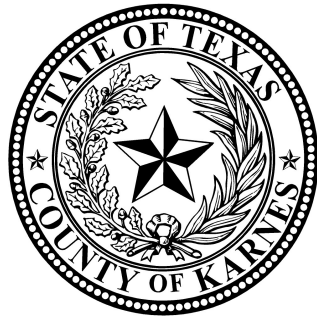




KARNES COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2024**



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	JENNIFER TAPIA
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, 2024

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	78
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	80
SCHEDULE 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, 2024, 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, 2024, 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.

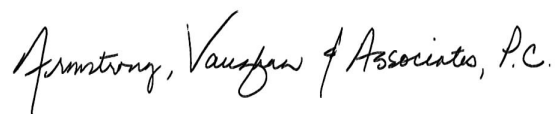
Supplementary Information

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, 2025 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.



Armstrong, Vaughan & Associates, P.C.
January 31, 2025

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, 2024. Please read it in conjunction with the County’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

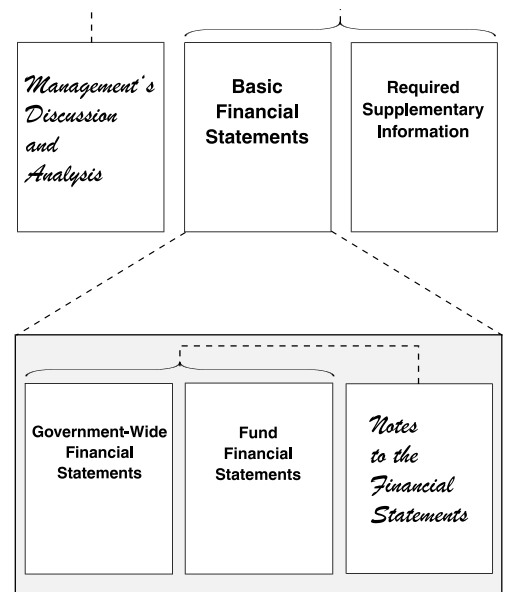
- The County’s total net position was \$153 million at September 30, 2024, an increase of \$16 million.
- During the year, the County’s governmental activities expenses were \$16 million less than the \$47 million generated in general and program revenues for governmental activities. The total cost of the County’s programs increased 21% from the prior year. The largest increase was in public transportation for more street maintenance activities.
- The general fund reported a fund balance this year of \$62.3 million, an increase of \$11.5 million. The County did not conduct facility improvements budgeted for \$8 million. Interest income also generated \$1.7 million more in revenue than budgeted.

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			
<i>Type of Statements</i>	Government-wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	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.
<i>Required financial statements</i>	• 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.
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	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
<i>Type of inflow/outflow information</i>	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 \$153 million at September 30, 2024. Of this amount, \$63 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
	2024	2023	
<i>Assets:</i>			
Current Assets	\$ 95,786,618	\$ 88,652,252	8.0
Capital Assets	62,639,891	52,212,901	20.0
<i>Total Assets</i>	<u>158,426,509</u>	<u>140,865,153</u>	12.5
<i>Deferred Outflows of Resources:</i>	<u>1,331,351</u>	<u>1,784,031</u>	(25.4)
<i>Liabilities:</i>			
Current Liabilities	4,578,763	4,457,695	2.7
Long-term Liabilities	2,328,191	1,603,688	45.2
<i>Total Liabilities</i>	<u>6,906,954</u>	<u>6,061,383</u>	14.0
<i>Deferred Inflows of Resources:</i>	<u>181,154</u>	<u>262,076</u>	(30.9)
<i>Net Position:</i>			
Net Investment in Capital Assets	62,639,891	52,053,903	20.3
Restricted	23,418,647	28,674,408	(18.3)
Unrestricted	66,611,214	55,597,414	19.8
<i>Total Net Position</i>	<u>\$ 152,669,752</u>	<u>\$ 136,325,725</u>	12.0

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.

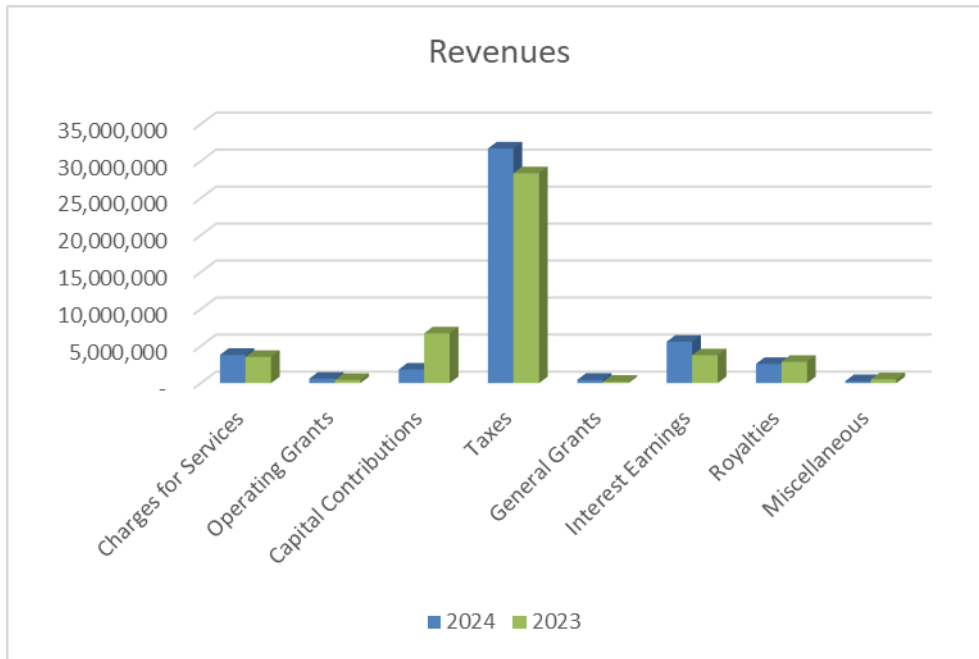
- *Fiduciary funds*—The County collects and holds funds for various other entities such as property taxes for other governments, vehicle registrations for the State and court settlements for minors. The County is responsible for ensuring that the assets reported in these funds are used for their intended 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

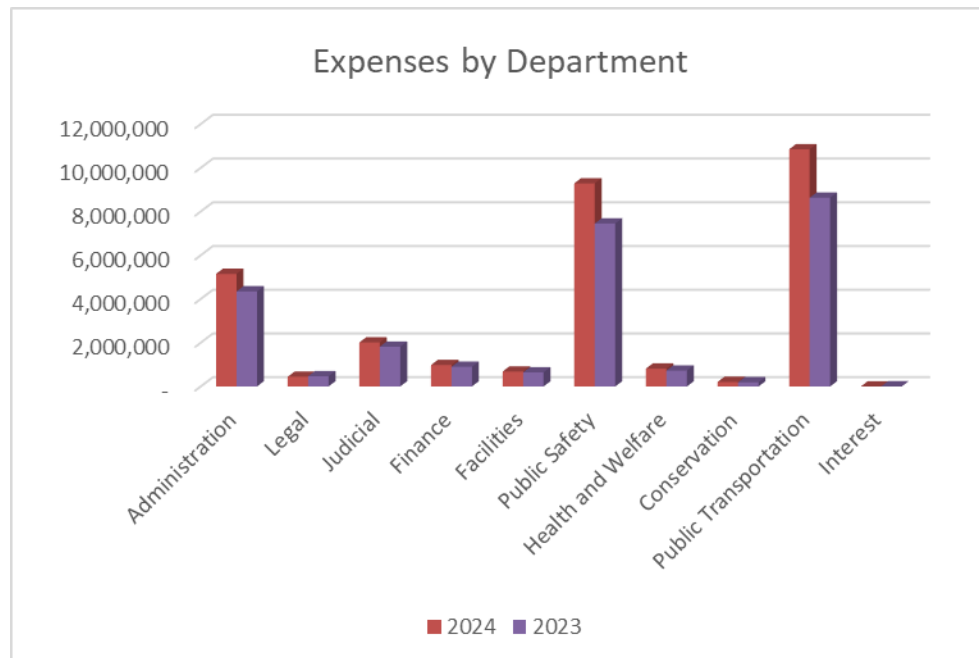
Table A-2 summarizes the changes in the County’s net position for 2024 and 2023 fiscal years.

