

# KARNES COUNTY, TEXAS

ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2017

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CPAs | ADVISORS

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**FINANCIAL SECTION**

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Independent Auditor's Report

To the Commissioner's Court  
Karnes County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and major fund budget to actual statements of Karnes County, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Karnes County, Texas' basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, and major fund budget to actual statements of Karnes County, Texas, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Karnes County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and nonmajor fund budget to actual schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

ABIP, PC

Certified Public Accountants  
San Antonio, Texas

May 31, 2018

## KARNES COUNTY, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

#### **Financial Highlights**

- The assets of Karnes County, Texas exceeded its liabilities at the close of the most recent fiscal year by \$76,499,401 (net position). Of this amount, \$41,471,897 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$10,356,082. This increase is attributable to a decrease in road and bridge street maintenance and construction expenditures as well as an increase in revenue from the state for Courthouse reimbursable expenses.
- As of the close of the current fiscal year, Karnes County, Texas' governmental funds reported combined ending fund balances of \$47,954,138, an increase of \$3,206,861 in comparison with the prior year. Approximately 68% of this total amount, \$32,847,587, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$32,847,587 or 190 percent of total general fund expenditures.

#### **Overview of the Financial Statements**

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

The government-wide financial statements are designed to provide readers with a broad overview of Karnes County, Texas' finances, in a manner similar to a private-sector business.

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

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

The government-wide financial statements of Karnes County, Texas include the governmental activities. The governmental activities of Karnes County, Texas include general administration, public safety, public transportation, health and welfare, public facilities, legal, judicial, financial administration, conservation, interest and fiscal charges and culture and recreation.

The government-wide financial statements include only Karnes County, Texas itself (known as the primary government). The government-wide financial statements can be found on pages 8-9 of this report.

### **Fund Financial Statements**

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

#### **Governmental Funds**

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

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

Karnes County, Texas maintains twenty-four (24) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the road and bridge funds which are considered to be major funds. Data from the other twenty-one (21) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Budgets for all budgeted general, debt service, and special revenue funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2017 fiscal year were adopted for the general fund, the road and bridge funds, the county and district clerk fund, the general records management fund, jury fund, the county library fund, the permanent improvement fund, courthouse security fund, the LEPC fund, the justice of the peace court fees fund, the rural fire fund, the KCGF Fund, the interest and sinking fund, the sheriff's contribution fund, and the law library fund.

The basic governmental fund financial statements can be found on pages 12-21 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-46 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Karnes County, Texas' net pension liability to its employees. Required supplementary information can be found on pages 50-51 of this report.

The combining statements referred to earlier in connection with major road and bridge funds, agency funds, and non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 55-65 of this report. The budget comparison schedules in connection with the non-major governmental funds can be found on pages 68-79 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Karnes County, Texas, assets exceeded liabilities by \$76,499,401 as of September 30, 2017.

Thirty-seven (37%) percent of Karnes County, Texas' net position reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. Karnes County, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Karnes County, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## Statement of Net Position

	GOVERNMENTAL ACTIVITIES	
	2017	2016
Current and Other Assets	\$ 51,228,834	\$ 47,847,386
Capital Assets	33,180,707	29,228,868
 TOTAL ASSETS	 84,409,541	 77,076,254
 Deferred Outflow of Resources - Pension	 1,607,356	 1,952,221
 Long-Term Liabilities	 6,172,598	 9,816,131
Other Liabilities	2,913,319	3,069,025
 TOTAL LIABILITIES	 9,085,917	 12,885,156
 Deferred Inflow of Resources - Pension	 431,579	 -
 Net Position		
Net Investment in Capital Assets	28,073,666	21,031,990
Restricted	6,953,838	5,473,107
Unrestricted	41,471,897	39,638,222
 TOTAL NET POSITION	 \$ 76,499,401	 \$ 66,143,319

An additional portion of Karnes County, Texas' net position (\$6,953,838 or 9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$41,471,897) may be used to meet the government's ongoing obligations to citizens and creditors.

## Statement of Activities

	GOVERNMENTAL ACTIVITIES	
	2017	2016
<u>REVENUES</u>		
Program Revenues		
Charges for Services	\$ 3,321,894	\$ 3,452,937
Operating Grants and Contributions	2,442,236	5,576,209
Capital Grants and Contributions	4,498,559	-
General Revenues		
Property Taxes	16,588,684	24,947,236
Sales Tax	4,218,866	4,653,261
Unrestricted Investment Earnings	305,453	129,492
Gain (Loss) on Sale of Assets	(18,297)	11,494
Miscellaneous	493,701	985,743
Total Revenues	31,851,096	39,756,372
<u>EXPENSES</u>		
General Administration	2,532,539	2,448,162
Legal	330,304	347,254
Judicial	1,414,226	1,448,415
Financial Administration	748,975	693,466
Public Facilities	280,377	610,843
Public Safety	6,949,044	6,283,437
Public Transportation	8,290,845	19,584,214
Culture and Recreation	500,181	468,168
Health and Welfare	83,144	83,660
Conservation - Agriculture	140,603	163,614
Interest and Fiscal Charges	224,776	258,667
Total Expenses	21,495,014	32,389,900
Change in Net Position	10,356,082	7,366,472
<u>NET POSITION AT OCTOBER 1,</u>	66,143,319	58,776,847
NET POSITION AT SEPTEMBER 30,	\$ 76,499,401	\$ 66,143,319

The increase in net position was \$10,356,082 over the previous year. This increase was mainly attributable to a decrease in road construction and repairs expense of \$10,894,886. The largest increase in expenses was in public safety of \$665,607.

REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$ 3,321,894	10.42
Operating Grants and Contributions	2,442,236	7.66
Capital Grants and Contributions	4,498,559	14.12
Property Taxes	16,588,684	52.05
Sales Tax	4,218,866	13.24
Unrestricted Investment Earnings	305,453	0.96
Miscellaneous	<u>493,701</u>	<u>1.55</u>
 Total Revenues	 <u>\$ 31,869,393</u>	 <u>100.00%</u>

**Financial Analysis of the Governmental Funds**

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

**Governmental Funds**

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

As of the end of the current fiscal year, Karnes County, Texas’ governmental funds reported combined ending fund balances of \$47,954,138, an increase of \$3,206,861 in comparison with the prior year. Approximately 68 percent of this total amount, \$32,847,587, constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remaining amount of \$15,106,551 is to be used for 1) debt service of \$207,548 and 2) \$14,899,003 for special revenue funds and prepaid expenses.

