

KARNES COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2023**



KARNES COUNTY

COUNTY OFFICIALS

COUNTY JUDGE

WADE J. HEDTKE

COUNTY COMMISSIONERS

PRECINCT 1

SHELBY DUPNIK

PRECINCT 2

BENNY LYSSY

PRECINCT 3

JAMES ROSALES

PRECINCT 4

WESLEY GISLER

COUNTY ATTORNEY

DAVID CHAPMAN

COUNTY TREASURER

VI SWIERC

COUNTY AUDITOR

TOM DUPNICK, EA

TAX ASSESSOR-COLLECTOR

TAMMY BRAUDAWAY

COUNTY CLERK

CAROL SWIZE

DISTRICT CLERK

DENISE RODRIGUEZ

SHERIFF

DWAYNE VILLANUEVA

**KARNES COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

TABLE OF CONTENTS

INTRODUCTORY SCHEDULE

	<u>PAGE</u>
TITLE PAGE	i
COUNTY OFFICIALS	ii
TABLE OF CONTENTS	iii

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS.....	11
STATEMENT OF NET POSITION.....	12
STATEMENT OF ACTIVITIES.....	14
BALANCE SHEET - GOVERNMENTAL FUNDS.....	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	17
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES.....	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES.....	20
STATEMENT OF FIDUCIARY NET POSITION	21
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	22
NOTES TO BASIC FINANCIAL STATEMENTS	23
REQUIRED SUPPLEMENTARY INFORMATION	42
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL	
GENERAL FUND	43
ROAD AND BRIDGE FUND.....	45
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL	46
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS	47
SCHEDULE OF COUNTY CONTRIBUTIONS – PENSION PLAN.....	49
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS.....	50

SUPPLEMENTARY INFORMATION	52
COMBINING BALANCE SHEET – NONMAJOR FUNDS.....	53
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR FUNDS	59
COMPARATIVE BALANCE SHEETS –GENERAL FUND.....	65
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND.....	66
COMPARATIVE BALANCE SHEETS – ROAD AND BRIDGE FUND	67
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -- ROAD AND BRIDGE	68
COMPLIANCE SECTION.....	69
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING</i> <i>STANDARDS</i>	70
REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE	72
REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH TEXAS UNIFORM GRANT MANAGEMENT STANDARDS	75
SCHEDEULE OF FINDINGS AND QUESTIONED COSTS	78
SCHEDEULE OF EXPENDITURES OF FEDERAL AWARDS	80
SCHEDEULE OF EXPENDITURES OF STATE AWARDS.....	81
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS	82



INDEPENDENT AUDITOR'S REPORT

The Honorable Judge and
Members of the Commissioners' Court
Karnes County, Texas

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate fund remaining information of Karnes County, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregated remaining fund information of Karnes County, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of changes and contributions for net pension liability and total other post-employment benefit liability as referred to in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Karnes County's financial statements as a whole. The combining and comparative fund statements (as listed in the table of contents) and schedules of expenditures of federal awards (as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) and state awards are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is 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 January 31, 2024 on our consideration of Karnes 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 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 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 Karnes County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive style with a large, stylized 'A' at the beginning.

Armstrong, Vaughan & Associates, P.C.
January 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Karnes County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2023. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

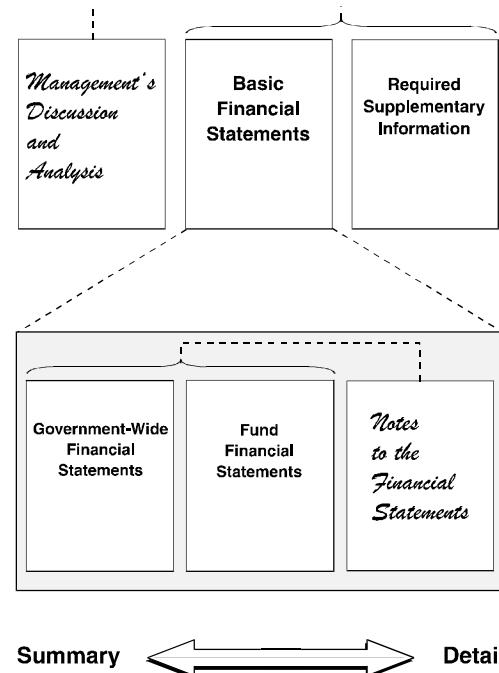
- The County's total net position was \$136 million at September 30, 2023, an increase of \$21 million.
- During the year, the County's governmental activities expenses were \$21 million less than the \$46 million generated in general and program revenues for governmental activities. The total cost of the County's programs increased 23% from the prior year. The largest increase was in public transportation for more street maintenance activities and emergency response from weather events.
- The general fund reported a fund balance this year of \$50.8 million, an increase of \$9.2 million. The County did not conduct facility improvements budgeted for \$4 million and sales tax revenues were \$3 million better than anticipated in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.

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



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

Figure A-2. Major Features of the County's Government-wide and Fund Financial Statements			
Fund Statements			
Type of Statements	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary	Activities the County handles for other individuals, organizations, or governments.
Required financial statements	• Statement of net position	• Balance Sheet	• Statement of Fiduciary Net Position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of changes in Fiduciary Net Position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All additions and deductions during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

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

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

- Over time, increases or decreases in the County's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional non-financial factors such as changes in the County's tax base.
- The government-wide financial statements of the County include the *Governmental activities*. All of the County's basic services are included here, such as administration, public safety and public transportation. Property taxes, sales taxes and charges for services finance most of these activities.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net position. The County's combined net position was \$136 million at September 30, 2023. Of this amount, \$52 million was invested in capital assets net of related debt. The unrestricted net position represents resources available to fund the programs of the County next year. (See Table A-1).

Table A-1
County's Net Position

	Governmental Activities		Percentage Change
	2023	2022	
<i>Assets:</i>			
Current Assets	\$ 88,652,252	\$ 84,467,753	5.0
Capital Assets	52,212,901	41,110,703	27.0
Other Assets	-	1,847,041	(100.0)
<i>Total Assets</i>	<u>140,865,153</u>	<u>127,425,497</u>	10.5
<i>Deferred Outflows of Resources:</i>	<u>1,784,031</u>	<u>1,678,486</u>	6.3
<i>Liabilities:</i>			
Current Liabilities	4,457,695	10,075,900	(55.8)
Long-term Liabilities	1,603,688	376,152	326.3
<i>Total Liabilities</i>	<u>6,061,383</u>	<u>10,452,052</u>	(42.0)
<i>Deferred Inflows of Resources:</i>	<u>262,076</u>	<u>3,588,599</u>	(92.7)
<i>Net Position:</i>			
Net Investment in Capital Assets	52,053,903	41,036,490	26.8
Restricted	28,674,408	28,119,122	2.0
Unrestricted	55,597,414	45,907,720	21.1
<i>Total Net Position</i>	<u>\$ 136,325,725</u>	<u>\$ 115,063,332</u>	18.5

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds*—not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Commissioners' Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has the following kinds of funds:

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

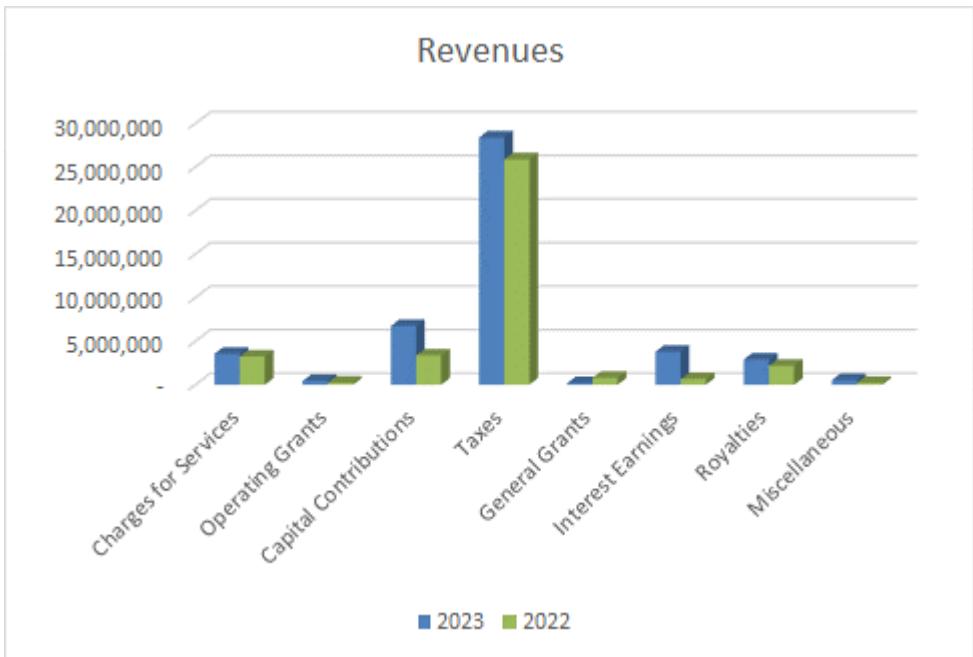
- *Fiduciary funds*—The County collects and holds funds for various other entities such as property taxes for other governments, vehicle registrations for the State and court settlements for minors. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the County's government-wide financial statements because they are not resources for the County to use on operations.

Governmental Activities

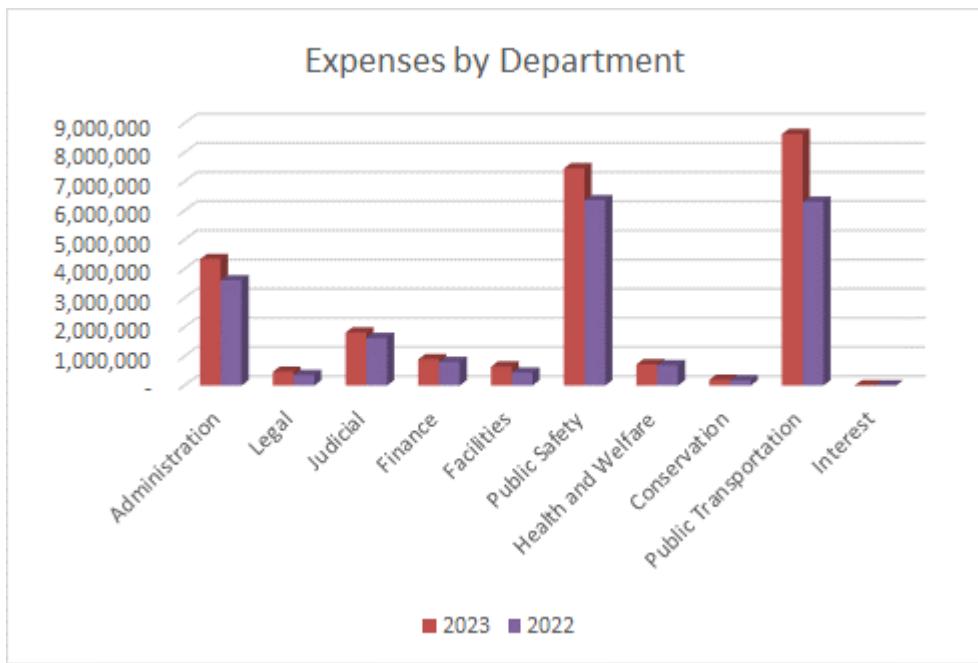
Table A-2 summarizes the changes in the County's net position for 2023 and 2022 fiscal years.