Table A-2
Changes in County's Net Position

	Governmental Activities		Percentage
	2024	2023	Change
<i>Program Revenues:</i>			
Charges for Services	\$ 3,821,964	\$ 3,544,574	7.8
Operating Grants and Contributions	603,985	436,078	38.5
Capital Contributions	1,844,261	6,736,154	(72.6)
<i>General Revenues:</i>			
Taxes	31,707,530	28,366,234	11.8
Interest Earnings	5,600,600	3,772,220	48.5
General Grants	446,158	190,139	134.6
Royalties	2,607,970	2,886,867	(9.7)
Miscellaneous	280,429	519,905	(46.1)
TOTAL REVENUES	46,912,897	46,452,171	1.0
<i>Program Expenses:</i>			
Administration	5,149,580	4,349,275	18.4
Legal	444,328	469,849	(5.4)
Judicial	2,016,705	1,816,521	11.0
Finance	979,448	901,285	8.7
Facilities	683,575	645,806	5.8
Public Safety	9,418,682	7,452,147	26.4
Health and Welfare	816,935	726,068	12.5
Conservation	208,553	193,292	7.9
Public Transportation	10,849,720	8,632,961	25.7
Interest	1,344	2,574	(47.8)
TOTAL EXPENSES	30,568,870	25,189,778	21.4
Change in Net Position	16,344,027	21,262,393	(23.1)
Beginning Net Position	136,325,725	115,063,332	
Ending Net Position	\$ 152,669,752	\$ 136,325,725	



Tax revenues increased in 2024, primarily from increased property values. Taxes continue to fund the majority of County operations, representing 68% of total revenues. The increase in taxes and interest offset reductions in grant funding from the Texas Department of Transportation. Total revenues increased approximately 1%.



Public transportation spending increased for 2024 for depreciation on recent road improvements. The County also expanded the benefit for retiree insurance by not requiring retirees to pay the premiums. This led to an increase of \$1 million in costs this year across the departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2024, the County had invested \$62.6 million in buildings and equipment. Significant additions in 2024 were primarily county road improvements and several vehicles. (See Table A-3.)

Table A-3
County's Capital Assets

	Governmental Activities		Total Percentage Change
	2024	2023	
Land	\$ 220,432	\$ 175,432	25.7
Construction in Progress	4,506,374	1,789,841	151.8
Buildings and Improvements	32,509,338	31,885,980	2.0
Infrastructure	32,267,388	23,693,169	36.2
Vehicles and Equipment	12,082,744	10,412,591	16.0
Totals at Historical Cost	81,586,276	67,957,013	20.1
Accumulated Depreciation	(18,946,385)	(15,744,112)	20.3
Net Capital Assets	<u>\$62,639,891</u>	<u>\$52,212,901</u>	20.0

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

Long Term Debt

In 2024, the County made final payments on three notes. 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
	2024	2022	
Notes Payable	\$ -	\$ 158,999	(100.0)
Total Long-Term Debt	<u>\$ -</u>	<u>\$ 158,999</u>	(100.0)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Revenues from governmental fund types increased from \$46.5 million to \$46.7 million. Reductions in grant revenue were offset by increased property tax collections and interest income. Governmental expenditures increased \$3.4 million to \$40.1 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 \$62.3 million, which is over 4 years of general fund operating expenditures.

Budgetary Highlights

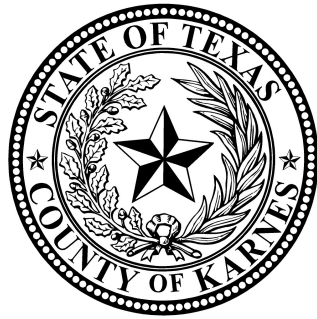
The County's actual expenditures in the General Fund were \$9.6 million less than final budgeted amounts. The largest variance was in capital outlay for \$8.2 million as building improvements did not occur as expected. Revenues were higher than the budget by \$2.1 million, primarily from increased interest income. Fund balance increased \$11.5 million compared to a budgeted reduction in fund balance of \$0.3 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2024-2025 budget kept property tax rates at \$0.234499 per \$100 of valuation, which will result in a slight decrease in property tax revenue. Spending in the General Fund is expected to increase to \$31 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 early 2025.

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, 2024

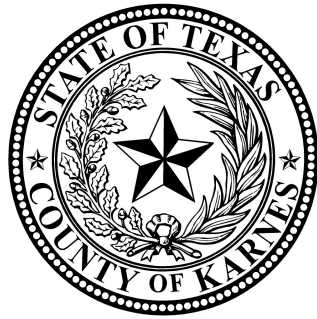
	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 61,890,938
Investments	31,450,241
Ad Valorem Taxes Receivable (net)	681,045
Other Receivables (Net of Allowances)	1,591,738
Prepaid Expenses	172,656
<i>Total Current Assets</i>	<u>95,786,618</u>
 <i>Capital Assets:</i>	
Land	220,432
Construction in Progress	4,506,374
Buildings and Improvements	32,509,338
Vehicles and Equipment	12,082,744
Infrastructure	32,267,388
Accumulated Depreciation	<u>(18,946,385)</u>
<i>Total Capital Assets</i>	<u>62,639,891</u>
TOTAL ASSETS	<u>158,426,509</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Other Post Employment Benefit Outflows	65,484
Deferred Pension Related Outflows	1,265,867
TOTAL DEFERRED OUTFLOWS	<u>\$ 1,331,351</u>

See accompanying notes to basic financial statements.

KARNES COUNTY
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2024

	<u>Governmental Activities</u>
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 2,565,226
Accrued Wages	291,450
Unearned Revenue	1,616,222
Accrued Compensated Absences	105,865
<i>Total Current Liabilities</i>	<u>4,578,763</u>
 <i>Long-term Liabilities:</i>	
Accrued Compensated Absences	105,864
Net Pension Liability	1,164,265
Total Other Post Employment Benefits Liability	1,058,062
<i>Total Long-term Liabilities</i>	<u>2,328,191</u>
TOTAL LIABILITIES	<u>6,906,954</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Related Inflows	61,962
Deferred Other Post Employment Benefits Inflows	119,192
TOTAL DEFERRED INFLOWS	<u>181,154</u>
 NET POSITION	
Net Investment in Capital Assets	62,639,891
Restricted for:	
Elections	53,554
Legal	145,672
Judicial	899,503
Public Safety	819,965
Records Management	444,501
Sheriff	123,016
Libraries	783,206
Road and Bridge Maintenance	20,135,357
Flood Control	13,873
Unrestricted	66,611,214
TOTAL NET POSITION	<u><u>\$152,669,752</u></u>

See accompanying notes to basic financial statements.



KARNES COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions and Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government:					
<i>Governmental Activities:</i>					
Administration	\$ 5,149,580	\$ 794,120	\$ 26,857	\$ 1,235,669	\$ (3,092,934)
Legal	444,328	-	78,331	-	(365,997)
Judicial	2,016,705	379,924	-	-	(1,636,781)
Finance	979,448	463,911	-	-	(515,537)
Facilities	683,575	6,000	-	-	(677,575)
Public Safety	9,418,682	1,378,259	369,554	-	(7,670,869)
Health and Welfare	816,935	13,434	9,479	-	(794,022)
Conservation	208,553	-	-	-	(208,553)
Public Transportation	10,849,720	786,316	119,764	608,592	(9,335,048)
Interest	1,344	-	-	-	(1,344)
Total Primary Government	<u>\$ 30,568,870</u>	<u>\$ 3,821,964</u>	<u>\$ 603,985</u>	<u>\$ 1,844,261</u>	(24,298,660)
General Revenues:					
Taxes					
Ad Valorem Taxes					25,550,952
Sales Taxes					6,156,578
Interest and Investment Earnings					5,600,600
General Grants					446,158
Oil and Gas Royalties					2,607,970
Miscellaneous					280,429
Total General Revenues					<u>40,642,687</u>
Change in Net Position					16,344,027
Net Position at Beginning of Year					<u>136,325,725</u>
Net Position at End of Year					<u>\$ 152,669,752</u>

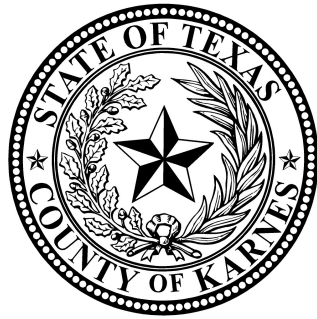
See accompanying notes to basic financial statements.