The general fund is the chief operating fund of Karnes County, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$32,847,587. As a measure of the general fund’s liquidity, it may be useful to compare unassigned fund balance to total fund expenditures.

The fund balance of Karnes County, Texas' general fund decreased by \$1,186,553 during the current fiscal year. Key factors in this decrease are as follows:

- Revenues increased by \$2,360,723 which resulted mainly from an increase in intergovernmental revenues of \$4,618,042. Expenditures increased by \$3,691,036 mainly from paying off bonded debt early in the amount of \$2,417,029 and an increase in capital outlay of \$1,987,189 due to additional construction on the County Courthouse.

The fund balance of Karnes County, Texas' road and bridge fund increased by \$4,478,711 during the current fiscal year. Key factors in this decrease are as follows:

- Revenue decreased by \$10,577,224 while expenditures also decreased by \$15,302,396.

The fund balance of Karnes County, Texas' rural fire fund decreased by \$252,593 during the current fiscal year. Key factors in this decrease are as follows:

- Revenue decreased by \$32,879 while expenditures increased by \$516,534.

### **Budgetary Highlights**

There was one budget amendment in the general fund during the year which increased the sheriff department's budgeted expenditures by \$327,247. The amended budgeted expenditures in the general fund were \$30,169,643 and actual expenditures were \$12,850,108 less than budget; the largest savings was in the capital outlay budget.

The road and bridge fund expended \$4,631,982 less than budgeted expenditures. This was caused by spending less on road maintenance and construction than what was budgeted.

The rural fire fund expended \$167,879 more than budgeted expenditures. This was caused by larger than anticipated fourth quarter expenses.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

Karnes County, Texas' investment in capital assets for its governmental activities as of September 30, 2017, amounts to \$33,180,707 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, and infrastructure items such as roads and bridges. The total increase in Karnes County, Texas' investment in capital assets for the current fiscal year was 13.5 percent.

The major capital asset events during the current fiscal year were the restoration of the courthouse, construction of a new jail, and construction of a new emergency medical services building. These construction projects were ongoing at years end.

CAPITAL ASSETS  
(Net of Depreciation)

	GOVERNMENTAL ACTIVITIES	
	2017	2016
Land	\$ 175,432	\$ 175,432
Construction in Progress	22,393,351	17,465,355
Building and Improvements	4,839,011	4,972,961
Machinery, Vehicles, and Equipment	2,185,355	2,952,702
Infrastructure	3,587,558	3,662,418
TOTALS	\$ 33,180,707	\$ 29,228,868

Additional information on Karnes County, Texas' capital assets can be found in Note 4C on pages 37-38 of this report.

**Long-Term Debt**

At the end of the current fiscal year, Karnes County, Texas had total bonded debt outstanding of \$5,107,041, all of which comprises debt backed by the full faith and credit of Karnes County, Texas.

	BALANCE 10/1/2016	ADDITIONS	REDUCTIONS	BALANCE 9/30/2017	DUE WITHIN ONE YEAR
<u>Governmental Activities</u>					
Total Bonds Payable	\$ 9,990,562	\$ -	\$ (3,064,507)	\$ 5,107,041	\$ 789,507

Karnes County, Texas' total bonded debt decreased by \$3,064,507 (31 percent) during the current fiscal year. The large decrease was a result of paying off the Certificates of Obligation.

Additional information on Karnes County, Texas' long-term debt can be found in Note 4D on pages 38-39 of this report.

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If questions are encountered regarding this report; contact the Karnes County Auditor's Office, 200 East Calvert, Karnes City, Texas 78118, or (830) 780-2721.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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KARNES COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 45,788,384
Receivables - Net of Allowance for Uncollectibles	5,369,529
Prepaid Expenses	70,921
Capital Assets not being Depreciated	
Land	175,432
Construction in Progress	22,393,351
Total Capital Assets being Depreciated - Net	
Building and Improvements	4,839,011
Machinery and Equipment	2,185,355
Infrastructure	<u>3,587,558</u>
Total Assets	<u>84,409,541</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Pension Charges	<u>1,607,356</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 86,016,897</u>
<u>LIABILITIES AND NET POSITION</u>	
Current Liabilities	
Accounts Payable	\$ 1,760,726
Accrued Wages	261,333
Accrued Interest Payable	19,584
Noncurrent Liabilities	
Due Within One Year	871,676
Due in More than One Year	4,399,703
Net Pension Liability	<u>1,772,895</u>
Total Liabilities	<u>9,085,917</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Pension Charges	<u>431,579</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	28,073,666
Restricted for Special Revenues	6,729,725
Restricted for Debt Service	207,548
Restricted for Law Enforcement	16,565
Unrestricted	<u>41,471,897</u>
Total Net Position	<u>76,499,401</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 86,016,897</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

KARNES COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>Primary Government</u>					
<u>Governmental Activities</u>					
General Administration	\$ 2,532,539	\$ 458,792	\$ 125,000	\$ 4,498,559	\$ 2,549,812
Legal	330,304	-	31,319	-	(298,985)
Judicial	1,414,226	497,223	20,848	-	(896,155)
Financial Administration	748,975	627,412	-	-	(121,563)
Public Facilities	280,377	15,548	12,000	-	(252,829)
Public Safety	6,949,044	596,429	58,806	-	(6,293,809)
Public Transportation	8,290,845	1,126,490	2,173,638	-	(4,990,717)
Culture and Recreation	500,181	-	-	-	(500,181)
Health and Welfare	83,144	-	20,625	-	(62,519)
Conservation - Agriculture	140,603	-	-	-	(140,603)
Interest and Fiscal Charges	224,776	-	-	-	(224,776)
	<u>\$ 21,495,014</u>	<u>\$ 3,321,894</u>	<u>\$ 2,442,236</u>	<u>\$ 4,498,559</u>	<u>(11,232,325)</u>
 <u>General Revenues</u>					
Taxes:					
Property Taxes, Levies for General Purposes					16,588,684
Sales Tax					4,218,866
Unrestricted Investment Earnings					305,453
Gain (Loss) on Sale of Assets					(18,297)
Miscellaneous					493,701
Total General Revenues					<u>21,588,407</u>
Change in Net Position					10,356,082
					<u>66,143,319</u>
					<u>NET POSITION - BEGINNING</u>
					<u>NET POSITION - ENDING</u>
					<u>\$ 76,499,401</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