Table A-2
Changes in County's Net Position

	Governmental Activities		Percentage
	2023	2022	Change
<i>Program Revenues:</i>			
Charges for Services	\$ 3,544,574	\$ 3,231,158	9.7
Operating Grants and Contributions	436,078	239,933	81.7
Capital Contributions	6,736,154	3,339,531	101.7
<i>General Revenues:</i>			
Taxes	28,366,234	25,869,680	9.7
Interest Earnings	3,772,220	637,502	491.7
General Grants	190,139	791,061	(76.0)
Royalties	2,886,867	2,161,023	33.6
Miscellaneous	519,905	221,900	134.3
TOTAL REVENUES	46,452,171	36,491,788	27.3
<i>Program Expenses:</i>			
Administration	4,349,275	3,608,269	20.5
Legal	469,849	354,266	32.6
Judicial	1,816,521	1,626,874	11.7
Finance	901,285	805,674	11.9
Facilities	645,806	433,462	49.0
Public Safety	7,452,147	6,356,543	17.2
Health and Welfare	726,068	689,394	5.3
Conservation	193,292	177,514	8.9
Public Transportation	8,632,961	6,300,739	37.0
Interest	2,574	3,797	(32.2)
TOTAL EXPENSES	25,189,778	20,356,532	23.7
Change in Net Position	21,262,393	16,135,256	31.8
Beginning Net Position	115,063,332	98,928,076	
Ending Net Position	\$ 136,325,725	\$ 115,063,332	



Tax revenues increased in 2023, primarily from strong sales tax collections. Taxes continue to fund the majority of County operations, representing 61% of total revenues.



Public transportation spending increased for 2022 for maintenance activities and emergency response for infrastructure repairs. Public Safety also increased as vacancies were filled.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2023, the County had invested \$52.2 million in buildings and equipment. Significant additions in 2023 were primarily county road improvements. (See Table A-3.)

Table A-3
County's Capital Assets

	Governmental Activities		Total Percentage Change
	2023	2022	
Land	\$ 175,432	\$ 175,432	0.0
Construction in Progress	1,789,841	3,787,189	(52.7)
Buildings and Improvements	31,885,980	31,022,776	2.8
Infrastructure	23,693,169	10,600,828	123.5
Vehicles and Equipment	<u>10,412,591</u>	<u>9,541,465</u>	9.1
Totals at Historical Cost	67,957,013	55,127,690	23.3
Accumulated Depreciation	<u>(15,744,112)</u>	<u>(14,016,987)</u>	12.3
Net Capital Assets	<u><u>\$ 52,212,901</u></u>	<u><u>\$ 41,110,703</u></u>	27.0

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

Long Term Debt

As of September 30, 2023, the County had \$159 thousand in notes payable for equipment as shown in Table A-4. This debt is scheduled to be paid off in the 23-24 fiscal year. More detailed information about the County's debt is presented in the notes to the financial statements.

Table A-4
County's Long-Term Debt

	Governmental Activities		Total Percentage Change
	2023	2022	
Notes Payable	\$ 158,999	\$ 316,736	(49.8)
Total Long-Term Debt	<u>\$ 158,999</u>	<u>\$ 316,736</u>	(49.8)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Revenues from governmental fund types increased from \$36.4 million to \$46.5 million. Of the increase, \$2.0 million came from sales tax and \$2.1 million came from interest income. Another \$3.1 million came from county road improvement grants. Governmental expenditures increased \$10.0 million to \$36.7 million. Most of the increase was attributable to grant funded capital projects for county road improvements and water/sewer infrastructure.

The General Fund ended with a fund balance of \$50.8 million, which is over 4 years of operating expenditures based on 2023 spending levels.

Budgetary Highlights

The County's actual expenditures in the General Fund were \$6.0 million less than final budgeted amounts. The largest variance was in capital outlay for \$4.9 million in building improvements that did not occur. Revenues were higher than the budget by \$6.0 million, primarily from increased sales tax collections (\$3.0 million) and interest income (\$1.7 million). Fund balance increased \$9.2 million compared to a budgeted reduction in fund balance of \$3.0 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2023-2024 budget kept property tax rates at \$0.234499 per \$100 of valuation, which will generate an expected increase in taxes of \$4.8 million from property valuation increases. Spending in the General Fund is expected to increase to \$25 million with significant capital projects planned. The County does not anticipate any significant changes to County services or operations. The Road and Bridge Fund is anticipated to complete the TxDOT county road grant projects in fiscal year 2024. The County is also investigating the best uses of the remaining \$2.0 million from the American Rescue Plan Act.

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 demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County at (830)-780-2721.



BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Fiduciary Fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

KARNES COUNTY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 52,570,168
Investments	29,778,593
Ad Valorem Taxes Receivable (net)	577,417
Other Receivables (Net of Allowances)	5,552,513
Prepaid Expenses	173,561
<i>Total Current Assets</i>	<u>88,652,252</u>
<i>Capital Assets:</i>	
Land	175,432
Construction in Progress	1,789,841
Buildings and Improvements	31,885,980
Vehicles and Equipment	10,412,591
Infrastructure	23,693,169
Accumulated Depreciation	(15,744,112)
<i>Total Capital Assets</i>	<u>52,212,901</u>
TOTAL ASSETS	<u>140,865,153</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Other Post Employment Benefit Outflows	14,884
Deferred Pension Related Outflows	1,769,147
TOTAL DEFERRED OUTFLOWS	<u>\$ 1,784,031</u>

See accompanying notes to basic financial statements.

KARNES COUNTY
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2023

	<u>Governmental Activities</u>
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 1,792,504
Accrued Wages	216,731
Unearned Revenue	2,180,811
Accrued Compensated Absences	108,650
Current Maturities of Long-term Debt	158,999
<i>Total Current Liabilities</i>	<u>4,457,695</u>
<i>Long-term Liabilities:</i>	
Accrued Compensated Absences	108,649
Net Pension Liability	1,350,019
Total Other Post Employment Benefits Liability	145,020
<i>Total Long-term Liabilities</i>	<u>1,603,688</u>
TOTAL LIABILITIES	<u>6,061,383</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Related Inflows	239,104
Deferred Other Post Employment Benefits Inflows	22,972
TOTAL DEFERRED INFLOWS	<u>262,076</u>
NET POSITION	
Net Investment in Capital Assets	52,053,903
Restricted for:	
Elections	81,284
Legal	150,756
Judicial	852,722
Public Safety	577,339
Records Management	739,847
Sheriff	303,274
Libraries	651,886
Road and Bridge Maintenance	25,301,094
Flood Control	16,206
Unrestricted	55,597,414
TOTAL NET POSITION	<u>\$136,325,725</u>

See accompanying notes to basic financial statements.



KARNES COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions and Programs	Program Revenues				Net Revenue (Expense) and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary Government:						
<i>Governmental Activities:</i>						
Administration	\$ 4,349,275	\$ 761,005	\$ 111,483	\$ 1,078,135	\$ (2,398,652)	
Legal	469,849	-	76,292	-	(393,557)	
Judicial	1,816,521	351,193	43,522	-	(1,421,806)	
Finance	901,285	422,405	-	-	(478,880)	
Facilities	645,806	6,000	6,430	-	(633,376)	
Public Safety	7,452,147	1,187,806	75,560	-	(6,188,781)	
Health and Welfare	726,068	11,330	9,100	-	(705,638)	
Conservation	193,292	-	-	-	(193,292)	
Public Transportation	8,632,961	804,835	113,691	5,658,019	(2,056,416)	
Interest	2,574	-	-	-	(2,574)	
Total Primary Government	\$ 25,189,778	\$ 3,544,574	\$ 436,078	\$ 6,736,154	(14,472,972)	
General Revenues:						
Taxes						
Ad Valorem Taxes					20,897,468	
Sales Taxes					7,468,766	
Interest and Investment Earnings					3,772,220	
General Grants					190,139	
Oil and Gas Royalties					2,886,867	
Miscellaneous					519,905	
Total General Revenues					35,735,365	
Change in Net Position					21,262,393	
Net Position at Beginning of Year					115,063,332	
Net Position at End of Year					\$ 136,325,725	

See accompanying notes to basic financial statements.

KARNES COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Road & Bridge	<u>Major Fund</u> American Rescue Plan
ASSETS			
Cash and Cash Equivalents	\$ 20,435,172	\$ 22,358,839	\$ 2,049,111
Investments	29,635,654	-	-
Ad Valorem Taxes Receivable (net)	486,025	91,393	-
Other Receivables	1,448,439	3,916,959	-
Prepaid Items	<u>150,938</u>	<u>22,623</u>	-
TOTAL ASSETS	<u>\$ 52,156,228</u>	<u>\$ 26,389,814</u>	<u>\$ 2,049,111</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 482,530	\$ 1,055,163	\$ -
Accrued Wages	170,304	33,557	-
Unearned Revenue	<u>26,198</u>	<u>-</u>	<u>2,049,111</u>
<i>Total Liabilities</i>	<u>679,032</u>	<u>1,088,720</u>	<u>2,049,111</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Revenues - Property Taxes	486,025	91,393	-
Unavailable Revenues - EMS	<u>204,121</u>	<u>-</u>	<u>-</u>
<i>Total Liabilities</i>	<u>690,146</u>	<u>91,393</u>	<u>-</u>
<i>Fund Balances:</i>			
Nonspendable:			
Prepaid Items	150,938	22,623	-
Restricted for:			
Elections	-	-	-
Legal	-	-	-
Judicial	-	-	-
Public Safety	-	-	-
Records Management	-	-	-
Sheriff	-	-	-
Libraries	-	-	-
Road and Bridge Maintenance	-	25,187,078	-
Flood Control	-	-	-
Committed for:			
Courthouse Maintenance	-	-	-
Unassigned	<u>50,636,112</u>	<u>-</u>	<u>-</u>
<i>Total Fund Balances</i>	<u>50,787,050</u>	<u>25,209,701</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 52,156,228</u>	<u>\$ 26,389,814</u>	<u>\$ 2,049,111</u>

See accompanying notes to basic financial statements.