KARNES COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	Major Fund General Fund	Major Fund Road & Bridge	Major Fund American Rescue Plan
ASSETS			
Cash and Cash Equivalents	\$ 30,578,205	\$ 21,172,854	\$ 1,945,915
Investments	31,336,331	-	-
Ad Valorem Taxes Receivable (net)	576,860	104,185	-
Other Receivables	1,372,184	170,109	-
Prepaid Items	155,993	16,663	-
	TOTAL ASSETS	\$ 21,463,811	\$ 1,945,915
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 598,301	\$ 1,281,289	\$ 125,949
Accrued Wages	226,545	47,165	-
Unearned Revenue	13,190	-	1,602,952
<i>Total Liabilities</i>	838,036	1,328,454	1,728,901
<i>Deferred Inflows of Resources:</i>			
Unavailable Revenues - Property Taxes	576,860	104,185	-
Unavailable Revenues - EMS	293,369	-	-
<i>Total Deferred Inflows</i>	870,229	104,185	-
<i>Fund Balances:</i>			
Nonspendable:			
Prepaid Items	155,993	16,663	-
Restricted for:			
Elections	-	-	-
Legal	-	-	-
Judicial	-	-	-
Public Safety	-	-	-
Records Management	-	-	-
Sheriff	-	-	-
Libraries	-	-	-
Road and Bridge Maintenance	-	20,014,509	-
Flood Control	-	-	-
Committed for:			
Courthouse Maintenance	-	-	-
Public Safety	-	-	217,014
Unassigned	62,155,315	-	-
<i>Total Fund Balances</i>	62,311,308	20,031,172	217,014
	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 21,463,811	\$ 1,945,915

See accompanying notes to basic financial statements.

Other Nonmajor Funds	Total Governmental Funds
\$ 8,209,092	\$ 61,906,066
113,910	31,450,241
-	681,045
49,445	1,591,738
-	172,656
<u>\$ 8,372,447</u>	<u>\$ 95,801,746</u>
\$ 574,895	\$ 2,580,434
17,740	291,450
-	1,616,142
<u>592,635</u>	<u>4,488,026</u>
-	681,045
-	293,369
-	<u>974,414</u>
-	172,656
53,554	53,554
145,672	145,672
899,503	899,503
819,965	819,965
444,501	444,501
123,016	123,016
783,206	783,206
-	20,014,509
13,873	13,873
4,496,522	4,496,522
-	217,014
-	62,155,315
<u>7,779,812</u>	<u>90,339,306</u>
<u>\$ 8,372,447</u>	<u>\$ 95,801,746</u>



KARNES COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 90,339,306

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. 62,639,891

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	(1,164,265)	
Pension Related Deferred Outflows	1,265,867	
Pension Related Deferred Inflows	<u>(61,962)</u>	39,640

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	(1,058,062)	
OPEB Related Deferred Outflows	65,484	
OPEB Related Deferred Inflows	<u>(119,192)</u>	(1,111,770)

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

Accrued Compensated Absences		(211,729)
------------------------------	--	-----------

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

974,414

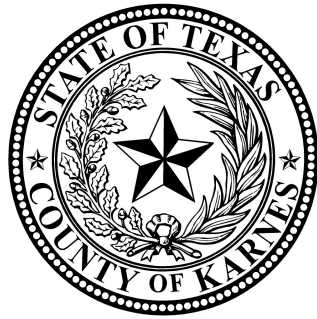
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 152,669,752

KARNES COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Road & Bridge	<u>Major Fund</u> American Rescue Plan
REVENUES			
Ad Valorem Taxes	\$ 14,018,286	\$ 10,114,861	\$ -
Sales Taxes	6,156,578	-	-
Fines and Forfeitures	275,659	-	-
Charges for Services	1,258,292	-	-
Licenses, Permits, and Fees	817,356	809,732	-
Interest Income	3,610,835	1,500,292	105,565
Royalties	275,969	2,332,000	-
Misc Income	723,330	2,290	-
Grants and Donations	60,200	526,824	446,158
TOTAL REVENUES	<u>27,196,505</u>	<u>15,285,999</u>	<u>551,723</u>
EXPENDITURES			
Current:			
Administration	2,956,710	-	-
Legal	345,404	-	-
Judicial	1,664,785	-	-
Finance	976,550	-	-
Facilities	450,574	-	-
Public Safety	7,290,537	-	-
Health and Welfare	118,220	-	-
Conservation	208,953	-	-
Public Transportation	-	5,669,963	-
Capital Outlay	1,657,943	14,790,113	334,709
Debt Service:			
Principal	-	37,977	-
Interest	-	1,343	-
TOTAL EXPENDITURES	<u>15,669,676</u>	<u>20,499,396</u>	<u>334,709</u>
Excess (Deficiency) in Revenue Over (Under) Expenditures	11,526,829	(5,213,397)	217,014
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	21,000	34,868	-
Transfers In (Out)	(23,571)	-	-
TOTAL OTHER FINANCING SOURCES	<u>(2,571)</u>	<u>34,868</u>	<u>-</u>
Net Change in Fund Balance	11,524,258	(5,178,529)	217,014
BEGINNING FUND BALANCE	<u>50,787,050</u>	<u>25,209,701</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 62,311,308</u>	<u>\$ 20,031,172</u>	<u>\$ 217,014</u>

See accompanying notes to basic financial statements.

Other Nonmajor Funds	Total Governmental Funds
\$ 1,314,178	\$ 25,447,325
-	6,156,578
36,782	312,441
165,844	1,424,136
-	1,627,088
383,906	5,600,598
-	2,607,969
19,026	744,646
1,761,518	2,794,700
<u>3,681,254</u>	<u>46,715,481</u>
339,942	3,296,652
95,629	441,033
356,526	2,021,311
-	976,550
88,383	538,957
214,947	7,505,484
686,060	804,280
-	208,953
-	5,669,963
1,706,420	18,489,185
121,023	159,000
-	1,343
<u>3,608,930</u>	<u>40,112,711</u>
72,324	6,602,770
-	55,868
23,571	-
<u>23,571</u>	<u>55,868</u>
95,895	6,658,638
7,683,917	83,680,668
<u>\$ 7,779,812</u>	<u>\$ 90,339,306</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, 2024

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 6,658,638

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	13,856,859	
Depreciation Expense	<u>(3,378,543)</u>	10,478,316

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	159,000	
Change in Compensated Absences	<u>5,570</u>	164,570

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.

(51,326)

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.

(140,384)

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.

(958,662)

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

192,875

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 16,344,027

See accompanying notes to basic financial statements.

KARNES COUNTY
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2024

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 16,926,142
Certificates of Deposit	104,811
TOTAL ASSETS	17,030,953
 LIABILITIES	
Accounts Payable	-
TOTAL LIABILITIES	-
 NET POSITION	
Restricted for:	
Individuals, Organizations and other Governments	17,030,953
TOTAL NET POSITION	\$ 17,030,953

See accompanying notes to basic financial statements.

KARNES COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Custodial Funds</u>
ADDITIONS	
Ad Valorem Tax Collections for Other Governments	\$ 24,528,207
Property Seizures	6,419
Cash Bonds	58,296
Inmate Deposits	59,071
Motor Vehicle Collections for the State	1,872,961
Interest Income	439,629
Grant Revenues Collected for Others	1,463,128
Excess Tax Proceeds	28,549
Unclaimed Oil Lease Revenues	1,459,172
TOTAL ADDITIONS	<u>29,915,432</u>
 DEDUCTIONS	
Cash Bond Refunds and Forfeitures	46,463
Property Seizure Refunds and Forfeitures	26,603
Jail Commissary Purchases for Inmates	39,197
Refunds to Inmates	8,362
Oil Lease Distributions to Property Owners	1,951,129
Excess Tax Payouts to Property Owners	115,643
Grant Disbursements	1,392,727
Property Tax Distributions to Other Governments	24,172,078
Motor Vehicle Distributions to the State	1,912,840
Other Distributions	395,023
TOTAL DEDUCTIONS	<u>30,060,065</u>
Net Increase in Fiduciary Net Position	(144,633)
 BEGINNING NET POSITION	 <u>17,175,586</u>
ENDING NET POSITION	<u><u>\$ 17,030,953</u></u>

See accompanying notes to basic financial statements.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024

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, 2024

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, 2024

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, 2023 and past due after January 31, 2024. 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, 2024

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:

<u>Asset</u>	<u>Estimated Life</u>
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, 2024

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 TCERS's fiduciary net position have been determined on the same basis as they are reported by TCERS. 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, 2024

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 2024 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, 2024

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, 2024, the County's investments included \$30.1 million in Texas Class and \$29.7 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:

	Fair Value	Fair Value Level	Weighted Average Maturity
Certificates of Deposit	\$ 10,919,499	Level 2	583 Days
US Government Agency Bonds	20,635,553	Level 2	1619 Days
Total Reported as Investments	\$ 31,555,052		1265 Days

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, 2023, upon which the fiscal 2024 levy was based, was \$10.8 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, 2024 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, 2024

NOTE D -- RECEIVABLES

Receivables for the County as of September 30, 2024 are as follows:

	<u>General Fund</u>	<u>Road & Bridge</u>	<u>Nonmajor Funds</u>
Ad Valorem Taxes	\$ 640,956	\$ 115,761	\$ -
Allowance for Doubtful Tax Accounts	(64,096)	(11,576)	-
Sales and Mixed Beverage Tax	870,311	-	-
Grant Receivable	-	91,232	29,000
Interest Receivable	192,767	78,877	20,445
Other Receivables	2,464	-	-
EMS Services	901,887	-	-
Allowance for Doubtful EMS Accounts	<u>(595,245)</u>	<u>-</u>	<u>-</u>
Total Receivables	<u>\$ 1,949,044</u>	<u>\$ 274,294</u>	<u>\$ 49,445</u>

NOTE E -- CAPITAL ASSETS

Capital asset activity in the governmental funds for the year ended September 30, 2024, was as follows:

	<u>Balance 10/1/2023</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 9/30/2024</u>
<i>Governmental Activities</i>				
Land	\$ 175,432	\$ 45,000	\$ -	\$ 220,432
Construction in Progress	1,789,841	11,690,019	(8,973,486)	4,506,374
Buildings and Improvements	31,885,980	224,090	399,268	32,509,338
Infrastructure	23,693,169	-	8,574,219	32,267,388
Vehicles and Equipment	<u>10,412,591</u>	<u>1,897,750</u>	<u>(227,597)</u>	<u>12,082,744</u>
	<u>67,957,013</u>	<u>13,856,859</u>	<u>(227,596)</u>	<u>81,586,276</u>
Less Accumulated Depreciation				
Buildings and Improvements	(6,212,380)	(1,041,016)	-	(7,253,396)
Infrastructure	(2,520,842)	(1,226,247)	-	(3,747,089)
Vehicles and Equipment	<u>(7,010,890)</u>	<u>(1,111,280)</u>	<u>176,270</u>	<u>(7,945,900)</u>
	<u>(15,744,112)</u>	<u>(3,378,543)</u>	<u>176,270</u>	<u>(18,946,385)</u>
Governmental Activities, Net	<u>\$ 52,212,901</u>	<u>\$ 10,478,316</u>	<u>\$ (51,326)</u>	<u>\$ 62,639,891</u>

Land and Construction in Progress are not depreciated.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE E -- CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 662,265
Public Safety	1,032,562
Health and Welfare	11,296
Public Transportation	<u>1,672,420</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 3,378,543</u></u>

NOTE F -- LONG-TERM DEBT

Changes in long-term debt were as follows:

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024
<i>Governmental Activities:</i>				
Notes Payable	\$ 158,999	\$ -	\$ (158,999)	\$ -
Compensated Absences	217,299	103,080	(108,650)	211,729
Net Pension Liability (Asset)	1,350,019	4,742,478	(4,928,232)	1,164,265
Total OPEB Liability	<u>145,020</u>	<u>1,074,236</u>	<u>(161,194)</u>	<u>1,058,062</u>
<i>Total Government</i>	<u><u>\$ 1,871,337</u></u>	<u><u>\$ 5,919,794</u></u>	<u><u>\$ (5,357,075)</u></u>	<u><u>\$ 2,434,056</u></u>

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

NOTE G -- 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.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE G -- PENSION PLAN (Continued)

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, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	115
Inactive Employees Entitled to but Not Yet Receiving Benefits	327
Active employees	206
	<hr/>
	648
	<hr/> <hr/>

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 10.80% and 11.51% for the calendar years of 2023 and 2024, respectively. The County contributed the required amount for the year ending September 30, 2024.

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.

KARNES COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2024

NOTE G -- PENSION PLAN (Continued)

Actuarial Assumptions

The County's net pension liability (NPL) was measured as of December 31, 2023 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, 2023 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	16.6 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.

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.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE G -- PENSION PLAN (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
U.S. Equities	11.5%	4.75%
Global Equity	2.5%	4.75%
International Developed Markets	5.0%	4.75%
International Emerging Markets	6.0%	4.75%
Investment Grade Bonds	3.0%	2.35%
Strategic Credit	9.0%	3.65%
Direct Lending	16.0%	7.25%
Distressed Debt	4.0%	6.90%
REIT Equities	2.0%	4.10%
Master Limited Partnerships (MLPs)	2.0%	5.20%
Private Real Estate Partnerships	6.0%	5.70%
Private Equity	25.0%	7.75%
Hedge Funds	6.0%	3.25%
Cash Equivalents	2.0%	0.60%
	<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		
	<u>1% Decrease</u>	<u>7.60%</u>	<u>1% Increase</u>
Net Pension Liability (Asset)	\$ 5,746,677	\$ 1,164,265	\$ (2,623,803)

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE G -- PENSION PLAN (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2023:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2022	\$ 29,839,803	\$ 28,489,785	\$ 1,350,018
Changes for the year:			
Service Cost	1,342,736	-	1,342,736
Interest	2,310,556	-	2,310,556
Change of Benefit Terms	864,041	-	864,041
Difference Between Expected and Actual Experience	225,145	-	225,145
Changes of Assumptions	-	-	-
Refund of Contributions	(291,677)	(291,677)	-
Benefit Payments	(1,298,415)	(1,298,415)	-
Administrative Expense	-	(16,619)	16,619
Contributions - Employee	-	704,072	(704,072)
Net Investment Income	-	3,133,039	(3,133,039)
Contributions - Employer	-	1,086,285	(1,086,285)
Other Changes	-	21,454	(21,454)
Net Changes	<u>3,152,386</u>	<u>3,338,139</u>	<u>(185,753)</u>
Balance at December 31, 2023	<u>\$ 32,992,189</u>	<u>\$ 31,827,924</u>	<u>\$ 1,164,265</u>

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, 2024

NOTE G -- PENSION PLAN (Continued)

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

For the year ended September 30, 2024, the County recognized pension expense of \$1,411,877. Also as of September 30, 2024, 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	\$ 168,859	\$ 61,962
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	171,964	-
Contributions Subsequent to the Measurement Date	925,044	-
	\$ 1,265,867	\$ 61,962

Deferred outflows of resources in the amount of \$925,044 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, 2024. 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,	
2024	\$ (181,300)
2025	(25,429)
2026	677,622
2027	(192,032)
2028	-
Thereafter	-
	\$ 278,861

NOTE H -- OTHER POST-EMPLOYMENT BENEFIT

Eligible retirees of the County may participate in the health insurance plan of the County at the County's cost. This was a change from prior years in which the retiree covered the premium. 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, 2024

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

Membership in the plan at September 30, 2024, 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>179</u>
	<u><u>182</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	4.06% (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 100% of all active employees who currently have coverage will continue with coverage upon retirement. Those 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:

	1% Decrease	Healthcare Trend Rate	1% Increase
Total OPEB Liability	\$ 930,963	\$ 1,058,062	\$ 1,210,255
		Discount Rate	
	1% Decrease	4.77%	1% Increase
Total OPEB Liability	\$ 1,154,418	\$ 1,058,062	\$ 969,744

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE H -- OTHER POSTEMPLOYMENT BENEFIT (Continued)

The County's Total OPEB Liability (TOL), based on the above actuarial factors, as of September 30, 2024, the measurement date, was calculated as follows:

	Total OPEB Liability
Balance at September 30, 2023	\$ 145,020
Changes for the year:	
Service Cost	9,832
Interest	6,342
Change of Benefit Terms	994,532
Difference Between Expected and Actual Experience	(117,392)
Changes in Assumptions or Other Inputs	63,530
Benefit Payments	(43,802)
Net Changes	913,042
Balance at September 30, 2024	\$ 1,058,062

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, 2024, the County recognized OPEB expense of \$1,002,003. In addition, the following deferred inflows and outflows were reported as of September 30, 2024 related to the benefit:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 61,649	\$ 18,367
Changes in Experience	3,835	100,825
Contributions Subsequent to the Measurement Date	-	-
	\$ 65,484	\$ 119,192

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024

NOTE H -- 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,	
2025	\$ (8,703)
2026	(8,703)
2027	(10,036)
2028	(10,874)
2029	(7,694)
Thereafter	(7,698)
	<u>\$ (53,708)</u>

NOTE I – TAX ABATEMENTS

The County provides tax abatements to incentivize development and provide economic growth in the County. As of September 30, 2024, 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, 2024, the County rebated \$5,252 in property taxes, which completed the rebate. No future payments will occur in regards to this agreement.