**FUND FINANCIAL STATEMENTS**

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**KARNES COUNTY, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

	GENERAL FUND	ROAD AND BRIDGE	RURAL FIRE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 29,969,626	\$ 13,362,156	\$ 513,006	\$ 1,943,596	\$ 45,788,384
Receivables - Net of Allowance for Uncollectibles	826,937	132,536	50,809	-	1,010,282
Other Receivables	4,116,892	-	-	-	4,116,892
Prepaid Expenses	62,426	8,495	-	-	70,921
<b>TOTAL ASSETS</b>	<b>\$ 34,975,881</b>	<b>\$ 13,503,187</b>	<b>\$ 563,815</b>	<b>\$ 1,943,596</b>	<b>\$ 50,986,479</b>
<b>LIABILITIES</b>					
Accounts Payable	1,016,487	329,603	397,500	17,136	1,760,726
Accrued Wages	205,879	43,154	-	12,300	261,333
<b>Total Liabilities</b>	<b>1,222,366</b>	<b>372,757</b>	<b>397,500</b>	<b>29,436</b>	<b>2,022,059</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Revenues - Taxes	826,937	132,536	50,809	-	1,010,282
<b>FUND BALANCES</b>					
Nonspendable					
Prepays	62,426	8,495	-	-	70,921
Restricted					
Debt Service	-	-	-	207,548	207,548
Special Revenue Funds	-	5,560,163	115,506	1,054,056	6,729,725
Law Enforcement	16,565	-	-	-	16,565
Committed					
Special Revenue Funds	-	7,429,236	-	652,556	8,081,792
Unassigned	32,847,587	-	-	-	32,847,587
<b>Total Fund Balances</b>	<b>32,926,578</b>	<b>12,997,894</b>	<b>115,506</b>	<b>1,914,160</b>	<b>47,954,138</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<b>\$ 34,975,881</b>	<b>\$ 13,503,187</b>	<b>\$ 563,815</b>	<b>\$ 1,943,596</b>	<b>\$ 50,986,479</b>

KARNES COUNTY, TEXAS  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET \$ 47,954,138

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not reported in the funds. 33,180,707

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds. 242,355

Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles). 1,010,282

Recognition of the County's net pension liability and the changes in deferred outflows of resources related to the TCDRS liability is not reported in the funds.

Net Pension Liability	\$ (1,772,895)	
Deferred Inflows of Resources - Pension	(431,579)	
Deferred Outflows of Resources - Pension	<u>1,607,356</u>	(597,118)

Payables for bond interest which are not due in the current period are not reported in the funds. (19,584)

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds. (5,271,379)

NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION \$ 76,499,401

KARNES COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2017

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE</u>	<u>RURAL FIRE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>					
Taxes					
Property	\$ 5,198,203	\$ 8,823,314	\$ 955,486	\$ 1,498,412	\$ 16,475,415
Sales	3,658,499	-	-	-	3,658,499
Intergovernmental	4,667,740	2,173,638	-	58,806	6,900,184
Licenses and Permits	-	639,440	-	-	639,440
Charges for Services	1,588,060	-	-	206,878	1,794,938
Fines and Forfeitures	499,846	-	-	-	499,846
Interest	196,785	88,355	5,511	14,802	305,453
Miscellaneous	<u>323,849</u>	<u>648,144</u>	<u>-</u>	<u>49,369</u>	<u>1,021,362</u>
Total Revenues	<u>16,132,982</u>	<u>12,372,891</u>	<u>960,997</u>	<u>1,828,267</u>	<u>31,295,137</u>
<u>EXPENDITURES</u>					
Current					
General Administration	2,051,448	-	-	13,047	2,064,495
Legal	311,212	-	-	-	311,212
Judicial	1,364,874	-	-	20,454	1,385,328
Financial Administration	709,407	-	-	-	709,407
Public Facilities	273,627	-	-	-	273,627
Public Safety	4,914,396	-	1,213,590	233,509	6,361,495
Public Transportation	-	7,894,180	-	-	7,894,180
Culture and Recreation	-	-	-	481,336	481,336
Health and Welfare	81,977	-	-	-	81,977
Conservation - Agriculture	138,249	-	-	-	138,249
Capital Projects					
Capital Outlay	5,057,316	-	-	-	5,057,316
Debt Service					
Principal Retirement	2,315,330	-	-	735,000	3,050,330
Interest Retirement	<u>101,699</u>	<u>-</u>	<u>-</u>	<u>177,625</u>	<u>279,324</u>
Total Expenditures	<u>17,319,535</u>	<u>7,894,180</u>	<u>1,213,590</u>	<u>1,660,971</u>	<u>28,088,276</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,186,553)	4,478,711	(252,593)	167,296	3,206,861
<u>FUND BALANCES - BEGINNING</u>	<u>34,113,131</u>	<u>8,519,183</u>	<u>368,099</u>	<u>1,746,864</u>	<u>44,747,277</u>
FUND BALANCES - ENDING	<u>\$ 32,926,578</u>	<u>\$ 12,997,894</u>	<u>\$ 115,506</u>	<u>\$ 1,914,160</u>	<u>\$ 47,954,138</u>

KARNES COUNTY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2017

<u>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</u>	<u>\$ 3,206,861</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlays as expenditures (\$5,111,015). However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$1,087,180). As well as the disposals of assets with remaining costs of (\$71,996). This is the amount by which capital outlays exceeded depreciation expense in the current period.	3,951,839
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(99,380)
Sales tax repayments owed to the state are accrued at the Government-wide level. This is the change in these amounts for the year.	560,367
Certain long-term liabilities are accrued at the Government-wide level but not at the fund level. This is the change in these amounts for the year. (Accrued Interest)	15,041
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	113,269
(Increase) decrease in compensated absences from beginning of period to end of period.	43,864
Bond payments in the fund level are recorded as expenditures and reported as reductions to bonds payable in the statement of net position.	3,089,837
The change in net pension liability and deferred outflows related to the County's net pension liability is not expensed in the funds.	<u>(525,616)</u>
<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES</u>	<u><u>\$ 10,356,082</u></u>