KARNES COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 83,680,668

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 52,212,901

Long-term liabilities, including notes payable are not due and payable in the current period and, therefore are not reported in the governmental funds. (158,999)

Net Pension Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in governmental funds.

Net Pension Liability	(1,350,019)
Pension Related Deferred Outflows	1,769,147
Pension Related Deferred Inflows	(239,104) 180,024

Other Post Employment Benefit (OPEB) Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in governmental funds.

Total Other OPEB Liability	(145,020)
OPEB Related Deferred Outflows	14,884
OPEB Related Deferred Inflows	(22,972)
	(153,108)

Other liabilities are not due and payable in the current period, and therefore, not reported in the funds.

Accrued Compensated Absences (217,299)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds. 781,538

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES

\$ 136,325,725

See accompanying notes to basic financial statements.

KARNES COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Major Fund General Fund	Major Fund Road & Bridge	Major Fund American Rescue Plan
REVENUES			
Ad Valorem Taxes	\$ 9,658,155	\$ 10,447,954	\$ -
Sales Taxes	7,468,766	-	-
Fines and Forfeitures	249,582	-	-
Charges for Services	944,332	-	-
Licenses, Permits, and Fees	775,404	840,506	-
Interest Income	2,183,234	1,190,619	100,105
Royalties	425,199	2,461,667	-
Misc Income	879,037	883	-
Grants and Donations	134,389	4,883,062	190,139
TOTAL REVENUES	22,718,098	19,824,691	290,244
EXPENDITURES			
Current:			
Administration	2,361,115	-	-
Legal	345,506	-	-
Judicial	1,508,536	-	-
Finance	902,737	-	-
Facilities	486,137	-	-
Public Safety	6,611,688	-	-
Health and Welfare	97,812	-	-
Conservation	193,757	-	-
Public Transportation	-	5,377,090	-
Capital Outlay	1,024,105	14,032,457	290,244
Debt Service:			
Principal	-	36,475	-
Interest	-	2,574	-
TOTAL EXPENDITURES	13,531,393	19,448,596	290,244
Excess (Deficiency) in Revenue Over (Under) Expenditures	9,186,705	376,095	-
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	58,950	53,000	-
Transfers In (Out)	(17,597)	-	-
TOTAL OTHER FINANCING SOURCES	41,353	53,000	-
Net Change in Fund Balance	9,228,058	429,095	-
BEGINNING FUND BALANCE	41,558,992	24,780,606	-
ENDING FUND BALANCE	\$ 50,787,050	\$ 25,209,701	\$ -

See accompanying notes to basic financial statements.

Other Nonmajor Funds	Total Governmental Funds
\$ 996,797	\$ 21,102,906
-	7,468,766
147,461	397,043
196,200	1,140,532
-	1,615,910
298,269	3,772,227
-	2,886,866
15,768	895,688
<u>2,060,152</u>	<u>7,267,742</u>
<u>3,714,647</u>	<u>46,547,680</u>
58,565	2,419,680
121,803	467,309
300,499	1,809,035
-	902,737
91,279	577,416
70,749	6,682,437
617,154	714,966
-	193,757
-	5,377,090
2,090,540	17,437,346
121,262	157,737
-	2,574
<u>3,471,851</u>	<u>36,742,084</u>
242,796	9,805,596
-	111,950
<u>17,597</u>	<u>-</u>
<u>17,597</u>	<u>111,950</u>
260,393	9,917,546
<u>7,423,524</u>	<u>73,763,122</u>
<u>\$ 7,683,917</u>	<u>\$ 83,680,668</u>



KARNES COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 9,917,546

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	13,827,626	
Depreciation Expense	<u>(2,622,092)</u>	11,205,534

The issuance of long-term debt (e.g. bonds and capital leases) provide current financial resources of governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report interest expense and compensated absences when they are due and payable, while the statement of activities recognizes interest expense and compensated absences when incurred.

Principal Payments on Long-term Debt	157,737	
Change in Compensated Absences	<u>(56,127)</u>	101,610

Governmental funds report the gross proceeds from the sale of capital assets. In the statement of activities, the proceeds are reduced by the net book value of the capital assets disposed. This amount represents the net book value of the capital assets disposed.

(103,336)

Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the expense for the pension is recorded based on the actuarially determined cost of the plan. This is the amount that the actuarially determined pension expense exceeded contributions.

233,539

Governmental funds report required contributions to Other Post Employment Benefits (OPEB) as expenditures. However, in the Statement of Activities the expense for the OPEB is recorded based on the actuarially determined cost of the plan. This is the amount that the actuarially determined OPEB expense exceeded contributions.

11,624

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

(104,124)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 21,262,393

See accompanying notes to basic financial statements.

KARNES COUNTY
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 17,072,569
Certificates of Deposit	<u>103,017</u>
TOTAL ASSETS	<u>17,175,586</u>
LIABILITIES	
Accounts Payable	<u>-</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Restricted for:	
Individuals, Organizations and other Governments	<u>17,175,586</u>
TOTAL NET POSITION	<u>\$ 17,175,586</u>

See accompanying notes to basic financial statements.

KARNES COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Custodial Funds
ADDITIONS	
Ad Valorem Tax Collections for Other Governments	\$ 25,263,589
Property Seizures	100,798
Cash Bonds	52,158
Inmate Deposits	50,294
Motor Vehicle Collections for the State	2,236,475
Interest Income	337,965
Grant Revenues Collected for Others	1,472,629
Unclaimed Oil Lease Revenues	4,707,021
TOTAL ADDITIONS	<u>34,220,929</u>
DEDUCTIONS	
Cash Bond Refunds and Forfeitures	52,248
Property Seizure Refunds and Forfeitures	132,640
Jail Commissary Purchases for Inmates	32,890
Refunds to Inmates	9,724
Oil Lease Distributions to Property Owners	3,171,775
Excess Tax Payouts to Property Owners	78,933
Grant Disbursements	1,555,818
Property Tax Distributions to Other Governments	25,052,474
Motor Vehicle Distributions to the State	2,267,435
Other Distributions	498,823
TOTAL DEDUCTIONS	<u>32,852,760</u>
Net Increase in Fiduciary Net Position	1,368,169
BEGINNING NET POSITION	15,807,417
ENDING NET POSITION	<u>\$ 17,175,586</u>

See accompanying notes to basic financial statements.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Karnes County (“County”) is a public corporation and political subdivision of the State of Texas. The County is governed by four elected Commissioners (divided into precincts) and the elected County Judge. The County provides the following services: general government (administration, judicial, legal, elections and financial administration), public safety (corrections, constables, and sheriff), public transportation (roads and bridges), health and conservation.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. REPORTING ENTITY

Component Units

Component units are legally separate entities that are, in substance, part of the government’s operations; thus, data from these units, would be combined with data of the primary government. The County does not have any component units.

Related Organizations

The County does appoint the board members of the Karnes County Emergency Services District. However, the County cannot impose its will on this district and thus it does not meet the definition of a component unit.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the County. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental, proprietary and fiduciary funds. The General Fund, American Rescue Plan and Road and Bridge Fund meet the criteria as **major funds**.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from taxes, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

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

The government reports the following major governmental funds:

General Fund is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property and sales taxes. Primary expenditures are for general administration, judicial, and public safety.

Road and Bridge Fund is used to account for property taxes and licenses committed to road and bridge maintenance in the County.

American Rescue Plan is used to account for federal grants towards addressing the effects of the coronavirus pandemic.

Fiduciary fund level financial statements are used to account resources held for others. The County's custodial funds holds property taxes for other governments, motor vehicle fees for the State and various other settlements.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the County. For the County, this includes investments in local government investment pools that are liquid and maintain a stable net asset value.

5. INVESTMENTS

State statutes authorize the County to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments in local government investment pools are reported as net asset value of \$1 per share, which approximates fair value. Investments in local government pools are liquid and available on demand. Thus, they are reported in cash and cash equivalents. The County reports investments in certificates of deposit and U.S. Agency debt instruments at fair value.

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the County has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

5. INVESTMENTS (CONT.)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the County believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

6. ACCOUNTS RECEIVABLE/REVENUE RECOGNITION

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2022 and past due after January 31, 2023. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

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

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund statements.

9. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more and a useful life in excess of two years. Infrastructure assets include County-owned streets, water system, and sewer system. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Estimated Life
Buildings and Improvements	15-50 years
Infrastructure	20-30 years
Vehicles and Equipment	3-10 years

10. COMPENSATED ABSENCES

Full-time employees earn paid time off and vacation leave at varying rates depending on length of service. Unused paid time off is not paid on termination and is not accrued in these financial statements. Vacation leave is paid on termination. Accumulated, unused vacation time is accrued as incurred in the government-wide statements. However, it is recognized on the governmental fund statements when it is due and payable.

11. UNAVAILABLE/UNEARNED REVENUE

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as unavailable revenue (a deferred inflow of resources). Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

12. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

13. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt (including capital leases) and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the discount. Bond issuance costs are expensed as incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

14. PENSIONS

The net pension liability, deferred inflows, and outflows 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 and deductions from TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

16. FUND BALANCES

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for a specific purpose by a resolution of Commissioners' Court. Committed amounts cannot be used for any other purpose unless Commissioners' Court removes those constraints through the same formal action.

Assigned - Represents amounts which the County intends to use for a specific purpose but do not meet the criteria of restricted or committed. The Commissioners' Court may delegate authority for assignments to other officials in the County.

Unassigned - Represents the residual balance that may be spent on any other purpose of the County.

When an expenditure is incurred for a purpose in which multiple classifications are available, the County considers restricted balances spent first, committed second and assigned third.

17. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

18. COMPARATIVE DATA/RECLASSIFICATIONS

Comparative data for the prior year (where provided) includes certain reclassifications to conform to the 2023 presentation. These reclassifications had no effect on the changes in fund balance/net position except as noted in the prior period adjustment note to the financial statements.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE B -- DEPOSITS AND INVESTMENTS

1. Deposits

The County maintains deposits at one institution that provides a combination of pledged collateral and FDIC insurance to completely collateralize the County's deposits, including certificates.

2. Investments

As of September 30, 2023, the County's investments included \$23.7 million in Texas Class and \$27.0 million in Texpool, both AAAm rated local government investment pools. The investments are reported in cash and equivalents at \$1 per share, which approximates fair value. Both of these pools are available on demand and reporting in cash and cash equivalents.