NOTE J -- 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 K – INTERFUND TRANSFERS

The following transfers occurred during the year ending September 30, 2024:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental	\$ 23,571	Grant Match
		<u>\$ 23,571</u>	

KARNES COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2024

NOTE L -- 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 M -- COMMITMENTS

As of September 30, 2024, the County had the following outstanding commitments for contracts awarded:

<u>Project</u>	<u>Estimated Project Cost to County</u>	<u>Expended through 9/30/24</u>	<u>Estimated Future Commitment</u>
County Road Improvements	\$ 3,712,698	\$ -	\$ 3,712,698
	<u>\$ 3,712,698</u>	<u>\$ -</u>	<u>\$ 3,712,698</u>

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, 2024

	Budget Amounts		Actual Amounts	Variance
	Original	Final		
REVENUES				
Ad Valorem Taxes	\$ 13,891,360	\$ 13,891,360	\$ 14,018,286	\$ 126,926
Sales Taxes	6,600,000	6,600,000	6,156,578	(443,422)
Fines and Forfeitures	270,000	270,000	275,659	5,659
Charges for Services	841,000	844,000	1,258,292	414,292
Licenses, Permits, and Fees	765,000	765,000	817,356	52,356
Interest Income	1,907,505	1,907,505	3,610,835	1,703,330
Royalties	350,000	350,000	275,969	(74,031)
Misc Income	388,774	388,774	723,330	334,556
Grants and Donations	80,768	80,768	60,200	(20,568)
TOTAL REVENUES	<u>25,094,407</u>	<u>25,097,407</u>	<u>27,196,505</u>	<u>2,099,098</u>
EXPENDITURES				
<i>Current:</i>				
<i>Administration:</i>				
County Judge	194,965	194,965	194,491	474
County Clerk	424,539	424,539	399,626	24,913
Nondepartmental	755,102	659,285	637,066	22,219
Elections	288,009	291,009	283,955	7,054
Waste & Recycle	110,845	110,845	101,297	9,548
Other Agency Support	301,562	301,562	316,412	(14,850)
Commissioners	366,435	366,435	361,817	4,618
Human Resources	149,749	149,749	117,434	32,315
Information Technology	532,487	549,567	544,612	4,955
<i>Legal:</i>				
County Attorney	375,473	375,473	345,404	30,069
<i>Judicial:</i>				
District Clerk	356,654	364,154	359,279	4,875
Justices of the Peace	685,537	685,537	668,134	17,403
Judicial Court	676,258	676,258	637,372	38,886
<i>Finance:</i>				
County Auditor	316,098	316,098	313,567	2,531
County Treasurer	226,359	226,359	225,344	1,015
Tax Assessor	466,821	466,821	437,639	29,182
<i>Facilities</i>	496,324	496,324	450,574	45,750
<i>Public Safety:</i>				
Emergency Medical Services	2,690,773	2,932,055	2,848,737	83,318
Constables	360,458	361,106	328,076	33,030
County Sheriff	4,962,276	4,957,145	4,039,839	917,306
DPS	\$ 78,547	\$ 78,547	\$ 73,885	\$ 4,662

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, 2024

	Budget Amounts		Actual Amounts	Variance
	Original	Final		
EXPENDITURES (CONT.)				
<i>Current (Cont.):</i>				
<i>Health and Welfare:</i>				
Veterans	\$ 70,575	\$ 70,575	\$ 49,096	\$ 21,479
Health	35,628	35,628	35,645	(17)
Welfare	52,250	52,250	33,479	18,771
<i>Conservation</i>	208,974	208,974	208,953	21
Capital Outlay	10,036,183	9,871,269	1,657,943	8,213,326
TOTAL EXPENDITURES	<u>25,218,881</u>	<u>25,222,529</u>	<u>15,669,676</u>	<u>9,552,853</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(124,474)	(125,122)	11,526,829	11,651,951
OTHER FINANCING SOURCES (OFS)				
Sale of Capital Assets	-	-	21,000	21,000
Transfer In (Out)	(144,071)	(144,071)	(23,571)	120,500
TOTAL OFS	<u>(144,071)</u>	<u>(144,071)</u>	<u>(2,571)</u>	<u>141,500</u>
NET CHANGE IN FUND BALANCE	(268,545)	(269,193)	11,524,258	11,793,451
BEGINNING FUND BALANCE	<u>50,787,050</u>	<u>50,787,050</u>	<u>50,787,050</u>	-
ENDING FUND BALANCE	<u>\$ 50,518,505</u>	<u>\$ 50,517,857</u>	<u>\$ 62,311,308</u>	<u>\$ 11,793,451</u>

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, 2024

	Budget Amounts		Actual Amounts	Variance
	Original	Final		
REVENUES				
Ad Valorem Taxes	\$ 10,013,882	\$ 10,013,882	\$ 10,114,861	\$ 100,979
Licenses, Permits, and Fees	825,000	825,000	809,732	(15,268)
Interest Income	950,000	950,000	1,500,292	550,292
Royalties	1,750,000	1,750,000	2,332,000	582,000
Misc Income	-	-	2,290	2,290
Grants and Donations	119,200	119,200	526,824	407,624
TOTAL REVENUES	<u>13,658,082</u>	<u>13,658,082</u>	<u>15,285,999</u>	<u>1,627,917</u>
EXPENDITURES				
<i>Current:</i>				
Public Transportation	7,622,622	7,678,771	5,669,963	2,008,808
Capital Outlay	20,412,540	20,584,630	14,790,113	5,794,517
<i>Debt Service:</i>				
Principal	37,977	37,977	37,977	-
Interest	1,343	1,343	1,343	-
TOTAL EXPENDITURES	<u>28,074,482</u>	<u>28,302,721</u>	<u>20,499,396</u>	<u>7,803,325</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,416,400)	(14,644,639)	(5,213,397)	9,431,242
OTHER FINANCING SOURCES (OFS)				
Sale of Capital Assets	50,000	50,000	34,868	(15,132)
TOTAL OFS	<u>50,000</u>	<u>50,000</u>	<u>34,868</u>	<u>(15,132)</u>
Net Change in Fund Balance	(14,366,400)	(14,594,639)	(5,178,529)	9,416,110
BEGINNING FUND BALANCE	<u>25,209,701</u>	<u>25,209,701</u>	<u>25,209,701</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 10,843,301</u>	<u>\$ 10,615,062</u>	<u>\$ 20,031,172</u>	<u>\$ 9,416,110</u>

KARNES COUNTY
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2024

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 General Fund and all special revenue funds have legally adopted annual budgets.

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.

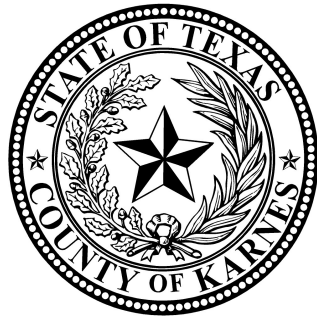
KARNES COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN PLAN (CALENDAR) YEARS

	Total Pension Liability			
	2014	2015	2016	2017
Service Cost	\$ 685,309	\$ 865,719	\$ 1,143,857	\$ 1,038,576
Interest (on the Total Pension Liability)	1,161,338	1,247,626	1,367,975	1,482,025
Changes of Benefit Terms	-	(172,224)	-	-
Change of Assumptions	-	206,651	-	159,391
Difference between Expected and Actual Experience	40,974	203,545	(575,439)	(193,880)
Benefit Payments, Including Refunds of Employee Contributions	(880,293)	(976,905)	(993,459)	(1,019,347)
Net Change in Total Pension Liability	1,007,328	1,374,412	942,934	1,466,765
Total Pension Liability - Beginning	14,433,100	15,440,428	16,814,840	17,757,774
Total Pension Liability - Ending	<u>\$ 15,440,428</u>	<u>\$ 16,814,840</u>	<u>\$ 17,757,774</u>	<u>\$ 19,224,539</u>
	Plan Fiduciary Net Position			
	2014	2015	2016	2017
Contributions - Employer	\$ 749,548	\$ 883,694	\$ 784,312	\$ 711,087
Contributions - Employee	378,833	520,696	506,474	486,092
Net Investment Income	898,729	14,755	1,075,034	2,336,095
Benefit Payments, Including Refunds of Employee Contributions	(880,293)	(976,905)	(993,459)	(1,019,347)
Administrative Expense	(10,539)	(10,450)	(11,911)	(12,296)
Other	(47,963)	130,457	(166,687)	2,268
Net Change	1,088,315	562,247	1,193,763	2,503,899
Beginning Plan Fiduciary Net Postion	13,140,555	14,228,870	14,791,117	15,984,880
Ending Plan Fiduciary Net Postion	<u>\$ 14,228,870</u>	<u>\$ 14,791,117</u>	<u>\$ 15,984,880</u>	<u>\$ 18,488,779</u>
Net Pension Liability (Asset) - Ending	\$ 1,211,558	\$ 2,023,723	\$ 1,772,894	\$ 735,760
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.15%	87.96%	90.02%	96.17%
Covered Payroll	\$ 5,411,897	\$ 7,438,508	\$ 7,235,338	\$ 6,944,176
Net Pension Liability as a Percentage of Covered Payroll	22.39%	27.21%	24.50%	10.60%