KARNES COUNTY, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes				
Property	\$ 5,429,231	\$ 5,429,231	\$ 5,198,203	\$ (231,028)
Sales	2,559,733	2,559,733	3,658,499	1,098,766
Intergovernmental	4,051,641	4,051,641	4,667,740	616,099
Charges for Services	1,882,250	1,882,250	1,588,060	(294,190)
Fines and Forfeitures	601,500	601,500	499,846	(101,654)
Interest	40,000	40,000	196,785	156,785
Miscellaneous	51,361	51,361	323,849	272,488
Total Revenues	<u>14,615,716</u>	<u>14,615,716</u>	<u>16,132,982</u>	<u>1,517,266</u>
<u>EXPENDITURES</u>				
Current				
General Administration				
County Judge	141,955	141,955	133,785	8,170
County Commissioners	252,683	252,683	239,802	12,881
County Clerk	309,120	309,120	245,933	63,187
Elections Office	143,234	143,234	130,487	12,747
Information Technology	222,000	222,000	64,866	157,134
Non-Departmental	4,974,376	4,974,376	1,236,575	3,737,801
Legal				
County Attorney	332,891	332,891	311,212	21,679
Judicial				
District Clerk	252,596	252,596	207,009	45,587
Justices of the Peace	464,615	464,615	430,974	33,641
Judicial Court	570,406	570,406	726,891	(156,485)
Financial Administration				
County Auditor	216,315	216,315	213,188	3,127
County Treasurer	174,092	174,092	173,308	784
Tax Assessor-Collector	329,913	329,913	322,911	7,002
Public Facilities				
Courthouse and Buildings	371,215	371,215	273,627	97,588
Public Safety				
EMS	1,415,680	1,415,680	1,322,792	92,888
Constables	179,525	179,525	178,022	1,503
DPS	20,640	20,640	13,553	7,087
Sheriff	3,585,464	3,912,711	3,400,029	512,682

KARNES COUNTY, TEXAS  
GENERAL FUND (CONTINUED)  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>EXPENDITURES (CONTINUED)</u>				
Health and Welfare				
County Welfare	\$ 50,150	\$ 50,150	\$ 48,550	\$ 1,600
Health	25,992	25,992	25,992	-
Veterans Office	14,524	14,524	7,435	7,089
Conservation - Agriculture				
Agriculture Extension Service	153,825	153,825	138,249	15,576
Capital Outlay	13,249,280	13,249,280	5,057,316	8,191,964
Debt Service				
Principal	2,315,330	2,315,330	2,315,330	-
Interest	76,575	76,575	101,699	(25,124)
Total Expenditures	<u>29,842,396</u>	<u>30,169,643</u>	<u>17,319,535</u>	<u>12,850,108</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,226,680)</u>	<u>(15,553,927)</u>	<u>(1,186,553)</u>	<u>14,367,374</u>
Change in Fund Balance	<u>\$ (15,226,680)</u>	<u>\$ (15,553,927)</u>	<u>(1,186,553)</u>	<u>\$ 14,367,374</u>
<u>FUND BALANCE - BEGINNING</u>			<u>34,113,131</u>	
FUND BALANCE - ENDING			<u>\$ 32,926,578</u>	

KARNES COUNTY, TEXAS  
ROAD AND BRIDGE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes				
Property	\$ 6,296,737	\$ 6,296,737	\$ 6,202,495	\$ (94,242)
Intergovernmental	720,000	720,000	2,154,410	1,434,410
Licenses and Permits	805,000	805,000	639,440	(165,560)
Interest	9,000	9,000	51,199	42,199
Miscellaneous	1,500	1,500	648,144	646,644
Total Revenues	<u>7,832,237</u>	<u>7,832,237</u>	<u>9,695,688</u>	<u>1,863,451</u>
<u>EXPENDITURES</u>				
Public Transportation				
Road and Bridge	<u>9,832,237</u>	<u>9,832,237</u>	<u>6,767,239</u>	<u>3,064,998</u>
Total Expenditures	<u>9,832,237</u>	<u>9,832,237</u>	<u>6,767,239</u>	<u>3,064,998</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (2,000,000)</u>	<u>\$ (2,000,000)</u>	2,928,449	<u>\$ 4,928,449</u>
<u>FUND BALANCE - BEGINNING</u>			<u>4,500,787</u>	
FUND BALANCE - ENDING			<u>\$ 7,429,236</u>	

KARNES COUNTY, TEXAS  
ROAD AND BRIDGE SPECIAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET - POSITIVE (NEGATIVE)
<u>REVENUES</u>				
Taxes				
Property	\$ 2,662,718	\$ 2,662,718	\$ 2,620,819	\$ (41,899)
Interest	<u>7,500</u>	<u>7,500</u>	<u>36,747</u>	<u>29,247</u>
Total Revenues	<u>2,670,218</u>	<u>2,670,218</u>	<u>2,657,566</u>	<u>(12,652)</u>
<u>EXPENDITURES</u>				
Public Transportation				
Road and Bridge	<u>2,670,218</u>	<u>2,670,218</u>	<u>1,103,234</u>	<u>1,566,984</u>
Total Expenditures	<u>2,670,218</u>	<u>2,670,218</u>	<u>1,103,234</u>	<u>1,566,984</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,554,332	<u>\$ 1,554,332</u>
<u>FUND BALANCE - BEGINNING</u>			<u>3,958,401</u>	
FUND BALANCE - ENDING			<u>\$ 5,512,733</u>	

KARNES COUNTY, TEXAS  
RURAL FIRE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes				
Property	\$ 974,911	\$ 974,911	\$ 955,486	\$ (19,425)
Interest	<u>800</u>	<u>800</u>	<u>5,511</u>	<u>4,711</u>
Total Revenues	975,711	975,711	960,997	(14,714)
<u>EXPENDITURES</u>				
Current				
Public Safety				
Fire	<u>1,045,711</u>	<u>1,045,711</u>	<u>1,213,590</u>	<u>(167,879)</u>
Net Change in Fund Balance	<u>\$ (70,000)</u>	<u>\$ (70,000)</u>	(252,593)	<u>\$ (182,593)</u>
<u>FUND BALANCE - BEGINNING</u>			<u>368,099</u>	
FUND BALANCE - ENDING			<u>\$ 115,506</u>	

KARNES COUNTY, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
SEPTEMBER 30, 2017

ASSETS

Cash and Cash Equivalents

\$ 8,194,646

LIABILITIES

Due to Others

\$ 8,194,646

**NOTES TO THE FINANCIAL STATEMENTS**

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KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Karnes County operates under a county judge – commissioner’s court type of government and provides the following services throughout the county: public safety (ambulance and law enforcement), environmental protection (sanitation), public transportation (roads and bridges), health and welfare, culture and recreation, public facilities, judicial and legal, election functions, and general and financial administrative services.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment 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 among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

**Government-Wide Financial Statements:** These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Governmental Fund Financial Statements:** Governmental funds are reported using the 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales tax, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

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

**Road and Bridge Fund:** The road and bridge fund accounts for the activities of the government's road and bridge operations.