In addition, the County had the following investments reported at fair value based on level 2 inputs:

	General Fund	Nonmajor Funds	Fiduciary Funds
Certificates of Deposit	\$ 9,867,604	\$ 142,939	\$ 103,017
US Government Agency Bonds	<u>19,768,050</u>	<u>-</u>	<u>-</u>
Total Reported as Investments	<u>\$ 29,635,654</u>	<u>\$ 142,939</u>	<u>\$ 103,017</u>

The County has materially complied with the provisions of the Public Funds Investment Act, by investing in qualified vehicles, adopting an investment policy, naming an investment officer, and attending the required training.

NOTE C -- PROPERTY TAX CALENDAR

The County's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the County. Assessed values are established by the Karnes County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2022, upon which the fiscal 2023 levy was based, was \$8.9 billion (i.e., market value less exemptions).

The County is permitted by the Constitution of the State of Texas to levy taxes up to \$0.80 per \$100 of taxable assessed valuation for all governmental purposes. Taxes for voter approved debt service are generally unlimited. The tax rate to finance general governmental services for the year ended September 30, 2023 was \$0.234499 per \$100 of assessed value. Generally, the County may only increase the maintenance and operations tax levy 3.5% each year without first obtaining voter approval.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE D -- RECEIVABLES

Receivables for the County as of September 30, 2023 are as follows:

	General Fund	Road & Bridge	Nonmajor Funds
Ad Valorem Taxes	\$ 540,027	\$ 101,547	\$ -
Allowance for Doubtful Tax Accounts	(54,002)	(10,154)	-
Sales and Mixed Beverage Tax	1,005,791	-	-
Grant Receivable	-	3,835,427	165,978
Interest Receivable	199,300	81,532	21,138
Other Receivables	42	-	-
EMS Services	715,605	-	-
Allowance for Doubtful EMS Accounts	<u>(472,299)</u>	<u>-</u>	<u>-</u>
 Total Receivables	 <u>\$ 1,934,464</u>	 <u>\$ 4,008,352</u>	 <u>\$ 187,116</u>

NOTE E -- CAPITAL ASSETS

Capital asset activity in the governmental funds for the year ended September 30, 2023, was as follows:

	Balance 10/1/2022	Additions	Disposals/ Transfers	Balance 9/30/2023
<i>Governmental Activities</i>				
Land	\$ 175,432	\$ -	\$ -	\$ 175,432
Construction in Progress	3,787,189	11,094,993	(13,092,341)	1,789,841
Buildings and Improvements	31,022,776	863,204	-	31,885,980
Infrastructure	10,600,828	-	13,092,341	23,693,169
Vehicles and Equipment	<u>9,541,465</u>	<u>1,869,429</u>	<u>(998,303)</u>	<u>10,412,591</u>
	<u>55,127,690</u>	<u>13,827,626</u>	<u>(998,303)</u>	<u>67,957,013</u>
 Less Accumulated Depreciation				
Buildings and Improvements	(5,211,439)	(1,000,941)	-	(6,212,380)
Infrastructure	(7,069,302)	(695,697)	-	(7,764,999)
Vehicles and Equipment	<u>(1,736,246)</u>	<u>(925,454)</u>	<u>894,967</u>	<u>(1,766,733)</u>
	<u>(14,016,987)</u>	<u>(2,622,092)</u>	<u>894,967</u>	<u>(15,744,112)</u>
 Governmental Activities, Net	 <u>\$ 41,110,703</u>	<u>\$ 11,205,534</u>	<u>\$ (103,336)</u>	<u>\$ 52,212,901</u>

Land and Construction in Progress are not depreciated.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE E -- CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 638,951
Public Safety	793,136
Health and Welfare	9,597
Public Transportation	<u>1,180,408</u>
Total Depreciation Expense -	
Governmental Activities	<u>\$ 2,622,092</u>

NOTE F -- LONG-TERM DEBT

Changes in long-term debt were as follows:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023
<i>Governmental Activities:</i>				
Notes Payable	\$ 316,736	\$ -	\$ (157,737)	\$ 158,999
Compensated Absences	161,172	136,713	(80,586)	217,299
Net Pension Liability (Asset)	(1,847,041)	5,189,554	(1,992,494)	1,350,019
Total OPEB Liability	155,174	17,054	(27,208)	145,020
<i>Total Government</i>	<u>\$ (1,213,959)</u>	<u>\$ 5,343,321</u>	<u>\$ (2,258,025)</u>	<u>\$ 1,871,337</u>

The General Fund and Road and Bridge Fund are generally charged with servicing these obligations.

NOTE G -- NOTES PAYABLE

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
<i>Governmental Activities:</i>					
Notes Payable	\$ 316,736	\$ -	\$ (157,737)	\$ 158,999	\$ 158,999
<i>Total Government</i>	<u>\$ 316,736</u>	<u>\$ -</u>	<u>\$ (157,737)</u>	<u>\$ 158,999</u>	<u>\$ 158,999</u>

In 2020 the County entered in a financing agreement for an asphalt zipper. The agreement requires annual payments of \$39,049 through September 2024, bears interest at 3.46%, and is serviced by the Road and Bridge Fund. In addition, contracts to digitize County records were completed in 2020 with a five year payment plan with no interest. These agreements are treated as notes payable and require annual payments of \$121,262 through 2024. Requirements for future debt service are as follows:

Year Ending	Principal	Interest	Total
September 30,			
2024	\$ 158,999	\$ 1,312	\$ 160,311
<i>Total</i>	<u>\$ 158,999</u>	<u>\$ 1,312</u>	<u>\$ 160,311</u>

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE H -- PENSION PLAN

Plan Description

The County participates as one of 830 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCDRS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCDRS is responsible for the administration and management of the system. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS. Members can retire at age 60 and above with 8 or more years of service or with 20 years regardless of age or when the sum of their age and years of service equals 75 or more. A member is vested after 8 years but must leave his accumulated contributions in the plan. Members who withdraw their personal contributions in a partial lump sum are entitled to any amounts contributed by the employer.

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

Benefits Provided

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the County-financed monetary credits with interest were used to purchase an annuity.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	111
Inactive Employees Entitled to but Not Yet Receiving Benefits	335
Active employees	<u>199</u>
	<u><u>645</u></u>

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE H -- PENSION PLAN (Continued)

Contributions

The County has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The actuarially determined rates were 11.77% and 10.80% for the calendar years of 2022 and 2023, respectively. The County contributed the required amount for the year ending September 30, 2023.

The contribution rate payable by the employee members is 7% as adopted by the governing body of the County. The employee deposit 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 has adopted a matching rate of 200% with 125% prior service credits. Employees may take a partial lump sum on retirement.

Actuarial Assumptions

The County's net pension liability (NPL) was measured as of December 31, 2022 and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	17.7 Years
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The long-term expected rate of return on pension plan investments is 7.50%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE H -- PENSION PLAN (Continued)

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 2023 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 long-term time horizon; the most recent analysis was performed in March 2021. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return
U.S. Equities	11.5%	5.0%
Global Equity	2.5%	4.95%
International Developed Markets	5.0%	4.95%
International Emerging Markets	6.0%	4.95%
Investment Grade Bonds	3.0%	2.40%
Strategic Credit	9.0%	3.39%
Direct Lending	16.0%	6.95%
Distressed Debt	4.0%	7.60%
REIT Equities	2.0%	4.15%
Master Limited Partnerships (MLPs)	2.0%	5.30%
Private Real Estate Partnerships	6.0%	5.70%
Private Equity	25.0%	7.95%
Hedge Funds	6.0%	2.90%
Cash Equivalents	2.0%	0.20%
	<u>100%</u>	

The discount rate used to measure the Total Pension Liability (or asset) was 7.60%. 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 pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability (or asset).

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate		
	1% Decrease	7.60%	1% Increase
Net Pension Liability (Asset)	\$ 5,547,660	\$ 1,350,019	\$ 2,123,280

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE H -- PENSION PLAN (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2022:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2021	\$ 28,095,341	\$ 29,942,382	\$ (1,847,041)
Changes for the year:			
Service Cost	1,236,501	-	1,236,501
Interest	2,174,004	-	2,174,004
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(185,884)	-	(185,884)
Changes of Assumptions	-	-	-
Refund of Contributions	(283,714)	(283,714)	-
Benefit Payments	(1,196,444)	(1,196,444)	-
Administrative Expense	-	(16,696)	16,696
Contributions - Employee	-	646,432	(646,432)
Net Investment Income	-	(1,779,049)	1,779,049
Contributions - Employer	-	1,087,249	(1,087,249)
Other Changes	-	89,625	(89,625)
Net Changes	1,744,463	(1,452,597)	3,197,060
Balance at December 31, 2022	\$ 29,839,804	\$ 28,489,785	\$ 1,350,019

Pension Plan Fiduciary Net Position

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

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE H -- PENSION PLAN (Continued)

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

For the year ended September 30, 2023, the County recognized pension expense of \$772,996. Also as of September 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 213,837
Changes in Actuarial Assumptions	375,610	25,267
Differences Between Projected and Actual Investment Earnings	653,699	-
Contributions Subsequent to the Measurement Date	739,838	-
	<u>\$ 1,769,147</u>	<u>\$ 239,104</u>

Deferred outflows of resources in the amount of \$739,838 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,

2023	\$ (87,928)
2024	(45,553)
2025	110,318
2026	813,368
2027	-
Thereafter	<u>-</u>
	<u>\$ 790,205</u>

NOTE I -- OTHER POST-EMPLOYMENT BENEFIT

Eligible retirees of the County may participate in the health insurance plan of the County at the retiree's cost. Eligible employees are those that attain 30 years of service, regardless of age, or age plus service equal to 75. Retired elected officials with 12 years of service and age 55 are also eligible. Retirees are eligible for medical benefits as provided in the plan until age 65. Medical coverage for medicare eligible retirees is provided through the Silver Choice plan and is 100% paid for by the retiree.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE I -- OTHER POST-EMPLOYMENT BENEFIT (Continued)

Membership in the plan at September 30, 2023, the valuation date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	3
Inactive Employees Entitled to but Not Yet Receiving Benefits	0
Active employees	<u>161</u>
	<u><u>164</u></u>

This County does not maintain a separate trust for this plan and is not accumulating assets to service the other post-employment benefit. Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of employees attaining eligibility. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.50%
Salary Increases	3.50%
Discount Rate	4.77% (S&P Municipal Bond 20 Year High Grade Index)
Mortality Rates	RPH-2014 Total Table with Projection MP-2021
Turnover	Rates are based on TCDRS assumptions from 2017.
Health Care Trend Rates	Level trend rate of 4.50%
Participation Rates	Assumed 25% of all active employees who currently have coverage will continue with coverage upon retirement. Those with family coverage, 5% will elect to continue with coverage including the spouse and the remainder will elect individual coverage.