Total Pension Liability					
2018	2019	2020	2021	2022	2023
\$ 997,744	\$ 1,055,402	\$ 1,206,241	\$ 1,313,499	\$ 1,236,501	\$ 1,342,736
1,595,093	1,738,727	1,912,202	2,050,526	2,174,004	2,310,556
442,312	-	-	-	-	864,041
-	-	1,502,443	(75,799)	-	-
(197,727)	351,895	(117,319)	(181,757)	(185,884)	225,144
<u>(1,080,581)</u>	<u>(1,164,708)</u>	<u>(1,145,307)</u>	<u>(1,332,084)</u>	<u>(1,480,158)</u>	<u>(1,590,091)</u>
1,756,841	1,981,316	3,358,260	1,774,385	1,744,463	3,152,386
19,224,539	20,981,380	22,962,696	26,320,956	28,095,341	29,839,804
<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>	<u>\$ 32,992,190</u>

Plan Fiduciary Net Position					
2018	2019	2020	2021	2022	2023
\$ 770,885	\$ 922,742	\$ 957,038	\$ 940,383	\$ 1,087,249	\$ 1,086,285
528,482	583,486	611,804	612,778	646,432	704,072
(341,999)	3,014,599	2,243,960	5,374,022	(1,779,049)	3,133,039
(1,080,581)	(1,164,709)	(1,145,307)	(1,332,084)	(1,480,158)	(1,590,091)
(14,746)	(16,546)	(17,818)	(16,199)	(16,696)	(16,619)
8,376	14,716	(12,647)	12,968	89,625	21,454
<u>(129,583)</u>	<u>3,354,288</u>	<u>2,637,030</u>	<u>5,591,868</u>	<u>(1,452,597)</u>	<u>3,338,140</u>
18,488,779	18,359,196	21,713,484	24,350,514	29,942,382	28,489,785
<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>	<u>\$ 31,827,925</u>

\$ 2,622,184	\$ 1,249,212	\$ 1,970,442	\$ (1,847,041)	\$ 1,350,019	\$ 1,164,265
87.50%	94.56%	92.51%	106.57%	95.48%	96.47%
\$ 7,448,138	\$ 8,335,510	\$ 8,740,056	\$ 8,753,973	\$ 9,234,737	\$ 10,058,178
35.21%	14.99%	22.54%	-21.10%	14.62%	11.58%



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

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 1,204,090	\$ 1,204,090	\$ -	\$ 10,620,562	11.3%
2023	1,050,202	1,050,202	-	9,525,964	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 SEVEN 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%

Notes to OPEB Schedule

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

Changes in Assumptions:

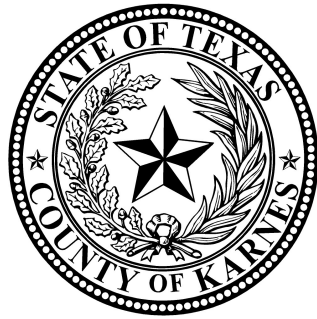
2024 New participation rate assumptions based on change in benefits
Discount rate reduced from 4.77% to 4.06%

Changes in Benefits:

2024 The County now pays the premiums for retirees.

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

Total OPEB Liability			
2021	2022	2023	2024
\$ 14,780	\$ 14,780	\$ 9,832	\$ 9,832
4,320	4,272	7,222	6,342
-	-	-	994,532
-	6,832	-	(117,392)
-	(32,176)	-	63,530
<u>(15,292)</u>	<u>(27,208)</u>	<u>(27,208)</u>	<u>(43,802)</u>
3,808	(33,500)	(10,154)	913,042
184,866	188,674	155,174	145,020
<u>\$ 188,674</u>	<u>\$ 155,174</u>	<u>\$ 145,020</u>	<u>\$ 1,058,062</u>
\$ 7,252,139	\$ 7,347,746	\$ 7,347,746	\$ 8,927,020
2.60%	2.11%	1.97%	11.85%



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, 2024

	Special Revenue			
	County & District Clerk Records	General Records Management	Law Library	Court Guardianship
ASSETS				
Cash and Cash Equivalents	\$ 418,826	\$ 92,426	\$ 63,146	\$ 9,990
Certificates of Deposit	-	-	-	-
Other Receivables	-	-	-	-
TOTAL ASSETS	\$ 418,826	\$ 92,426	\$ 63,146	\$ 9,990
 LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 56,522	\$ -	\$ 363	\$ -
Accrued Wages	-	-	-	-
<i>Total Liabilities</i>	56,522	-	363	-
 <i>Fund Balances:</i>				
Restricted for:				
Elections	-	-	-	-
Legal	-	92,426	-	9,990
Judicial	-	-	-	-
Public Safety	-	-	-	-
Records Management	362,304	-	62,783	-
Sheriff	-	-	-	-
Libraries	-	-	-	-
Flood Control	-	-	-	-
Committed for:				
Courthouse Maintenance	-	-	-	-
<i>Total Fund Balances</i>	362,304	92,426	62,783	9,990
TOTAL LIABILITIES AND FUND BALANCES	\$ 418,826	\$ 92,426	\$ 63,146	\$ 9,990

Special Revenue

Court Records Preservation	JP Court Security & Technology	Contract Election Funds	Pretrial Diversion	Court Reporter	Jury Fund
\$ 19,414	\$ 158,130	\$ 53,434	\$ 119,286	\$ 70,584	\$ 114,407
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 19,414</u>	<u>\$ 158,130</u>	<u>\$ 53,434</u>	<u>\$ 119,286</u>	<u>\$ 70,584</u>	<u>\$ 114,407</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 696
-	-	-	-	-	-
-	-	-	-	-	696
-	-	53,434	-	-	-
-	-	-	-	-	-
-	158,130	-	119,286	70,584	113,711
-	-	-	-	-	-
19,414	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>19,414</u>	<u>158,130</u>	<u>53,434</u>	<u>119,286</u>	<u>70,584</u>	<u>113,711</u>
<u>\$ 19,414</u>	<u>\$ 158,130</u>	<u>\$ 53,434</u>	<u>\$ 119,286</u>	<u>\$ 70,584</u>	<u>\$ 114,407</u>

KARNES COUNTY
 COMBINING BALANCE SHEET – NONMAJOR FUNDS (CONTINUED)
 SEPTEMBER 30, 2024

	Special Revenue			
	Emergency Management	HAVA	Court Security	County Libraries
ASSETS				
Cash and Cash Equivalents	\$ 802,809	\$ 120	\$ 431,802	\$ 700,232
Certificates of Deposit	-	-	-	113,910
Other Receivables	-	-	-	-
TOTAL ASSETS	\$ 802,809	\$ 120	\$ 431,802	\$ 814,142
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 30	\$ -	\$ 3,444	\$ 19,694
Accrued Wages	-	-	6,498	11,242
<i>Total Liabilities</i>	30	-	9,942	30,936
<i>Fund Balances:</i>				
Restricted for:				
Elections	-	120	-	-
Legal	-	-	-	-
Judicial	-	-	421,860	-
Public Safety	802,779	-	-	-
Records Management	-	-	-	-
Sheriff	-	-	-	-
Libraries	-	-	-	783,206
Flood Control	-	-	-	-
Committed for:				
Courthouse Maintenance	-	-	-	-
<i>Total Fund Balances</i>	802,779	120	421,860	783,206
TOTAL LIABILITIES AND FUND BALANCES	\$ 802,809	\$ 120	\$ 431,802	\$ 814,142

KARNES COUNTY
 COMBINING BALANCE SHEET – NONMAJOR FUNDS (CONTINUED)
 SEPTEMBER 30, 2024

	Special Revenue			
	County Attorney Forfeiture	Court Facility Fee	Justice Court Building Security	Language Access
ASSETS				
Cash and Cash Equivalents	\$ 42,546	\$ 11,650	\$ 986	\$ 3,296
Certificates of Deposit	-	-	-	-
Other Receivables	-	-	-	-
TOTAL ASSETS	<u>\$ 42,546</u>	<u>\$ 11,650</u>	<u>\$ 986</u>	<u>\$ 3,296</u>
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Wages	-	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>				
Restricted for:				
Elections	-	-	-	-
Legal	42,546	-	-	-
Judicial	-	11,650	986	3,296
Public Safety	-	-	-	-
Records Management	-	-	-	-
Sheriff	-	-	-	-
Libraries	-	-	-	-
Flood Control	-	-	-	-
Committed for:				
Courthouse Maintenance	-	-	-	-
<i>Total Fund Balances</i>	<u>42,546</u>	<u>11,650</u>	<u>986</u>	<u>3,296</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 42,546</u>	<u>\$ 11,650</u>	<u>\$ 986</u>	<u>\$ 3,296</u>