**Rural Fire Fund:** The rural fire fund accounts for resources relating to fire emergency service centers in the County.

In addition, the County reports the following fund types:

**Special Revenue Funds:** These funds are used to account for funds related to grants and contracts and other general government resources that are restricted by law or contractual agreement to specific purposes other than debt service or capital projects.

**Fiduciary Funds:** These funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements. The County uses Agency Funds to account for assets held in the agent capacity. These funds are used to report other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amounts reported as 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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

The method used to value investments for financial reporting purposes is dependent upon the type of investment and the time remaining to maturity. Investments are valued at amortized cost if they have a remaining maturity at the time of purchase of one (1) year or less and the fair value of the investments is not affected by the impairment or the credit standing of the issuer or by other factors. All other investments are valued at fair value.

Local government investment pools in Texas are established under the government of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition, to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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 (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 in active markets that the County has the ability to access.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

1. Deposits and Investments (Continued)

Level 2 - Inputs to the valuation methodology include:

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

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset'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.

2. Receivables and Payables

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

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

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2017 and 10 percent of the delinquent outstanding property taxes at September 30, 2017.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

2. Receivables and Payables (Continued)

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

3. Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The prepaid items at September 30, 2017 are reflected in the accompanying financial statements.

4. Restricted Assets

There were no restricted assets at September 30, 2017.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The major capital asset events during the current fiscal year were restoration of the Courthouse, construction of a new jail, and construction of the new EMS building.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

5. Capital Assets (Continued)

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

<u>ASSET</u>	<u>YEARS</u>
Buildings	15-50 Years
Building Improvements	20 Years
Infrastructure	30 Years
Large Equipment	7-10 Years
Vehicles	5 Years
Office Equipment	5 Years
Computer Equipment	5 Years

6. Compensated Absences

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

7. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, and gain/loss on refunding, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium, bond discount, and gain/loss on refunding.

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.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

8. Fund Balances

The County implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation; an example includes grants.

Committed fund balance – amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance – amounts intended to be used by the government for specific purposes; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed; this indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance – amounts in the residual classification of the general fund and includes all amounts not contained in other classifications; unassigned amounts are technically available for any purpose.

The County's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

9. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

9. Deferred Inflows/Outflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from property taxes as deferred inflows of resources. The amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

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

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$5,271,379 difference are as follows:

Bonds Payable	\$5,107,041
Compensated Absences	<u>164,338</u>
TOTAL	<u>\$5,271,379</u>

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position (Continued)

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

The details of this \$33,180,707 difference are as follows:

Capital Assets not being Depreciated	\$22,568,783
Capital Assets being Depreciated	18,941,028
Accumulated Depreciation	<u>(8,329,104)</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	
	<u>\$ 33,180,707</u>

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles)”. The details of this \$1,010,282 difference are as follows:

Property Taxes Receivable	\$ 1,082,840
Allowance for Doubtful Accounts	<u>(72,558)</u>
NET	<u>\$ 1,010,282</u>

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Other long-term assets are not available to pay for current-period expenditures”. The details of this \$242,355 difference are as follows:

Fines and Fees Receivable	\$ 762,754
EMS Receivable	206,668
Allowance for Doubtful Accounts	<u>(727,067)</u>
NET	<u>\$ 242,355</u>

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position (Continued)

The governmental fund statement of revenues, expenditures, and change in fund balance includes reconciliation between net change in fund balance – total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense as well as the disposals of assets with remaining costs.” The details of this \$3,951,839 difference are as follows:

Capital Outlay – Additions – not being Depreciated	\$4,981,695
Capital Outlay – Additions – being Depreciated	129,320
Depreciation Expense	(1,087,180)
Disposals of Assets with Remaining Costs	<u>(71,996)</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$3,951,839</u>

The governmental fund statement of revenues, expenditures, and change in fund balance includes reconciliation between net change in fund balance – total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year”. The details of this \$99,380 difference are as follows:

Decrease in EMS Receivable	\$(49,831)
Decrease in Warrants Receivable	<u>(49,549)</u>
NET ADJUSTMENT TO INCREASE NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS TO ARRIVE AT CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (99,380)</u>

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The original budget is adopted by the commissioner’s court and filed with the county clerk. Amendments are made during the year on approval by the commissioner’s court.

Both the original and final amended budget are presented in this report.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

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

The county judge is, by statute, the budget officer of the County. The county judge usually requests and relies on the assistance of the county auditor to prepare the annual budget. After being furnished budget guidelines by commissioner's court, the county auditor prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the commissioner's court.

The commissioner's court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the commissioner's court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the county auditor's estimate of revenues and available cash.

When the budget has been adopted by commissioner's court, the county auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping the members of commissioner's court advised of the condition of the various funds and accounts.

Budgets for all budgeted general, debt service, and special revenue funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2017 fiscal year were adopted for the general fund, the road and bridge funds, the county and district clerk fund, the general records management fund, jury fund, the county library fund, the permanent improvement fund, courthouse security fund, the LEPC fund, the justice of the peace court fees fund, the rural fire fund, the KCGF Fund, the sheriff's contribution fund, the law library fund, and the interest and sinking fund.

During the year the general fund's overall budgeted expenditures exceeded the actual expenditures by \$12,850,108. There were two segments of the general fund's budget whose actual expenditures exceeded budgeted expenditures. Actuals expenses in the judicial department exceeded the budget by \$156,485 and actual debt service expenditures exceeded the budget by \$25,124. The rural fire fund's actual expenditures exceeded the budget by \$167,879.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

**Legal and Contractual Provisions Governing Deposits and Investments**

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

**Policies Governing Deposits and Investments:**

The County has adopted a deposit and investment policy and the County does address the following risks:

*Custodial Credit Risk – Deposits* - In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The County has a deposit policy for custodial credit risk. As of September 30, 2017, the County’s bank balance of \$8,283,301 with Falls City National Bank was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution’s trust department or agent, in the County’s name. The fair market value of the securities pledged is \$26,392,411 and the FDIC coverage equals the amount held on deposit for all non-interest bearing accounts. The County’s bank balance at Karnes County National Bank of \$80,049 was fully insured by FDIC coverage. The County also has cash equivalent balances equal to \$34,890,602 that are held at a cash management institution which are fully covered by FDIC coverage.