The following tables present the sensitivity of the TOL to a 1% swing in the discount rate and health care cost trend rate:

	Healthcare		
	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	\$ 132,374	\$ 145,020	\$ 160,326
Discount Rate			
Total OPEB Liability	\$ 156,040	\$ 145,020	\$ 135,157

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE I -- OTHER POSTEMPLOYMENT BENEFIT (Continued)

The County's Total OPEB Liability (TOL), based on the above actuarial factors, as of September 30, 2023, the measurement date, was calculated as follows:

	<u>Total OPEB Liability</u>
Balance at September 30, 2022	<u>\$ 155,174</u>
Changes for the year:	
Service Cost	9,832
Interest	7,222
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions or Other Inputs	-
Benefit Payments	<u>(27,208)</u>
Net Changes	<u>(10,154)</u>
Balance at September 30, 2023	<u>\$ 145,020</u>

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

For the year ended September 30, 2023, the County recognized OPEB expense of \$16,124. In addition, the following deferred inflows and outflows were reported as of September 30, 2023 related to the benefit:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Actuarial Assumptions	\$ 10,050	\$ 22,689
Changes in Experience	4,834	283
Contributions Subsequent to the Measurement Date	-	-
	<u>\$ 14,884</u>	<u>\$ 22,972</u>

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE I -- OTHER POSTEMPLOYMENT BENEFIT (Continued)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year ended September 30,

2024	\$	(930)
2025		(930)
2026		(930)
2027		(2,263)
2028		(3,035)
Thereafter		-
	\$	(8,088)

NOTE J – TAX ABATEMENTS

The County provides tax abatements to incentivize development and provide economic growth in the County. As of September 30, 2023, the County had one such agreement. In exchange for improvements in the County, the County will rebate 100% of the incremental property tax revenue and 100% of the incremental sales tax revenue generated by the project for a term of 10 years (through November 2026) or until a total rebate of \$300,000 is achieved. During the year ended September 30, 2023, the County rebated \$16,976 in property taxes and \$25,078 in sales tax. The remaining potential future year rebates are \$5,252.

NOTE K -- RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The County contracts with the Texas Association of Counties Risk Management Pool (“Pool”) to provide insurance coverage for liability, property and casualty, auto liability and workers compensation. The Pool is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the County is generally limited to the contributed amounts for losses up to coverage limits.

NOTE L – INTERFUND TRANSFERS

The following transfers occurred during the year ending September 30, 2023:

From	To	Amount	Purpose
General Fund	Nonmajor Governmental	\$ 17,597	Grant Match
		\$ 17,597	

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

NOTE M -- LITIGATION

The County is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the County's liability in these cases, if decided adversely to the County, will not have a material effect on the County's financial position.

NOTE N -- COMMITMENTS

As of September 30, 2023, the County had the following outstanding commitments for contracts awarded:

<u>Project</u>	<u>Estimated Project Cost to County</u>	<u>Expended through 9/30/23</u>	<u>Estimated Future Commitment</u>
County Road Improvements	\$ 1,197,240	\$ 769,136	\$ 428,104
Flood Plan	825,000	717,150	107,850
	<u>\$ 2,022,240</u>	<u>\$ 1,486,286</u>	<u>\$ 535,954</u>

NOTE O -- SUBSEQUENT EVENT

Effective October 2023, the County will allow retirees to participate in the County's health plan without paying premiums. This will increase the future other post-employment benefit liability valuations.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Road and Bridge Fund
- Schedule of Changes - Net Pension Liability and Related Ratios
- Schedule of Contributions – Defined Benefit Pension Plan
- Schedule of Changes – Total Other Post-Employment Benefit Liability and Related Ratios

KARNES COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget Amounts		Actual Amounts	Variance
	Original	Final		
REVENUES				
Ad Valorem Taxes	\$ 9,385,661	\$ 9,385,661	\$ 9,658,155	\$ 272,494
Sales Taxes	4,500,000	4,500,000	7,468,766	2,968,766
Fines and Forfeitures	370,000	370,000	249,582	(120,418)
Charges for Services	753,750	753,750	944,332	190,582
Licenses, Permits, and Fees	375,750	375,750	775,404	399,654
Interest Income	475,005	475,005	2,183,234	1,708,229
Royalties	254,000	254,000	425,199	171,199
Misc Income	301,500	521,751	879,037	357,286
Grants and Donations	78,256	109,602	134,389	24,787
TOTAL REVENUES	16,493,922	16,745,519	22,718,098	5,972,579
EXPENDITURES				
<i>Current:</i>				
<i>Administration:</i>				
County Judge	191,923	191,923	190,541	1,382
County Clerk	407,428	407,428	385,738	21,690
Nondepartmental	833,616	542,809	509,794	33,015
Elections	182,054	186,144	183,848	2,296
Waste & Recycle	109,315	109,315	88,376	20,939
Other Agency Support	273,210	273,210	257,855	15,355
Commissioners	359,297	359,297	356,609	2,688
Human Resources	151,274	151,274	107,023	44,251
Information Technology	250,141	322,476	281,331	41,145
<i>Legal:</i>				
County Attorney	374,145	374,145	345,506	28,639
<i>Judicial:</i>				
District Clerk	344,906	344,906	333,216	11,690
Justices of the Peace	654,268	654,268	627,313	26,955
Judicial Court	673,497	673,497	548,007	125,490
<i>Finance:</i>				
County Auditor	301,683	301,683	295,084	6,599
County Treasurer	214,054	214,054	207,996	6,058
Tax Assessor	440,717	440,717	399,657	41,060
<i>Facilities</i>	457,397	505,897	486,137	19,760
<i>Public Safety:</i>				
Emergency Medical Services	2,408,306	2,538,000	2,535,810	2,190
Constables	249,134	252,633	253,375	(742)
County Sheriff	4,432,787	4,362,678	3,778,022	584,656
DPS	\$ 56,883	\$ 56,883	\$ 44,481	\$ 12,402

KARNES COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget Amounts		Actual Amounts	Variance		
	Original	Final				
EXPENDITURES (CONT.)						
<i>Current (Cont.):</i>						
<i>Health and Welfare:</i>						
Veterans	\$ 28,269	\$ 28,269	\$ 26,999	\$ 1,270		
Health	35,648	35,648	35,605	43		
Welfare	52,250	52,250	35,208	17,042		
<i>Conservation</i>	190,412	195,178	193,757	1,421		
Capital Outlay	7,629,826	5,959,224	1,024,105	4,935,119		
TOTAL EXPENDITURES	21,302,440	19,533,806	13,531,393	6,002,413		
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,808,518)	(2,788,287)	9,186,705	11,974,992		
OTHER FINANCING SOURCES (OFS)						
Sale of Capital Assets	25,000	25,000	58,950	33,950		
Transfer In (Out)	(190,512)	(190,512)	(17,597)	172,915		
TOTAL OFS	(165,512)	(165,512)	41,353	206,865		
NET CHANGE IN FUND BALANCE	(4,974,030)	(2,953,799)	9,228,058	12,181,857		
BEGINNING FUND BALANCE	41,558,992	41,558,992	41,558,992	-		
ENDING FUND BALANCE	\$ 36,584,962	\$ 38,605,193	\$ 50,787,050	\$ 12,181,857		

KARNES COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL – ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget Amounts		Actual	
	Original	Final	Amounts	Variance
REVENUES				
Ad Valorem Taxes	\$ 10,088,371	\$ 10,088,371	\$ 10,447,954	\$ 359,583
Licenses, Permits, and Fees	815,000	815,000	840,506	25,506
Interest Income	150,325	150,325	1,190,619	1,040,294
Royalties	1,850,000	1,850,000	2,461,667	611,667
Misc Income	-	-	883	883
Grants and Donations	6,203,200	6,203,200	4,883,062	(1,320,138)
TOTAL REVENUES	19,106,896	19,106,896	19,824,691	717,795
EXPENDITURES				
<i>Current:</i>				
Public Transportation	5,800,041	6,199,191	5,377,090	822,101
Capital Outlay	14,589,551	16,209,201	14,032,457	2,176,744
<i>Debt Service:</i>				
Principal	36,475	36,475	36,475	-
Interest	2,574	2,574	2,574	-
TOTAL EXPENDITURES	20,428,641	22,447,441	19,448,596	2,998,845
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,321,745)	(3,340,545)	376,095	3,716,640
OTHER FINANCING SOURCES (OFS)				
Sale of Capital Assets	90,500	90,500	53,000	(37,500)
TOTAL OFS	90,500	90,500	53,000	(37,500)
Net Change in Fund Balance	(1,231,245)	(3,250,045)	429,095	3,679,140
BEGINNING FUND BALANCE	24,780,606	24,780,606	24,780,606	-
ENDING FUND BALANCE	\$ 23,549,361	\$ 21,530,561	\$ 25,209,701	\$ 3,679,140

KARNES COUNTY
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2023

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The County maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by Commissioners' Court and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund and Road and Bridge Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The County uses encumbrances throughout the year, however all encumbrances are closed at year end. Accordingly, no encumbrances are reported in these financial statements.

KARNES COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS
LAST NINE PLAN (CALENDAR) YEARS

	Total Pension Liability		
	2014	2015	2016
Service Cost	\$ 685,309	\$ 865,719	\$ 1,143,857
Interest (on the Total Pension Liability)	1,161,338	1,247,626	1,367,975
Changes of Benefit Terms	-	(172,224)	-
Change of Assumptions	-	206,651	-
Difference between Expected and Actual Experience	40,974	203,545	(575,439)
Benefit Payments, Including Refunds of Employee Contributions	<u>(880,293)</u>	<u>(976,905)</u>	<u>(993,459)</u>
Net Change in Total Pension Liability	1,007,328	1,374,412	942,934
Total Pension Liability - Beginning	<u>14,433,100</u>	<u>15,440,428</u>	<u>16,814,840</u>
Total Pension Liability - Ending	<u><u>\$ 15,440,428</u></u>	<u><u>\$ 16,814,840</u></u>	<u><u>\$ 17,757,774</u></u>
Plan Fiduciary Net Position	2014	2015	2016
Contributions - Employer	\$ 749,548	\$ 883,694	\$ 784,312
Contributions - Employee	378,833	520,696	506,474
Net Investment Income	898,729	14,755	1,075,034
Benefit Payments, Including Refunds of Employee Contributions	<u>(880,293)</u>	<u>(976,905)</u>	<u>(993,459)</u>
Administrative Expense	<u>(10,539)</u>	<u>(10,450)</u>	<u>(11,911)</u>
Other	<u>(47,963)</u>	<u>130,457</u>	<u>(166,687)</u>
Net Change	<u>1,088,315</u>	<u>562,247</u>	<u>1,193,763</u>
Beginning Plan Fiduciary Net Postion	<u><u>13,140,555</u></u>	<u><u>14,228,870</u></u>	<u><u>14,791,117</u></u>
Ending Plan Fiduciary Net Postion	<u><u>\$ 14,228,870</u></u>	<u><u>\$ 14,791,117</u></u>	<u><u>\$ 15,984,880</u></u>
Net Pension Liability (Asset) - Ending	\$ 1,211,558	\$ 2,023,723	\$ 1,772,894
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.15%	87.96%	90.02%
Covered Payroll	\$ 5,411,897	\$ 7,438,508	\$ 7,235,338
Net Pension Liability as a Percentage of Covered Payroll	22.39%	27.21%	24.50%

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.