<u>Special Revenue</u>				
<u>Rural Law Enforcement</u>	<u>Victim Services Coordinator</u>	<u>Total Special Revenue</u>	<u>Capital Grant Projects</u>	<u>Total Nonmajor Funds</u>
\$ 463,081	\$ 1,648	\$ 8,209,092	\$ -	\$ 8,209,092
-	-	113,910	-	113,910
-	-	20,445	29,000	49,445
<u>\$ 463,081</u>	<u>\$ 1,648</u>	<u>\$ 8,343,447</u>	<u>\$ 29,000</u>	<u>\$ 8,372,447</u>
\$ 462,988	\$ 1,648	\$ 559,768	\$ 15,127	\$ 574,895
-	-	17,740	-	17,740
<u>462,988</u>	<u>1,648</u>	<u>577,508</u>	<u>15,127</u>	<u>592,635</u>
-	-	53,554	-	53,554
-	-	145,672	-	145,672
-	-	899,503	-	899,503
93	-	819,965	-	819,965
-	-	444,501	-	444,501
-	-	123,016	-	123,016
-	-	783,206	-	783,206
-	-	-	13,873	13,873
-	-	4,496,522	-	4,496,522
<u>93</u>	<u>-</u>	<u>7,765,939</u>	<u>13,873</u>	<u>7,779,812</u>
<u>\$ 463,081</u>	<u>\$ 1,648</u>	<u>\$ 8,343,447</u>	<u>\$ 29,000</u>	<u>\$ 8,372,447</u>

KARNES COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE – NONMAJOR FUNDS
 FOR THE YEAR ENDING SEPTEMBER 30, 2024

	Special Revenue			
	County & District Clerk Records	General Records Management	Law Library	Court Guardianship
REVENUES				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	-	-
Charges for Services	75,040	-	8,664	860
Interest Income	22,240	-	-	-
Miscellaneous	-	-	-	-
Grants and Donations	-	-	-	-
TOTAL REVENUES	<u>97,280</u>	<u>-</u>	<u>8,664</u>	<u>860</u>
EXPENDITURES				
Current:				
Administration	282,823	-	-	-
Legal	-	-	4,394	-
Judicial	-	-	-	825
Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Debt Service:				
Principal	121,023	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>403,846</u>	<u>-</u>	<u>4,394</u>	<u>825</u>
Excess (Deficiency) in Revenue Over (Under) Expenditures	(306,566)	-	4,270	35
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	-	-
Net Change in Fund Balance	(306,566)	-	4,270	35
BEGINNING FUND BALANCE	<u>668,870</u>	<u>92,426</u>	<u>58,513</u>	<u>9,955</u>
ENDING FUND BALANCE	<u>\$ 362,304</u>	<u>\$ 92,426</u>	<u>\$ 62,783</u>	<u>\$ 9,990</u>

Special Revenue

Court Records Preservation	JP Court Security & Technology	Contract Election Funds	Pretrial Diversion	Court Reporter	Jury Fund
\$ -	\$ -	\$ -	\$ -	\$ 57	\$ -
-	876	-	-	-	-
6,950	-	29,388	21,810	6,164	-
-	-	-	-	-	-
-	-	-	-	-	12,159
-	-	-	-	-	-
<u>6,950</u>	<u>876</u>	<u>29,388</u>	<u>21,810</u>	<u>6,221</u>	<u>12,159</u>
-	-	57,119	-	-	-
-	-	-	-	-	-
-	9,897	-	-	10,777	14,686
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>9,897</u>	<u>57,119</u>	<u>-</u>	<u>10,777</u>	<u>14,686</u>
6,950	(9,021)	(27,731)	21,810	(4,556)	(2,527)
-	-	-	-	-	-
6,950	(9,021)	(27,731)	21,810	(4,556)	(2,527)
12,464	167,151	81,165	97,476	75,140	116,238
<u>\$ 19,414</u>	<u>\$ 158,130</u>	<u>\$ 53,434</u>	<u>\$ 119,286</u>	<u>\$ 70,584</u>	<u>\$ 113,711</u>

KARNES COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE – NONMAJOR FUNDS (CONTINUED)
 FOR THE YEAR ENDING SEPTEMBER 30, 2024

	Special Revenue			
	Emergency Management	HAVA	Court Security	County Libraries
REVENUES				
Ad Valorem Taxes	\$ 218,908	\$ -	\$ 328,558	\$ 766,655
Fines and Forfeitures	-	-	6,672	1,050
Charges for Services	-	-	-	12,049
Interest Income	32,232	1	19,686	27,813
Miscellaneous	533	-	-	334
Grants and Donations	-	-	-	9,479
TOTAL REVENUES	251,673	1	354,916	817,380
EXPENDITURES				
Current:				
Administration	-	-	-	-
Legal	-	-	-	-
Judicial	-	-	320,341	-
Facilities	-	-	-	-
Public Safety	11,035	-	-	-
Health and Welfare	-	-	-	686,060
Debt Service:				
Principal	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	11,035	-	320,341	686,060
Excess (Deficiency) in Revenue Over (Under) Expenditures	240,638	1	34,575	131,320
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	-	-
Net Change in Fund Balance	240,638	1	34,575	131,320
BEGINNING FUND BALANCE	562,141	119	387,285	651,886
ENDING FUND BALANCE	\$ 802,779	\$ 120	\$ 421,860	\$ 783,206

Special Revenue

Federal Asset Forfeiture	Courthouse Maintenance	Sheriff Forfeiture	Sheriff Donation	EMS Donation	County Attorney Hot Check
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	21,283	-	-	-
-	-	-	-	-	-
155	268,302	1,934	-	-	-
-	6,000	-	-	-	-
-	-	-	1,170	4,700	-
<u>155</u>	<u>274,302</u>	<u>23,217</u>	<u>1,170</u>	<u>4,700</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	88,383	-	-	-	-
-	-	185,505	15,447	2,960	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,693	-	-	-
<u>-</u>	<u>88,383</u>	<u>189,198</u>	<u>15,447</u>	<u>2,960</u>	<u>-</u>
155	185,919	(165,981)	(14,277)	1,740	-
-	-	-	-	-	-
<u>155</u>	<u>185,919</u>	<u>(165,981)</u>	<u>(14,277)</u>	<u>1,740</u>	<u>-</u>
2,850	4,310,603	277,471	25,803	12,348	710
<u>\$ 3,005</u>	<u>\$ 4,496,522</u>	<u>\$ 111,490</u>	<u>\$ 11,526</u>	<u>\$ 14,088</u>	<u>\$ 710</u>

KARNES COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE – NONMAJOR FUNDS (CONTINUED)
 FOR THE YEAR ENDING SEPTEMBER 30, 2024

	Special Revenue			
	County Attorney Forfeiture	Court Facility Fee	Justice Court Building Security	Language Access
REVENUES				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	5,320	-	210	1,371
Charges for Services	-	4,919	-	-
Interest Income	2,227	-	-	-
Miscellaneous	-	-	-	-
Grants and Donations	-	-	-	-
TOTAL REVENUES	<u>7,547</u>	<u>4,919</u>	<u>210</u>	<u>1,371</u>
EXPENDITURES				
Current:				
Administration	-	-	-	-
Legal	12,666	-	-	-
Judicial	-	-	-	-
Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>12,666</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) in Revenue Over (Under) Expenditures	(5,119)	4,919	210	1,371
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	-	-
Net Change in Fund Balance	(5,119)	4,919	210	1,371
BEGINNING FUND BALANCE	<u>47,665</u>	<u>6,731</u>	<u>776</u>	<u>1,925</u>
ENDING FUND BALANCE	<u>\$ 42,546</u>	<u>\$ 11,650</u>	<u>\$ 986</u>	<u>\$ 3,296</u>

<u>Special Revenue</u>				
<u>Rural Law Enforcement</u>	<u>Victim Services Coordinator</u>	<u>Total Special Revenue</u>	<u>Capital Grant Projects</u>	<u>Total Nonmajor Funds</u>
\$ -	\$ -	\$ 1,314,178	\$ -	\$ 1,314,178
-	-	36,782	-	36,782
-	-	165,844	-	165,844
9,316	-	383,906	-	383,906
-	-	19,026	-	19,026
<u>350,000</u>	<u>54,998</u>	<u>420,347</u>	<u>1,341,171</u>	<u>1,761,518</u>
<u>359,316</u>	<u>54,998</u>	<u>2,340,083</u>	<u>1,341,171</u>	<u>3,681,254</u>
-	-	339,942	-	339,942
-	78,569	95,629	-	95,629
-	-	356,526	-	356,526
-	-	88,383	-	88,383
-	-	214,947	-	214,947
-	-	686,060	-	686,060
-	-	121,023	-	121,023
<u>359,223</u>	<u>-</u>	<u>362,916</u>	<u>1,343,504</u>	<u>1,706,420</u>
<u>359,223</u>	<u>78,569</u>	<u>2,265,426</u>	<u>1,343,504</u>	<u>3,608,930</u>
93	(23,571)	74,657	(2,333)	72,324
<u>-</u>	<u>23,571</u>	<u>23,571</u>	<u>-</u>	<u>23,571</u>
93	-	98,228	(2,333)	95,895
-	-	7,667,711	16,206	7,683,917
<u>\$ 93</u>	<u>\$ -</u>	<u>\$ 7,765,939</u>	<u>\$ 13,873</u>	<u>\$ 7,779,812</u>

