15,049</u>	<u>(5,168)</u>	<u>(1,285)</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	-	-
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	1,702	15,049	(5,168)	(1,285)
Fund Balance - October 1 (Beginning)	<u>43,778</u>	<u>207,242</u>	<u>11,201</u>	<u>2,404</u>
Fund Balance - September 30 (Ending)	<u>\$ 45,480</u>	<u>\$ 222,291</u>	<u>\$ 6,033</u>	<u>\$ 1,119</u>

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

18 911 Projects Fund	19 County Clerk Records Management	20 Law Library Fund	21 Justice Court Technology	22 Justice Court Building Security	23 County and District Tech Archive Fund	24 Alternative Dispute Resolution	25 District Clerk Records Management
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	14,596	-	3,331	-	5,376
-	109,239	24,225	-	3,647	-	11,919	13,700
-	-	-	-	-	-	-	-
-	-	688	-	-	-	-	-
-	109,239	24,913	14,596	3,647	3,331	11,919	19,076
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	99,894	12,559	7,585	-	1,215	11,919	21,570
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	99,894	12,559	7,585	-	1,215	11,919	21,570
-	9,345	12,354	7,011	3,647	2,116	-	(2,494)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	9,345	12,354	7,011	3,647	2,116	-	(2,494)
-	291,024	41,009	40,953	31,893	15,260	-	28,745
\$ -	\$ 300,369	\$ 53,363	\$ 47,964	\$ 35,540	\$ 17,376	\$ -	\$ 26,251

KENDALL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	26 County Clerk Records Archive	27 Vital Statistics Records	28 Pre-Trial Intervention Fund	29 LEOSE Training Allocation
REVENUES:				
Intergovernmental Revenue and Grants	\$ -	\$ -	\$ -	\$ 7,975
Charges for Services	108,591	(78)	18,730	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>108,591</u>	<u>(78)</u>	<u>18,730</u>	<u>7,975</u>
EXPENDITURES:				
Current:				
General Administration	-	-	-	-
Tax Administration	-	-	-	-
Law Enforcement	-	-	-	7,844
Roads and Bridges	-	-	-	-
Justice System	94,733	-	21,878	-
Juvenile Services	-	-	-	-
Health and Human Services	-	-	-	-
Conservation and Development	-	-	-	-
Total Expenditures	<u>94,733</u>	<u>-</u>	<u>21,878</u>	<u>7,844</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,858</u>	<u>(78)</u>	<u>(3,148)</u>	<u>131</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	-	-
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	13,858	(78)	(3,148)	131
Fund Balance - October 1 (Beginning)	<u>172,431</u>	<u>1,234</u>	<u>45,660</u>	<u>44,503</u>
Fund Balance - September 30 (Ending)	<u>\$ 186,289</u>	<u>\$ 1,156</u>	<u>\$ 42,512</u>	<u>\$ 44,634</u>

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

33 Juvenile Board State Grants	34 Juvenile Board Title IV-E	35 County Juvenile Probation	41 MVDIT Interest Fund	42 Special Election Fund	43 Fire Inspection Fund	50 Crime Victim's Grant	51 VAWA Grant Fund
\$ 219,233	\$ -	\$ 76,616	\$ -	\$ 2,252	\$ -	\$ 117,810	\$ 73,827
-	-	2,495	-	18,711	45,951	-	-
-	-	-	-	-	-	-	-
500	785	-	15,410	-	-	-	-
-	-	-	-	-	-	-	-
<u>219,733</u>	<u>785</u>	<u>79,111</u>	<u>15,410</u>	<u>20,963</u>	<u>45,951</u>	<u>117,810</u>	<u>73,827</u>
-	-	-	-	15,767	2,899	-	-
-	-	-	67	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	148,472	103,985
219,232	47,949	285,250	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>219,232</u>	<u>47,949</u>	<u>285,250</u>	<u>67</u>	<u>15,767</u>	<u>2,899</u>	<u>148,472</u>	<u>103,985</u>
<u>501</u>	<u>(47,164)</u>	<u>(206,139)</u>	<u>15,343</u>	<u>5,196</u>	<u>43,052</u>	<u>(30,662)</u>	<u>(30,158)</u>
-	-	-	-	-	-	-	-
-	-	206,139	-	-	-	30,662	30,158
-	-	<u>206,139</u>	-	-	-	<u>30,662</u>	<u>30,158</u>
501	(47,164)	-	15,343	5,196	43,052	-	-
442	55,922	-	5,069	57,689	135,145	-	-
<u>\$ 943</u>	<u>\$ 8,758</u>	<u>\$ -</u>	<u>\$ 20,412</u>	<u>\$ 62,885</u>	<u>\$ 178,197</u>	<u>\$ -</u>	<u>\$ -</u>