Total Pension Liability						
2017	2018	2019	2020	2021	2022	
\$ 1,038,576	\$ 997,744	\$ 1,055,402	\$ 1,206,241	\$ 1,313,499	\$ 1,236,501	
1,482,025	1,595,093	1,738,727	1,912,202	2,050,526	2,174,004	
-	442,312	-	-	-	-	
159,391	-	-	1,502,443	(75,799)	-	
(193,880)	(197,727)	351,895	(117,319)	(181,757)	(185,884)	
(1,019,347)	(1,080,581)	(1,164,708)	(1,145,307)	(1,332,084)	(1,480,158)	
1,466,765	1,756,841	1,981,316	3,358,260	1,774,385	1,744,463	
17,757,774	19,224,539	20,981,380	22,962,696	26,320,956	28,095,341	
<u>\$ 19,224,539</u>	<u>\$ 20,981,380</u>	<u>\$ 22,962,696</u>	<u>\$ 26,320,956</u>	<u>\$ 28,095,341</u>	<u>\$ 29,839,804</u>	
Plan Fiduciary Net Position						
2017	2018	2019	2020	2021	2022	
\$ 711,087	\$ 770,885	\$ 922,742	\$ 957,038	\$ 940,383	\$ 1,087,249	
486,092	528,482	583,486	611,804	612,778	646,432	
2,336,095	(341,999)	3,014,599	2,243,960	5,374,022	(1,779,049)	
(1,019,347)	(1,080,581)	(1,164,709)	(1,145,307)	(1,332,084)	(1,480,158)	
(12,296)	(14,746)	(16,546)	(17,818)	(16,199)	(16,696)	
2,268	8,376	14,716	(12,647)	12,968	89,625	
2,503,899	(129,583)	3,354,288	2,637,030	5,591,868	(1,452,597)	
15,984,880	18,488,779	18,359,196	21,713,484	24,350,514	29,942,382	
<u>\$ 18,488,779</u>	<u>\$ 18,359,196</u>	<u>\$ 21,713,484</u>	<u>\$ 24,350,514</u>	<u>\$ 29,942,382</u>	<u>\$ 28,489,785</u>	
\$ 735,760	\$ 2,622,184	\$ 1,249,212	\$ 1,970,442	\$ (1,847,041)	\$ 1,350,019	
96.17%	87.50%	94.56%	92.51%	106.57%	95.48%	
\$ 6,944,176	\$ 7,448,138	\$ 8,335,510	\$ 8,740,056	\$ 8,753,973	\$ 9,234,737	
10.60%	35.21%	14.99%	22.54%	-21.10%	14.62%	



KARNES COUNTY
SCHEDULE OF COUNTY CONTRIBUTIONS – PENSION PLAN
LAST NINE FISCAL YEARS

Fiscal Year Ending September 30,	Contributions in Relation to the Actuarially Determined Contribution			Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Determined Contribution	Contribution Deficiency (Excess)			
2023	\$ 982,799	\$ 982,799	\$ -	\$ 8,914,578	11.0%	
2022	1,070,729	1,070,729	-	9,300,964	11.5%	
2021	938,397	938,397	-	8,016,470	11.7%	
2020	946,700	946,700	-	8,620,438	11.0%	
2019	890,196	890,196	-	8,181,167	10.9%	
2018	745,412	745,412	-	7,222,469	10.3%	
2017	720,776	720,776	-	6,927,236	10.4%	
2016	825,105	825,105	-	7,412,004	11.1%	
2015	836,094	836,094	-	6,799,850	12.3%	

Notes to Schedule of Contributions

Changes in Benefit Terms:

2017: New annuity purchase rates for benefits earned after 2017.

2019: Employer contributions reflect a 50% CPI COLA was adopted

Changes in Assumptions:

2015: New inflation, mortality and other assumptions

2017: New mortality assumptions

2019: New inflation, mortality and other assumptions

2022: New investment return and inflation assumptions

KARNES COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND
RELATED RATIOS
RETIREE INSURANCE
LAST SIX FISCAL YEARS

	Total OPEB Liability		
	2018	2019	2020
Service Cost	\$ 9,799	\$ 10,197	\$ 10,197
Interest	6,134	6,083	6,697
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	-	-	(603)
Changes in Assumptions or Other Inputs	-	-	21,470
Benefit Payments	<u>(7,404)</u>	<u>(7,404)</u>	<u>(15,292)</u>
Net Change in Total Pension Liability	8,529	8,876	22,469
Total OPEB Liability - Beginning	<u>144,992</u>	<u>153,521</u>	<u>162,397</u>
Total OPEB Liability - Ending	<u>\$ 153,521</u>	<u>\$ 162,397</u>	<u>\$ 184,866</u>
Covered Employee Payroll	\$ 6,210,472	\$ 6,210,472	\$ 7,252,139
Total OPEB Liability as a Percentage of Covered Employee Payroll	2.47%	2.61%	2.55%

No assets are accumulated in a trust that meets the criteria
in paragraph 4 of Statement No. 75 to pay related benefits.

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.

Total OPEB Liability		
2021	2022	2023
\$ 14,780	\$ 14,780	\$ 9,832
4,320	4,272	7,222
-	-	-
-	6,832	-
-	(32,176)	-
(15,292)	(27,208)	(27,208)
3,808	(33,500)	(10,154)
184,866	188,674	155,174
<u>\$ 188,674</u>	<u>\$ 155,174</u>	<u>\$ 145,020</u>
\$ 7,252,139	\$ 7,347,746	\$ 7,347,746
2.60%	2.11%	1.97%



SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Combining Statements – Nonmajor Funds
- Comparative Statements
 - General Fund
 - Road and Bridge Fund

KARNES COUNTY
COMBINING BALANCE SHEET – NONMAJOR FUNDS
SEPTEMBER 30, 2023

	Special Revenue			
	County & District Clerk Records	General Records Management	Law Library	Court Guardianship
ASSETS				
Cash and Cash Equivalents	\$ 668,870	\$ 92,426	\$ 59,162	\$ 9,955
Certificates of Deposit	-	-	-	-
Other Receivables	-	-	-	-
TOTAL ASSETS	<u>\$ 668,870</u>	<u>\$ 92,426</u>	<u>\$ 59,162</u>	<u>\$ 9,955</u>
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ 649	\$ -
Accrued Wages	-	-	-	-
Unearned Grant Revenue	-	-	-	-
<i>Total Liabilities</i>	-	-	649	-
<i>Fund Balances:</i>				
Restricted for:				
Elections	-	-	-	-
Legal	-	92,426	-	9,955
Judicial	-	-	-	-
Public Safety	-	-	-	-
Records Management	668,870	-	58,513	-
Sheriff	-	-	-	-
Libraries	-	-	-	-
Flood Control	-	-	-	-
Committed for:				
Courthouse Maintenance	-	-	-	-
<i>Total Fund Balances</i>	<u>668,870</u>	<u>92,426</u>	<u>58,513</u>	<u>9,955</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 668,870</u>	<u>\$ 92,426</u>	<u>\$ 59,162</u>	<u>\$ 9,955</u>

Special Revenue					
Court Records Preservation	JP Court Security & Technology	Contract Election Funds	Pretrial Diversion	Court Reporter	Jury Fund
\$ 12,464	\$ 167,151	\$ 100,355	\$ 97,476	\$ 75,140	\$ 116,954
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 12,464</u>	<u>\$ 167,151</u>	<u>\$ 100,355</u>	<u>\$ 97,476</u>	<u>\$ 75,140</u>	<u>\$ 116,954</u>
\$ -	\$ -	\$ 19,190	\$ -	\$ -	\$ 716
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>19,190</u>	<u>-</u>	<u>-</u>	<u>716</u>
-	-	81,165	-	-	-
-	-	-	-	-	-
-	167,151	-	97,476	75,140	116,238
-	-	-	-	-	-
12,464	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>81,165</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>12,464</u>	<u>167,151</u>	<u>81,165</u>	<u>97,476</u>	<u>75,140</u>	<u>116,238</u>
<u>\$ 12,464</u>	<u>\$ 167,151</u>	<u>\$ 100,355</u>	<u>\$ 97,476</u>	<u>\$ 75,140</u>	<u>\$ 116,954</u>

KARNES COUNTY
COMBINING BALANCE SHEET – NONMAJOR FUNDS (CONTINUED)
SEPTEMBER 30, 2023

	Special Revenue			
	Emergency Management	HAVA	Court Security	County Libraries
ASSETS				
Cash and Cash Equivalents	\$ 562,293	\$ 119	\$ 393,232	\$ 529,270
Certificates of Deposit	-	-	-	142,939
Other Receivables	-	-	-	-
TOTAL ASSETS	\$ 562,293	\$ 119	\$ 393,232	\$ 672,209
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 152	\$ -	\$ 536	\$ 12,864
Accrued Wages	-	-	5,411	7,459
Unearned Grant Revenue	-	-	-	-
<i>Total Liabilities</i>	152	-	5,947	20,323
<i>Fund Balances:</i>				
Restricted for:				
Elections	-	119	-	-
Legal	-	-	-	-
Judicial	-	-	387,285	-
Public Safety	562,141	-	-	-
Records Management	-	-	-	-
Sheriff	-	-	-	-
Libraries	-	-	-	651,886
Flood Control	-	-	-	-
Committed for:				
Courthouse Maintenance	-	-	-	-
<i>Total Fund Balances</i>	562,141	119	387,285	651,886
TOTAL LIABILITIES AND FUND BALANCES	\$ 562,293	\$ 119	\$ 393,232	\$ 672,209