As of September 30, 2017, the investments are comprised of the following:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITY (YEARS)	PERCENT OF TOTAL INVESTMENTS
DWS Government Cash Inst Shares (Money Market Mutual Fund)	\$ 10,475,831	0.08	97.5%
Texas CLASS (Local Government Investment Pool)	266,987	0.15	2.5%
Total Investments	<u>\$ 10,742,818</u>		
Portfolio weighted average maturity		0.08	

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

*Interest Rate Risk* - The County manages its exposure to declines in fair values by limiting the weighted average maturity of its operating investment portfolio to no more than 6 months.

*Credit Risk* - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. Standard & Poor's has designated Texas Class with a credit rating of AAAM and DWS Government Cash Inst Shares with a credit rating of AAAM.

*Concentration of Credit Risk* - Disclosure is required for investments in any one issuer that represent 5% or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The County's investments in external investment pools and mutual funds exceeding 5% are excluded from this requirement.

*Investment Valuation* - The County categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The County's investments for all funds at fiscal year-end are listed below at fair value, net of accruals. The government has the following recurring fair value measurements as of September 30, 2017:

Investments measured at net asset value:	
Money Market Mutual Fund - DWS Government Cash Inst Shares	\$ 10,475,831
External investment pools - Texas CLASS	<u>266,987</u>
Total investments at net asset value	<u>\$ 10,742,818</u>
Total investments	<u>\$ 10,742,818</u>

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

**B. Receivables**

Receivables as of September 30, 2017 for the County's individual major funds and non-major, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	GENERAL FUND	ROAD AND BRIDGE	RURAL FIRE FUND	TOTAL
<u>RECEIVABLES</u>				
Ad Valorem Taxes	\$ 887,726	\$ 140,977	\$ 54,137	\$1,082,840
Courthouse Reimbursement	4,093,559	-	-	4,093,559
Other	<u>23,333</u>	<u>-</u>	<u>-</u>	<u>23,333</u>
Gross Receivables	5,004,618	140,977	54,137	5,199,732
Less: Allowance for Uncollectibles	<u>(60,789)</u>	<u>(8,441)</u>	<u>(3,328)</u>	<u>(72,558)</u>
 NET TOTAL RECEIVABLES	 <u>\$4,943,829</u>	 <u>\$ 132,536</u>	 <u>\$ 50,809</u>	 <u>\$5,127,174</u>

**C. Capital Assets**

Capital asset activity for the County for the year ended September 30, 2017, was as follows:

	BALANCE 10/1/2016	INCREASES	DECREASES	BALANCE 9/30/2017
<u>Governmental Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 175,432	\$ -	\$ -	\$ 175,432
Construction in Progress	<u>17,465,355</u>	<u>4,981,695</u>	<u>(53,699)</u>	<u>22,393,351</u>
Total Capital Assets not being Depreciated	<u>17,640,787</u>	<u>4,981,695</u>	<u>(53,699)</u>	<u>22,568,783</u>
Capital Assets being Depreciated				
Building and Improvements	5,536,402	-	(40,000)	5,496,402
Machinery, Equipment, and Vehicles	9,188,825	129,320	(678,950)	8,639,195
Infrastructure	<u>4,805,431</u>	<u>-</u>	<u>-</u>	<u>4,805,431</u>
Total Capital Assets being Depreciated	<u>19,530,658</u>	<u>129,320</u>	<u>(718,950)</u>	<u>18,941,028</u>
Less Accumulated Depreciation for:				
Building and Improvements	(563,441)	(133,950)	40,000	(657,391)
Machinery, Equipment, and Vehicles	(6,236,123)	(878,370)	660,653	(6,453,840)
Infrastructure	<u>(1,143,013)</u>	<u>(74,860)</u>	<u>-</u>	<u>(1,217,873)</u>
Total Accumulated Depreciation	<u>(7,942,577)</u>	<u>(1,087,180)</u>	<u>700,653</u>	<u>(8,329,104)</u>
Total Capital Assets being Depreciated - Net	<u>11,588,081</u>	<u>(957,860)</u>	<u>(18,297)</u>	<u>10,611,924</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	 <u>\$ 29,228,868</u>	 <u>\$ 4,023,835</u>	 <u>\$ (71,996)</u>	 <u>\$ 33,180,707</u>

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

The major capital asset events during the current fiscal year were restoration of the Courthouse, construction of a new jail, and the construction of a new EMS building.

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

<u>Governmental Activities</u>	
General Administration	\$ 413,958
Financial Administration	2,294
Public Safety	356,201
Public Transportation	313,953
Health and Welfare	<u>774</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 1,087,180</u>

D. Long-Term Debt

**Certificates of Obligation**

The County issued Certificates of Obligation, Series 2007 in the amount of \$3,000,000 which provided funds for the construction of a new annex building. The Certificates of Obligation are serviced by the debt service fund. During the year the County opted to pay off the outstanding principal balance of the Certificates of Obligation through the general fund leaving a balance at September 30, 2017 of \$0.

Certificates of obligation are direct obligations and pledge the full faith and credit of the government.

**General Obligation Bonds**

The County issued General Obligation Bonds, Series 2013 in the amount of \$7,750,000 which provided funds for the construction of the jail and road repairs. The Bonds have an interest rate between 2-3.5% and mature on September 30, 2023. The Bonds are serviced by the debt service fund. The balance at September 30, 2017 is \$4,870,000.