KENDALL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	80 Tobacco Settlement Fund	84 Sheriff Abandoned Vehicles	85 Sheriff Local Asset Forfeiture	87 Sheriff Federal Asset Forfeiture
REVENUES:				
Intergovernmental Revenue and Grants	\$ 38,872	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Fines	-	-	-	-
Forfeits	-	-	259	3,326
Investment Earnings	455	-	221	3,259
Other Revenue	-	-	-	-
Total Revenues	<u>39,327</u>	<u>-</u>	<u>480</u>	<u>6,585</u>
EXPENDITURES:				
Current:				
General Administration	-	-	-	-
Tax Administration	-	-	-	-
Law Enforcement	-	-	2,376	17,725
Roads and Bridges	-	-	-	-
Justice System	-	-	-	-
Juvenile Services	-	-	-	-
Health and Human Services	49,999	-	-	-
Conservation and Development	-	-	-	-
Total Expenditures	<u>49,999</u>	<u>-</u>	<u>2,376</u>	<u>17,725</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,672)</u>	<u>-</u>	<u>(1,896)</u>	<u>(11,140)</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	-	6,650
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,650</u>
Net Change in Fund Balance	(10,672)	-	(1,896)	(4,490)
Fund Balance - October 1 (Beginning)	<u>79,838</u>	<u>4,953</u>	<u>14,027</u>	<u>135,632</u>
Fund Balance - September 30 (Ending)	<u>\$ 69,166</u>	<u>\$ 4,953</u>	<u>\$ 12,131</u>	<u>\$ 131,142</u>

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

96 TCDP & FEMA Grants Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 44,388	\$ 607,462	\$ 607,462
-	217,703	217,703
-	199,701	199,701
-	3,585	3,585
-	20,630	20,630
-	688	688
<u>44,388</u>	<u>1,049,769</u>	<u>1,049,769</u>
-	18,666	18,666
-	67	67
-	52,832	52,832
-	11,440	11,440
-	540,645	540,645
-	552,431	552,431
-	49,999	49,999
44,388	44,388	44,388
<u>44,388</u>	<u>1,270,468</u>	<u>1,270,468</u>
-	(220,699)	(220,699)
-	6,650	6,650
-	266,959	266,959
-	273,609	273,609
-	52,910	52,910
81	1,466,135	1,466,135
<u>81</u>	<u>1,519,045</u>	<u>1,519,045</u>

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

	BALANCE OCTOBER 1 2018	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2019
TREASURER ESCROW/TRUST FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 11,714	\$ 11,076	\$ 11,714	\$ 11,076
Investments- Current	-	331,284	-	331,284
Total Assets	<u>\$ 11,714</u>	<u>\$ 342,360</u>	<u>\$ 11,714</u>	<u>\$ 342,360</u>
Liabilities:				
Due to Others	<u>\$ 11,714</u>	<u>\$ 342,360</u>	<u>\$ 11,714</u>	<u>\$ 342,360</u>
 OFFICIALS' FEES ACCOUNTS FUND				
Assets:				
Cash and Cash Equivalents	<u>\$ 3,643,625</u>	<u>\$ 68,341,306</u>	<u>\$ 68,527,097</u>	<u>\$ 3,457,834</u>
Liabilities:				
Due to Other Governments	<u>\$ 3,318,969</u>	<u>\$ 67,908,018</u>	<u>\$ 67,958,196</u>	<u>\$ 3,268,791</u>
Due to Others	324,656	433,288	568,901	189,043
Total Liabilities	<u>\$ 3,643,625</u>	<u>\$ 68,341,306</u>	<u>\$ 68,527,097</u>	<u>\$ 3,457,834</u>
 STATE FEES AND SPECIAL TAX FUND				
Assets:				
Cash and Cash Equivalents	<u>\$ 328,829</u>	<u>\$ 309,530</u>	<u>\$ 328,829</u>	<u>\$ 309,530</u>
Other Receivables	47,828	68,023	47,828	68,023
Total Assets	<u>\$ 376,657</u>	<u>\$ 377,553</u>	<u>\$ 376,657</u>	<u>\$ 377,553</u>
Liabilities:				
Accounts Payable	<u>\$ 222,811</u>	<u>\$ 269,943</u>	<u>\$ 222,811</u>	<u>\$ 269,943</u>
Due to Other Governments	153,846	107,610	153,846	107,610
Total Liabilities	<u>\$ 376,657</u>	<u>\$ 377,553</u>	<u>\$ 376,657</u>	<u>\$ 377,553</u>
 TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	<u>\$ 3,984,168</u>	<u>\$ 68,661,912</u>	<u>\$ 68,867,640</u>	<u>\$ 3,778,440</u>
Investments- Current	-	331,284	-	331,284
Other Receivables	47,828	68,023	47,828	68,023
Total Assets	<u>\$ 4,031,996</u>	<u>\$ 69,061,219</u>	<u>\$ 68,915,468</u>	<u>\$ 4,177,747</u>
Liabilities:				
Accounts Payable	<u>\$ 222,811</u>	<u>\$ 269,943</u>	<u>\$ 222,811</u>	<u>\$ 269,943</u>
Due to Other Governments	3,472,815	68,015,628	68,112,042	3,376,401
Due to Others	336,370	775,648	580,615	531,403
Total Liabilities	<u>\$ 4,031,996</u>	<u>\$ 69,061,219</u>	<u>\$ 68,915,468</u>	<u>\$ 4,177,747</u>