Special Revenue

Federal	Special Revenue					County
Asset Forfeiture	Courthouse Maintenance	Sheriff Forfeiture	Sheriff Donation	EMS Donation	Attorney Hot Check	
\$ 2,850	\$ 4,289,613	\$ 277,471	\$ 26,424	\$ 13,915	\$ 710	
-	-	-	-	-	-	
-	21,138	-	-	-	-	
<u>\$ 2,850</u>	<u>\$ 4,310,751</u>	<u>\$ 277,471</u>	<u>\$ 26,424</u>	<u>\$ 13,915</u>	<u>\$ 710</u>	
\$ -	\$ 148	\$ -	\$ 621	\$ 1,567	\$ -	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>-</u>	<u>148</u>	<u>-</u>	<u>621</u>	<u>1,567</u>	<u>-</u>	
-	-	-	-	-	-	
-	-	-	-	-	710	
-	-	-	-	-	-	
2,850	-	-	-	12,348	-	
-	-	-	-	-	-	
-	-	277,471	25,803	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>-</u>	<u>4,310,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>2,850</u>	<u>4,310,603</u>	<u>277,471</u>	<u>25,803</u>	<u>12,348</u>	<u>710</u>	
<u>\$ 2,850</u>	<u>\$ 4,310,751</u>	<u>\$ 277,471</u>	<u>\$ 26,424</u>	<u>\$ 13,915</u>	<u>\$ 710</u>	

KARNES COUNTY
COMBINING BALANCE SHEET – NONMAJOR FUNDS (CONTINUED)
SEPTEMBER 30, 2023

	Special Revenue			
	County Attorney Forfeiture	Court Facility Fee	Justice Court Building Security	Language Access
	-	-	-	-
	-	-	-	-
ASSETS				
Cash and Cash Equivalents	\$ 47,665	\$ 6,731	\$ 776	\$ 1,925
Certificates of Deposit	-	-	-	-
Other Receivables	-	-	-	-
TOTAL ASSETS	\$ 47,665	\$ 6,731	\$ 776	\$ 1,925
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Wages	-	-	-	-
Unearned Grant Revenue	-	-	-	-
<i>Total Liabilities</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Fund Balances:</i>				
Restricted for:				
Elections	-	-	-	-
Legal	47,665	-	-	-
Judicial	-	6,731	776	1,925
Public Safety	-	-	-	-
Records Management	-	-	-	-
Sheriff	-	-	-	-
Libraries	-	-	-	-
Flood Control	-	-	-	-
Committed for:				
Courthouse Maintenance	-	-	-	-
<i>Total Fund Balances</i>	<i>47,665</i>	<i>6,731</i>	<i>776</i>	<i>1,925</i>
TOTAL LIABILITIES AND FUND BALANCES	\$ 47,665	\$ 6,731	\$ 776	\$ 1,925

Special Revenue				
Victim Services Coordinator	Total Special Revenue	Capital Grant Projects	Total Nonmajor Funds	
\$ -	\$ 7,552,947	\$ 178,235	\$ 7,731,182	
-	142,939	-	142,939	
<u>4,477</u>	<u>25,615</u>	<u>161,501</u>	<u>187,116</u>	
\$ 4,477	\$ 7,721,501	\$ 339,736	\$ 8,061,237	
\$ 4,477	\$ 40,920	\$ 218,028	\$ 258,948	
-	12,870	-	12,870	
-	-	105,502	105,502	
<u>4,477</u>	<u>53,790</u>	<u>323,530</u>	<u>377,320</u>	
-	81,284	-	81,284	
-	150,756	-	150,756	
-	852,722	-	852,722	
-	577,339	-	577,339	
-	739,847	-	739,847	
-	303,274	-	303,274	
-	651,886	-	651,886	
-	-	16,206	16,206	
<u>-</u>	<u>4,310,603</u>	<u>-</u>	<u>4,310,603</u>	
<u>-</u>	<u>7,667,711</u>	<u>16,206</u>	<u>7,683,917</u>	
\$ 4,477	\$ 7,721,501	\$ 339,736	\$ 8,061,237	

KARNES COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – NONMAJOR FUNDS
FOR THE YEAR ENDING SEPTEMBER 30, 2023

	Special Revenue			
	County & District Clerk Records	General Records Management	Law Library	Court Guardianship
	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>OTHER FINANCING SOURCES (USES)</u>	<u>BEGINNING FUND BALANCE</u>
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	-	-
Charges for Services	84,317	3	7,870	1,154
Interest Income	27,161	-	-	-
Miscellaneous	-	-	-	-
Grants and Donations	-	-	-	-
TOTAL REVENUES	<u>111,478</u>	<u>3</u>	<u>7,870</u>	<u>1,154</u>
Administration	224	-	-	-
Legal	-	-	3,845	-
Judicial	-	-	-	-
Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Debt Service:				
Principal	121,262	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>121,486</u>	<u>-</u>	<u>3,845</u>	<u>-</u>
Excess (Deficiency) in Revenue Over (Under) Expenditures	(10,008)	3	4,025	1,154
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(10,008)	3	4,025	1,154
BEGINNING FUND BALANCE	<u>678,878</u>	<u>92,423</u>	<u>54,488</u>	<u>8,801</u>
ENDING FUND BALANCE	<u>\$ 668,870</u>	<u>\$ 92,426</u>	<u>\$ 58,513</u>	<u>\$ 9,955</u>

Special Revenue

Court Records Preservation	JP Court Security & Technology	Contract Election Funds	Pretrial Diversion	Court Reporter	Jury Fund
\$ -	\$ -	\$ -	\$ -	\$ 30,566	\$ 21,671
-	1,205	-	-	-	-
5,198	-	53,400	24,223	5,475	-
-	-	-	-	-	-
-	-	-	-	-	9,479
-	-	-	-	-	-
5,198	1,205	53,400	24,223	36,041	31,150
<hr/>					
-	-	58,341	-	-	-
-	-	-	-	-	-
-	11,609	-	-	15,189	11,351
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	11,609	58,341	-	15,189	11,351
<hr/>					
5,198	(10,404)	(4,941)	24,223	20,852	19,799
<hr/>					
5,198	(10,404)	(4,941)	24,223	20,852	19,799
7,266	177,555	86,106	73,253	54,288	96,439
\$ 12,464	\$ 167,151	\$ 81,165	\$ 97,476	\$ 75,140	\$ 116,238

KARNES COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – NONMAJOR FUNDS (CONTINUED)
FOR THE YEAR ENDING SEPTEMBER 30, 2023

	Special Revenue			
	<u>Emergency Management</u>	<u>HAVA</u>	<u>Court Security</u>	<u>County Libraries</u>
REVENUES				
Ad Valorem Taxes	\$ 96,720	\$ -	\$ 255,739	\$ 592,101
Fines and Forfeitures	-	-	9,669	860
Charges for Services	-	-	-	10,180
Interest Income	24,651	39	18,835	29,052
Miscellaneous	-	-	-	289
Grants and Donations	-	80,000	-	9,100
TOTAL REVENUES	<u>121,371</u>	<u>80,039</u>	<u>284,243</u>	<u>641,582</u>
EXPENDITURES				
Current:				
Administration	-	-	-	-
Legal	-	-	-	-
Judicial	-	-	262,350	-
Facilities	-	-	-	-
Public Safety	11,574	-	-	-
Health and Welfare	-	-	-	617,154
Debt Service:				
Principal	-	-	-	-
Capital Outlay	-	120,000	-	-
TOTAL EXPENDITURES	<u>11,574</u>	<u>120,000</u>	<u>262,350</u>	<u>617,154</u>
Excess (Deficiency) in Revenue Over (Under) Expenditures	109,797	(39,961)	21,893	24,428
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	-	-
Net Change in Fund Balance	109,797	(39,961)	21,893	24,428
BEGINNING FUND BALANCE	<u>452,344</u>	<u>40,080</u>	<u>365,392</u>	<u>627,458</u>
ENDING FUND BALANCE	<u>\$ 562,141</u>	<u>\$ 119</u>	<u>\$ 387,285</u>	<u>\$ 651,886</u>

Special Revenue

Federal Asset Forfeiture	Courthouse Maintenance	Sheriff Forfeiture	Sheriff Donation	EMS Donation	County Attorney Hot Check
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	116,652	-	-	-
-	-	-	-	-	-
133	180,602	1,606	-	-	-
-	6,000	-	-	-	-
-	6,430	-	14,329	3,500	-
133	193,032	118,258	14,329	3,500	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	91,279	-	-	-	-
-	-	41,694	8,500	8,981	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	91,279	41,694	8,500	8,981	-
133	101,753	76,564	5,829	(5,481)	-
-	-	-	-	-	-
133	101,753	76,564	5,829	(5,481)	-
2,717	4,208,850	200,907	19,974	17,829	710
\$ 2,850	\$ 4,310,603	\$ 277,471	\$ 25,803	\$ 12,348	\$ 710

KARNES COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – NONMAJOR FUNDS (CONTINUED)
FOR THE YEAR ENDING SEPTEMBER 30, 2023

	Special Revenue			
	County Attorney Forfeiture	Court Facility Fee	Justice Building Security	Court Language Access
REVENUES				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	17,587	-	297	1,191
Charges for Services	-	4,380	-	-
Interest Income	2,352	-	-	-
Miscellaneous	-	-	-	-
Grants and Donations	-	-	-	-
TOTAL REVENUES	19,939	4,380	297	1,191
EXPENDITURES				
Current:				
Administration	-	-	-	-
Legal	43,413	-	-	-
Judicial	-	-	-	-
Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	43,413	-	-	-
Excess (Deficiency) in Revenue Over (Under) Expenditures	(23,474)	4,380	297	1,191
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(10,541)	-	-	-
Net Change in Fund Balance	(34,015)	4,380	297	1,191
BEGINNING FUND BALANCE	81,680	2,351	479	734
ENDING FUND BALANCE	\$ 47,665	\$ 6,731	\$ 776	\$ 1,925

Special Revenue				
Victim Services Coordinator	Total Special Revenue	Capital Grant Projects	Total Nonmajor Funds	
\$ -	\$ 996,797	\$ -	\$ 996,797	
-	147,461	-	147,461	
-	196,200	-	196,200	
-	284,431	13,838	298,269	
-	15,768	-	15,768	
52,182	165,541	1,894,611	2,060,152	
<u>52,182</u>	<u>1,806,198</u>	<u>1,908,449</u>	<u>3,714,647</u>	
-	58,565	-	58,565	
74,545	121,803	-	121,803	
-	300,499	-	300,499	
-	91,279	-	91,279	
-	70,749	-	70,749	
-	617,154	-	617,154	
-	121,262	-	121,262	
-	120,000	1,970,540	2,090,540	
<u>74,545</u>	<u>1,501,311</u>	<u>1,970,540</u>	<u>3,471,851</u>	
(22,363)	304,887	(62,091)	242,796	
<u>22,363</u>	<u>11,822</u>	<u>5,775</u>	<u>17,597</u>	
-	316,709	(56,316)	260,393	
-	7,351,002	72,522	7,423,524	
<u>\$ -</u>	<u>\$ 7,667,711</u>	<u>\$ 16,206</u>	<u>\$ 7,683,917</u>	