The bonds are direct obligations and pledge the full faith and credit of the government.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Debt (Continued)

Annual debt service requirements to maturity for the certificates of obligation and general obligations bonds are as follows:

<u>YEAR ENDING</u> <u>SEPTEMBER 30,</u>	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>
2018	\$ 750,000	\$ 158,850
2019	775,000	136,350
2020	795,000	113,100
2021	820,000	89,250
2022	850,000	60,550
Thereafter	<u>880,000</u>	<u>30,800</u>
<b>TOTALS</b>	<b><u>\$ 4,870,000</u></b>	<b><u>\$ 588,900</u></b>

Changes in long-term liabilities:

	<u>BALANCE</u> <u>10/1/2016</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>9/30/2017</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>	<u>DUE AFTER</u> <u>ONE YEAR</u>
<u>Governmental Activities</u>						
Certificates of Obligation Bonds	\$ 2,290,000	\$ -	\$ (2,290,000)	\$ -	\$ -	\$ -
General Obligation Bonds, Series 2013	5,605,000	-	(735,000)	4,870,000	750,000	4,120,000
Bond Premium	<u>276,548</u>	-	<u>(39,507)</u>	<u>237,041</u>	<u>39,507</u>	<u>197,534</u>
Total Bonds Payable	<u>9,990,562</u>	-	<u>(3,064,507)</u>	<u>5,107,041</u>	<u>789,507</u>	<u>4,317,534</u>
Warrants	25,330	-	(25,330)	-	-	-
Compensated Absences	<u>208,202</u>	<u>60,237</u>	<u>(104,101)</u>	<u>164,338</u>	<u>82,169</u>	<u>82,169</u>
	<u>342,264</u>	<u>60,237</u>	<u>(129,431)</u>	<u>164,338</u>	<u>82,169</u>	<u>82,169</u>
<b>GRAND TOTALS</b>	<b><u>\$ 10,332,826</u></b>	<b><u>\$ 60,237</u></b>	<b><u>\$ (3,193,938)</u></b>	<b><u>\$ 5,271,379</u></b>	<b><u>\$ 871,676</u></b>	<b><u>\$ 4,399,703</u></b>

The general fund and the road and bridge fund are used to service the compensated absences. The estimated amount due in the 2017-18 year is \$82,169.

The government-wide statement of activities includes \$871,676 as “noncurrent liabilities, due within one year”.

The general fund and the road and bridge fund are used to service the warrants.

The interest incurred on the above debt for the current year was not capitalized.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 5: OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County contracts with the Texas Association of Counties Risk Management Pool (TACRMP) that provides insurance for all such risks. Contributions are set annually by TACRMP. Liability by the County is generally limited to the contributed amounts. During the year ended September 30, 2017, settled claims resulting from these risks did not exceed commercial insurance coverage.

B. Contingent Liabilities

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

NOTE 6: PENSION PLAN

A. Plan Description

The County's pension plan is a non-traditional, joint contributory, defined benefit plan. The County, as an employer, provides retirement, disability, and death benefits for all its full-time employees through a nontraditional defined-benefit pension plan in the statewide Texas County and District Retirement System. The plan is a statewide, multi-employer, public employee retirement system consisting of over 600 participants. TCDRS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar basis. The CAFR is available upon written request from the Board of Trustees at Post Office Box 2034, Austin, Texas 78768-2034.

B. Benefits Provided

The plan provisions for the County are adopted by the County Commissioners within the options available in the Texas state statutes governing TCDRS. Members can retire with 30 years of service regardless of age; or when the sum of their ages and years of service equals 75 or more. Members are vested after 8 years of service but their accumulated deposits and allocated interest must remain in the plan to receive any employer financed benefit. Members who withdraw their personal account balance in a lump sum prior to retirement are not entitled to any amounts contributed by the County.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 6: PENSION PLAN (CONTINUED)

B. Benefits Provided (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 employer within the actuarial constraints imposed by the TCDRS Act so that the restricting 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.

**Employees Covered by Benefit Terms**

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	95
Inactive Employees Entitled To But Not Yet Receiving Benefits	218
Active Employees	<u>190</u>
Total	<u>503</u>

C. Contributions

The contributions rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employees gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available to the TCDRS Act.

The County has elected the variable rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer, based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 10.24% and 10.84% for the year ending December 31, 2017 and 2016, respectfully, of annual covered payroll. Plan members are required to contribute 7% of their annual covered salary.

For the employer's accounting year ending September 30, 2017, the annual actuarially determined required contribution for the TCDRS Plan for its employees was \$720,776 and the actual contributions were \$720,776.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 6: PENSION PLAN (CONTINUED)

D. Net Pension Liability

The annual required contributions were actuarially determined as a percent of covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2014 and December 31, 2015, the basis for determining the contribution rates for calendar years 2016 and 2017, respectively.

The County's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The December 31, 2016 actuarial valuation is the most recent valuation.

**Actuarial Valuation Information:**

The Total Pension Liability in the December 31, 2016 actuarial valuations was determined using the following actuarial assumptions:

Actuarial Valuation Date	12/31/2016
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Amortization Period	12.6 Years
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Return*	8.0%
Projected Salary Increase*	4.9%
Inflation	3.0%

\*Include inflation at the stated rate.

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 6: PENSION PLAN (CONTINUED)

D. Net Pension Liability (Continued)

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. Mortality rates for active members were based on gender-distinct RP2000 Active Employee Mortality Table with, with a projection scale AA, a two year set-forward for males, and a four-year set-back for females. Mortality rates for retirees, beneficiaries, and non-active members were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with the projection scale AA, with a one year set-forward for males and no age adjustment for females. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with the projection scale AA, no age adjustment for males, and a two year set-forward for females.

The long-term expected rate of return on pension plan investments is 8.0%. 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 calculated 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's investment consultants and are based on January 2017 information for a 7-10 year time horizon.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected Minus Inflation)</u>
U.S. Equities	13.5%	4.70%
Private Equity	16.0%	7.70%
Global Equities	1.5%	5.00%
International Equities - Developed	10.0%	4.70%
International Equities - Emerging	7.0%	5.70%
Investment-Grade Bonds	3.0%	0.60%
High-Yield Bonds	3.0%	3.70%
Opportunistic Credit	2.0%	3.83%
Direct Lending	10.0%	8.15%
Distressed Debt	3.0%	6.70%
REIT Equities	2.0%	3.85%
Master Limited Partnerships (MLPs)	3.0%	5.60%
Private Real Estate Partnerships	6.0%	7.20%
Hedge Funds	<u>20.0%</u>	3.85%
Total	100%	

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 6: PENSION PLAN (CONTINUED)