KARNES COUNTY
COMPARATIVE BALANCE SHEETS –GENERAL FUND
SEPTEMBER 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and Cash Equivalents	\$ 30,578,205	\$ 20,435,172
Investments	31,336,331	29,635,654
Ad Valorem Taxes Receivable (net)	576,860	486,025
Other Receivables	1,372,184	1,448,439
Prepaid Items	155,993	150,938
TOTAL ASSETS	\$ 64,019,573	\$ 52,156,228
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 598,301	\$ 482,530
Accrued Wages	226,545	170,304
Unearned Revenue	13,190	26,198
<i>Total Liabilities</i>	838,036	679,032
<i>Deferred Inflows of Resources:</i>		
Unavailable Revenues - Property Taxes	576,860	486,025
Unavailable Revenues - EMS	293,369	204,121
<i>Total Deferred Inflows</i>	870,229	690,146
<i>Fund Balances:</i>		
<i>Nonspendable:</i>		
Prepaid Items	155,993	150,938
Unassigned	62,155,315	50,636,112
<i>Total Fund Balances</i>	62,311,308	50,787,050
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 64,019,573	\$ 52,156,228

KARNES COUNTY
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE – GENERAL FUND
 FOR THE YEARS ENDING SEPTEMBER 30, 2024 AND 2023

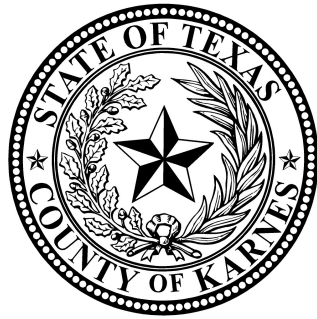
	2024	2023
REVENUES		
Ad Valorem Taxes	\$ 14,018,286	\$ 9,658,155
Sales Taxes	6,156,578	7,468,766
Fines and Forfeitures	275,659	249,582
Charges for Services	1,258,292	944,332
Licenses, Permits, and Fees	817,356	775,404
Interest Income	3,610,835	2,183,234
Royalties	275,969	425,199
Misc Income	723,330	879,037
Grants and Donations	60,200	134,389
TOTAL REVENUES	27,196,505	22,718,098
EXPENDITURES		
Current:		
Administration	2,956,710	2,361,115
Legal	345,404	345,506
Judicial	1,664,785	1,508,536
Finance	976,550	902,737
Facilities	450,574	486,137
Public Safety	7,290,537	6,611,688
Health and Welfare	118,220	97,812
Conservation	208,953	193,757
Capital Outlay	1,657,943	1,024,105
TOTAL EXPENDITURES	15,669,676	13,531,393
Excess (Deficiency) in Revenue Over (Under) Expenditures	11,526,829	9,186,705
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	21,000	58,950
Transfers In (Out)	(23,571)	(17,597)
TOTAL OTHER FINANCING SOURCES	(2,571)	41,353
Net Change in Fund Balance	11,524,258	9,228,058
BEGINNING FUND BALANCE	50,787,050	41,558,992
ENDING FUND BALANCE	\$ 62,311,308	\$ 50,787,050

KARNES COUNTY
COMPARATIVE BALANCE SHEETS – ROAD AND BRIDGE FUND
SEPTEMBER 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and Cash Equivalents	\$ 21,172,854	\$ 22,358,839
Ad Valorem Taxes Receivable (net)	104,185	91,393
Other Receivables	170,109	3,916,959
Prepaid Items	16,663	22,623
TOTAL ASSETS	\$ 21,463,811	\$ 26,389,814
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 1,281,289	\$ 1,055,163
Accrued Wages	47,165	33,557
<i>Total Liabilities</i>	1,328,454	1,088,720
<i>Deferred Inflows of Resources:</i>		
Unavailable Revenues - Property Taxes	104,185	91,393
<i>Total Deferred Inflows</i>	104,185	91,393
<i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	16,663	22,623
Restricted for:		
Road and Bridge Maintenance	20,014,509	25,187,078
<i>Total Fund Balances</i>	20,031,172	25,209,701
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 21,463,811	\$ 26,389,814

KARNES COUNTY
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE -- ROAD AND BRIDGE
 FOR THE YEARS ENDING SEPTEMBER 30, 2024 AND 2023

	2024	2023
REVENUES		
Ad Valorem Taxes	\$ 10,114,861	\$ 10,447,954
Licenses, Permits, and Fees	809,732	840,506
Interest Income	1,500,292	1,190,619
Royalties	2,332,000	2,461,667
Misc Income	2,290	883
Grants and Donations	526,824	4,883,062
TOTAL REVENUES	15,285,999	19,824,691
EXPENDITURES		
Current:		
Public Transportation	5,669,963	5,377,090
Capital Outlay	14,790,113	14,032,457
Debt Service:		
Principal	37,977	36,475
Interest	1,343	2,574
TOTAL EXPENDITURES	20,499,396	19,448,596
Excess (Deficiency) in Revenue Over (Under) Expenditures	(5,213,397)	376,095
OTHER FINANCING SOURCES (USES)		
Sale of Capital Assets	34,868	53,000
TOTAL OTHER FINANCING SOURCES	34,868	53,000
Net Change in Fund Balance	(5,178,529)	429,095
BEGINNING FUND BALANCE	25,209,701	24,780,606
ENDING FUND BALANCE	\$ 20,031,172	\$ 25,209,701



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, 2024, 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, 2025.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

January 31, 2025



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

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, 2024. 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, 2024.

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

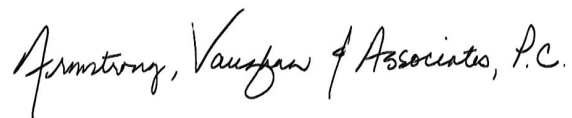
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement 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 cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

January 31, 2025



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

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, 2024. 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, 2024.

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,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

January 31, 2025

KARNES COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Any material weaknesses identified? Yes X No

Any significant deficiencies identified? Yes X No

Noncompliance material to financial Statements noted? Yes X No

2. State Awards

Internal control over major programs:

Any material weaknesses identified? Yes X No

Any significant deficiencies identified? Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with TX Single Audit Circular? Yes X No

Identification of major programs:

Name of State Programs
 Rural Law Enforcement Grant

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

Auditee qualified as low-risk auditee? X Yes No

KARNES COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.)
 FOR THE YEAR ENDED SEPTEMBER 30, 2024

3. Federal Awards

Internal control over major programs:

Any material weaknesses identified? ___ Yes X No

Any significant deficiencies identified? ___ Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? ___ Yes X No

Identification of major programs:

<u>Name of Federal Programs</u>	
HOME Grant	14.239
Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between Type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee? ___ Yes X 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, 2024

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	\$ 334,709
TOTAL DEPARTMENT OF THE TREASURY			334,709
 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Texas Department of Agriculture</i>			
Community Development Block Grant	14.228	CDV21-0444	251,560
<i>Passed through the Texas Department of Housing & Community Affairs</i>			
HOME Grant	14.239	560268	859,101
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,110,661
 U.S. DEPARTMENT OF JUSTICE			
<i>Direct Program</i>			
Asset Forfeiture Equitable Sharing Program	16.922	N/A	189,199
TOTAL U.S. DEPARTMENT OF JUSTICE			189,199
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 \$ 1,634,569

KARNES COUNTY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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	\$ 503,088
TOTAL TEXAS DEPARTMENT OF TRANSPORTATION		<u>503,088</u>
 TEXAS WATER DEVELOPMENT BOARD		
<i>Direct Program</i>		
Flood Infrastructure Fund Category 1	G1001287	89,325
TOTAL TEXAS WATER DEVELOPMENT BOARD		<u>89,325</u>
 TEXAS COMPTROLLER OF PUBLIC ACCOUNTS		
<i>Direct Program</i>		
Law Enforcement Officer Standards and Education Fund (LEOSE)	N/A	7,136
Rural Law Enforcement Grant	N/A	350,000
TOTAL TEXAS COMPTROLLER OF PUBLIC ACCOUNTS		<u>357,136</u>
 TEXAS GOVERNOR		
<i>Direct Program</i>		
Victim Service Coordinator	2863904	54,998
TOTAL TEXAS GOVERNOR		<u>54,998</u>
 TOTAL EXPENDITURES OF STATE AWARDS		 <u><u>\$ 1,004,547</u></u>

KARNES COUNTY
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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.

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