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

KENDALL COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 SEPTEMBER 30, 2019

	Historical Commission Fund	Trust Donations Fund	Total Private Purpose Trust Funds
ASSETS			
Cash and Cash Equivalents	\$ 10,719	\$ 89,937	\$ 100,656
Accounts Receivable (Net)	-	389	389
Total Assets	<u>10,719</u>	<u>90,326</u>	<u>101,045</u>
LIABILITIES			
Accounts Payable	-	1,202	1,202
Total Liabilities	<u>-</u>	<u>1,202</u>	<u>1,202</u>
NET POSITION			
Unrestricted Net Position	<u>10,719</u>	<u>89,124</u>	<u>99,843</u>
Total Net Position	<u>\$ 10,719</u>	<u>\$ 89,124</u>	<u>\$ 99,843</u>

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

KENDALL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Data Control Codes	Historical Commission Fund	Trust Donations Fund	Total Private Purpose Trust Funds
ADDITIONS:			
Contributions & Donations from Private	\$ -	\$ 31,492	\$ 31,492
Other Revenue	20	-	20
Total Additions	<u>20</u>	<u>31,492</u>	<u>31,512</u>
DEDUCTIONS:			
Other Operating Costs	-	10,817	10,817
Total Deductions	<u>-</u>	<u>10,817</u>	<u>10,817</u>
Change in Net Position	20	20,675	20,695
Total Net Position - October 1 (Beginning)	<u>10,699</u>	<u>68,449</u>	<u>79,148</u>
Total Net Position - September 30 (Ending)	<u>\$ 10,719</u>	<u>\$ 89,124</u>	<u>\$ 99,843</u>

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

NEFFENDORF & KNOPP, P.C.
Certified Public Accountants

P.O. BOX 874 · 736 S. WASHINGTON ST.

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

To the Honorable Judge and Members
of the Commissioners' Court
Kendall County, Texas
Boerne, TX 78006

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 Kendall County, Texas (the "County"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

Compliance and Other Matters

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

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.

We noted certain matters that we reported to management of the County of Kendall, Texas, in a separate letter dated March 17, 2020.

Sincerely,

A handwritten signature in black ink that reads "Neffendorf & Knopp, P.C." in a cursive style.

NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

March 17, 2020

NEFFENDORF & KNOPP, P.C.
Certified Public Accountants

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March 17, 2020

Honorable Judge and Commissioners
County of Kendall, Texas
Boerne, TX 78006

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kendall County, Texas for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 11, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kendall County, Texas are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by Kendall County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 17, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Kendall County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Kendall County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis; Budgetary Comparison Schedule - General Fund; Budgetary Comparison Schedule – Road and Bridge Fund; Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Employers Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Balance Sheet – Nonmajor Governmental Funds; Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds; Combining Statement of Changes in Assets and Liabilities – All Agency Funds; Combining Statement of Net Position – Private Purpose Trust Funds; and Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Private Purpose Trust Funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restrictions on Use

This information is intended solely for the use of the Commissioner's Court and management of the County of Kendall and is not intended to be, and should not be, used by anyone other than these specified parties.

Other Comments and Recommendations

Current Year

Fixed Assets and Depreciation

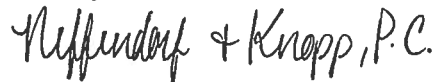
In reviewing the County's fixed asset register and depreciation report, we noted several items that had not been added and other corrections to reconcile to the financial statements. We recommend that the fixed asset register and depreciation report be reviewed and reconciled to the financials on an annual basis.

Prior Year

Officials' Accounts

As in prior year audits, balances in the accounts of Justice of the Peace No. 1 and No. 2, and the County Clerk had accumulated over the years without a complete listing of items which comprise the balances being maintained. Again, we recommend that the offices mentioned above develop a complete and detailed listing to account for the balances maintained in their bank accounts. When this is completed, a determination can be made with the assistance from other County Officials, if these balances need to be maintained as is, or if they should be remitted to the County or the State Comptroller or refunded to an individual. The County Clerk's Office has been working to resolve these issues and have made some progress in accounting for the balances in question but the listings are not complete.

Sincerely,

A handwritten signature in black ink that reads "Neffendorf & Knopp, P.C." in a cursive style.

NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas
March 17, 2020