KARNES COUNTY
COMPARATIVE BALANCE SHEETS –GENERAL FUND
SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and Cash Equivalents	\$ 20,435,172	\$ 46,020,266
Investments	29,635,654	-
Ad Valorem Taxes Receivable (net)	486,025	659,016
Other Receivables	1,448,439	1,530,843
Prepaid Items	<u>150,938</u>	<u>132,360</u>
TOTAL ASSETS	<u>\$ 52,156,228</u>	<u>\$ 48,342,485</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 482,530	\$ 5,846,527
Accrued Wages	170,304	164,740
Unearned Revenue	26,198	10,405
<i>Total Liabilities</i>	<u>679,032</u>	<u>6,021,672</u>
<i>Deferred Inflows of Resources:</i>		
Unavailable Revenues - Property Taxes	486,025	659,016
Unavailable Revenues - EMS	204,121	102,805
<i>Total Deferred Inflows</i>	<u>690,146</u>	<u>761,821</u>
<i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	150,938	132,360
Unassigned	50,636,112	41,426,632
<i>Total Fund Balances</i>	<u>50,787,050</u>	<u>41,558,992</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 52,156,228</u>	<u>\$ 48,342,485</u>

KARNES COUNTY
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – GENERAL FUND
FOR THE YEARS ENDING SEPTEMBER 30, 2023 AND 2022

	2023	2022
REVENUES		
Ad Valorem Taxes	\$ 9,658,155	\$ 7,214,763
Sales Taxes	7,468,766	5,487,565
Fines and Forfeitures	249,582	290,600
Charges for Services	944,332	846,196
Licenses, Permits, and Fees	775,404	660,055
Interest Income	2,183,234	385,497
Royalties	425,199	306,188
Misc Income	879,037	463,135
Grants and Donations	134,389	62,409
TOTAL REVENUES	22,718,098	15,716,408
EXPENDITURES		
Current:		
Administration	2,361,115	2,150,318
Legal	345,506	288,459
Judicial	1,508,536	1,360,435
Finance	902,737	805,543
Facilities	486,137	360,617
Public Safety	6,611,688	6,093,602
Health and Welfare	97,812	92,296
Conservation	193,757	177,405
Capital Outlay	1,024,105	351,004
TOTAL EXPENDITURES	13,531,393	11,679,679
Excess (Deficiency) in Revenue Over (Under) Expenditures	9,186,705	4,036,729
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	58,950	-
Transfers In (Out)	(17,597)	(9,738)
TOTAL OTHER FINANCING SOURCES	41,353	(9,738)
Net Change in Fund Balance	9,228,058	4,026,991
BEGINNING FUND BALANCE	41,558,992	37,532,001
ENDING FUND BALANCE	\$ 50,787,050	\$ 41,558,992

KARNES COUNTY
COMPARATIVE BALANCE SHEETS – ROAD AND BRIDGE FUND
SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and Cash Equivalents	\$ 22,358,839	\$ 24,113,776
Ad Valorem Taxes Receivable (net)	91,393	123,842
Other Receivables	3,916,959	1,362,964
Prepaid Items	<u>22,623</u>	<u>13,580</u>
TOTAL ASSETS	<u>\$ 26,389,814</u>	<u>\$ 25,614,162</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 1,055,163	\$ 680,556
Accrued Wages	<u>33,557</u>	<u>29,158</u>
<i>Total Liabilities</i>	<u>1,088,720</u>	<u>709,714</u>
<i>Deferred Inflows of Resources:</i>		
Unavailable Revenues - Property Taxes	<u>91,393</u>	<u>123,842</u>
<i>Total Deferred Inflows</i>	<u>91,393</u>	<u>123,842</u>
<i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	22,623	13,580
Restricted for:		
Road and Bridge Maintenance	<u>25,187,078</u>	<u>24,767,026</u>
<i>Total Fund Balances</i>	<u>25,209,701</u>	<u>24,780,606</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 26,389,814</u>	<u>\$ 25,614,162</u>

KARNES COUNTY
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE -- ROAD AND BRIDGE
FOR THE YEARS ENDING SEPTEMBER 30, 2023 AND 2022

	2023	2022
REVENUES		
Ad Valorem Taxes	\$ 10,447,954	\$ 12,360,014
Licenses, Permits, and Fees	840,506	833,164
Interest Income	1,190,619	188,849
Royalties	2,461,667	1,854,835
Misc Income	883	4,012
Grants and Donations	4,883,062	3,167,680
TOTAL REVENUES	19,824,691	18,408,554
EXPENDITURES		
Current:		
Public Transportation	5,377,090	3,747,457
Capital Outlay	14,032,457	8,888,490
Debt Service:		
Principal	36,475	35,252
Interest	2,574	3,797
TOTAL EXPENDITURES	19,448,596	12,674,996
Excess (Deficiency) in Revenue Over (Under) Expenditures	376,095	5,733,558
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	53,000	76,913
TOTAL OTHER FINANCING SOURCES	53,000	76,913
Net Change in Fund Balance	429,095	5,810,471
BEGINNING FUND BALANCE	24,780,606	18,970,135
ENDING FUND BALANCE	\$ 25,209,701	\$ 24,780,606



COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT

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*

County Commissioners
Karnes County

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Karnes County as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Karnes County's basic financial statements, and have issued our report thereon dated January 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Karnes 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 Karnes County's internal control. Accordingly, we do not express an opinion on the effectiveness of Karnes 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 County'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive style with a large, stylized 'A' at the beginning.

Armstrong, Vaughan & Associates, P.C.

January 31, 2024



INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

County Commissioners
Karnes County

Report on Compliance for Each Major Program***Opinion on Each Major Federal Program***

We have audited Karnes County's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023. Karnes County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Karnes County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is fluid and cursive, with "Armstrong" on the top line, "Vaughan" on the middle line, and "Associates, P.C." on the bottom line.

Armstrong, Vaughan & Associates, P.C.

January 31, 2024



INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

County Commissioners
Karnes County

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Karnes County's compliance with the types of compliance requirements described in the Texas Comptroller of Public Accounts, *State of Texas Uniform Grant Management Standards*, which includes the State of Texas Single Audit Circular (UGMS) that could have a direct and material effect on each of its major state programs for the year ended September 30, 2023. Karnes County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Karnes County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in and the audit requirements of the UGMS. Our responsibilities under those standards and the UGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

January 31, 2024

KARNES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Noncompliance material to financial Statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

2. State Awards

Internal control over major programs:		
Any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with TX Single Audit Circular?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

Name of State Programs
County Transportation Infrastructure Fund Grant
Flood Infrastructure Fund

Dollar threshold used to distinguish between
Type A and type B Programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

KARNES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

3. Federal Awards

Internal control over major programs:

Any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Name of Federal Programs</u>		
HOME Grant		
Dollar threshold used to distinguish between Type A and type B Programs:	<u>\$750,000</u>	
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

B. Financial Statement Findings

NONE

C. State or Federal Award Findings and Questioned Costs

NONE

D. Prior Audit Findings Related to State or Federal Awards

NONE

KARNES COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass through Identifying Number	Federal Expenditures
DEPARTMENT OF THE TREASURY			
<i>Direct Program</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 190,139
TOTAL DEPARTMENT OF THE TREASURY			<u>190,139</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Texas Department of Agriculture</i>			
Community Development Block Grant	14.228	CL7220221	247,000
Community Development Block Grant	14.228	CDV21-0444	89,440
<i>Passed through the Texas Department of Housing & Community Affairs</i>			
HOME Grant	14.239	559067	796,912
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,133,352</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Direct Program</i>			
Asset Forfeiture Equitable Sharing Program	16.922	N/A	95,647
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>95,647</u>
U.S. ELECTION ASSISTANCE COMMISSION			
<i>Direct Program</i>			
HAVA Election Security Grant	90.404	N/A	80,000
TOTAL U.S. ELECTION ASSISTANCE COMMISSION			<u>80,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,499,138</u>
Program Totals			
Community Development Block Grant	14.228		336,440

KARNES COUNTY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

State Grantor/ Pass-Through Grantor/ Program Title	Grant Number	State Expenditures
TEXAS DEPARTMENT OF TRANSPORTATION		
<i>Direct Program</i>		
County Transportation Infrastructure Fund	N/A	<u>\$ 4,863,999</u>
TOTAL TEXAS DEPARTMENT OF TRANSPORTATION		<u>4,863,999</u>
TEXAS WATER DEVELOPMENT BOARD		
<i>Direct Program</i>		
Flood Infrastructure Fund Category 1	G1001287	<u>454,444</u>
TOTAL TEXAS WATER DEVELOPMENT BOARD		<u>454,444</u>
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS		
<i>Direct Program</i>		
Law Enforcement Officer Standards and Education Fund (LEOSE)	N/A	<u>2,799</u>
TOTAL TEXAS COMPTROLLER OF PUBLIC ACCOUNTS		<u>2,799</u>
TEXAS GOVERNOR		
<i>Direct Program</i>		
Victim Service Coordinator	2863904	<u>52,181</u>
TOTAL TEXAS GOVERNOR		<u>52,181</u>
TEXAS INDIGENT DEFENSE COMMISSION		
<i>Direct Program</i>		
Formula Grant	N/A	<u>43,522</u>
TOTAL TEXAS GOVERNOR		<u>43,522</u>
TEXAS DEPARTMENT OF HEALTH AND HUMAN SERVICES		
<i>Direct Program</i>		
Emergency Medical Task Force	N/A	<u>34,346</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>34,346</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u><u>\$ 5,451,291</u></u>

KARNES COUNTY
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The accompanying schedules of expenditures of federal and state awards include the grant activity of the County and is presented on the modified accrual basis of accounting. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenue in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable.

Federal and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as unearned revenue until earned.

The information in these schedules is presented in accordance with the requirements of the State of Texas Single Audit Circular (“Audit Circular”) and Uniform Guidance. The Audit Circular was issued under the authority of the Texas Government Code, Chapter 783, entitled Uniform Grant and Contract Management.

This circular sets standards for obtaining consistency and uniformity among state agencies for the coordinated audit of local governments expending any state awards. Because the schedules present only a selected portion of the operations of the County, it is not intended to and does not present the financial position of the County.

During the year ending September 30, 2022, the County did not provide any federal or state awards to subrecipients.

The County did not use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.