D. Net Pension Liability (Continued)

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 8.1%. 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.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2015	\$ 16,814,841	\$ 14,791,118	\$ 2,023,723
Changes for the year:			
Service Cost	1,143,857	-	1,143,857
Interest on Total Pension Liability (1)	1,367,975	-	1,367,975
Effect of Plan Changes (2)	-	-	-
Effect of Economic/Demographic Gains or Losses	(575,439)	-	(575,439)
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	(116,023)	(116,023)	-
Benefit Payments	(877,436)	(877,436)	-
Administrative Expense	-	(11,911)	11,911
Member Contributions	-	506,474	(506,474)
Net Investment Income	-	1,075,034	(1,075,034)
Employer Contributions	-	784,312	(784,312)
Other (3)	-	(166,688)	166,688
Net Changes	<u>942,934</u>	<u>1,193,762</u>	<u>(250,828)</u>
Balance at December 31, 2016	<u>\$ 17,757,775</u>	<u>\$ 15,984,880</u>	<u>\$ 1,772,895</u>

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

(2) No plan changes valued

(3) Relates to allocation of system-wide items

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 6: PENSION PLAN (CONTINUED)

D. Net Pension Liability (Continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate:

	<u>1% Decrease in Discount Rate (7.1%)</u>	<u>Discount Rate (8.1%)</u>	<u>1% Increase in Discount Rate (9.1%)</u>
Total Pension Liability	\$ 19,985,442	\$ 17,757,775	\$ 15,907,383
Fiduciary Net Position	<u>15,984,880</u>	<u>15,984,880</u>	<u>15,984,880</u>
County's Net Pension Liability (Asset)	<u>\$ 4,000,562</u>	<u>\$ 1,772,895</u>	<u>\$ (77,497)</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.org](http://www.tcdrs.org).

E. Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2017, the County recognized pension expense of \$1,246,386. The breakdown of the components of pension expense follows:

<u>Pension Expense / (Income)</u>	<u>January 1, 2016 through December 31, 2016</u>
Service cost	\$ 1,143,857
Interest on total pension liability <sup>1</sup>	1,367,975
Effect of plan changes	-
Administrative expenses	11,910
Member contributions	(506,474)
Expected investment return net of investment expenses	(1,202,795)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	(82,730)
Recognition of assumption changes or inputs	51,663
Recognition of investment gains or losses	296,292
Other <sup>2</sup>	166,688
Pension expense / (income)	<u>\$ 1,246,386</u>

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

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

KARNES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2017

NOTE 6: PENSION PLAN (CONTINUED)

E. Pension Expense and Deferred Outflows of Resources Related to Pensions (Continued)

At September 30, 2017, the County reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Outflows Of Resources</u>
Difference Between Expected and Actual Economic Experience	\$ 431,579	\$ 112,016
Changes in Actuarial Assumptions	-	103,325
Difference Between Projected and Actual Investment Earnings	-	877,684
Contributions Subsequent to the Measurement Date	<u>-</u>	<u>514,331</u>
Total	<u>\$ 431,579</u>	<u>\$ 1,607,356</u>

The County reported \$514,331 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:		
2017	\$	265,225
2018		254,981
2019		115,688
2020		25,552
2021		-
Thereafter		<u>-</u>
Total	\$	<u>661,446</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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KARNES COUNTY, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS  
\*LAST 10 FISCAL YEARS

**For the measurement year ended December, 31**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 1,143,857	\$ 865,719	\$ 685,309
Interest on the Total Pension Liability	1,367,975	1,247,626	1,161,338
Effect of Plan Changes	-	(172,224)	-
Effect of Assumption Changes	-	206,651	-
Effect of Economic/Demographic (Gains) or Losses	(575,439)	203,545	40,974
Benefit Payments/Refunds of Contributions	<u>(993,459)</u>	<u>(976,905)</u>	<u>(880,293)</u>
Net Change in Total Pension Liability	942,934	1,374,412	1,007,328
Total Pension Liability - Beginning	<u>16,814,840</u>	<u>15,440,428</u>	<u>14,433,100</u>
Total Pension Liability - Ending (a)	<u>\$ 17,757,774</u>	<u>\$ 16,814,840</u>	<u>\$ 15,440,428</u>
<b>Fiduciary Net Position</b>			
Employer Contributions	\$ 784,312	\$ 883,694	\$ 749,548
Member Contributions	506,474	520,696	378,833
Investment Income, Net of Investment Expenses	1,075,034	14,755	898,729
Benefit Payments/Refunds of Contributions	(993,459)	(976,905)	(880,293)
Administrative Expense	(11,911)	(10,450)	(10,539)
Other	<u>(166,688)</u>	<u>130,457</u>	<u>(47,963)</u>
Net Change in Plan Fiduciary Net Position	1,193,762	562,247	1,088,315
Plan Fiduciary Net Position - Beginning	<u>14,791,117</u>	<u>14,228,870</u>	<u>13,140,555</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 15,984,879</u>	<u>\$ 14,791,117</u>	<u>\$ 14,228,870</u>
Net Pension Liability (a) - (b)	<u>\$ 1,772,895</u>	<u>\$ 2,023,723</u>	<u>\$ 1,211,558</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.02%	87.96%	92.15%
Covered Employee Payroll	\$ 7,235,338	\$ 7,438,508	\$ 5,411,897
Net Pension Liability as a Percentage of Total Covered Employee Payroll	24.50%	27.21%	22.39%

\*GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. This is the third year of implementation of GASB Statement No. 68. The County will develop and present the schedule prospectively.

KARNES COUNTY, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
\*LAST 10 FISCAL YEARS

<u>Year Ended</u> <u>September 30,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Pensionable</u> <u>Covered</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of Covered</u> <u>Payroll</u>
2015	\$ 836,094	\$ 836,094	\$ -	\$ 6,799,850	12.3%
2016	825,105	825,105	-	7,412,004	11.1%
2017	720,776	720,776	-	6,927,236	10.4%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the third year of implementation of GASB 68. The County will develop the schedule prospectively.

NOTE 1: SCHEDULE OF CONTRIBUTIONS

**Valuation Date:**

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	12.6 Years
Asset Valuation Method	5 Year Smoothed Value
Inflation	3.00%
Salary Increases	4.9% average over career including inflation
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the County's plan of benefits.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

**OTHER SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

KARNES COUNTY, TEXAS  
COMBINING BALANCE SHEET - ROAD AND BRIDGE FUNDS  
SEPTEMBER 30, 2017

	<u>ROAD AND BRIDGE FUND</u>	<u>LATERAL ROAD FUND</u>	<u>ROAD AND BRIDGE SPECIAL</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 7,766,170	\$ 55,925	\$ 5,540,061	\$ 13,362,156
Receivables - Net of Allowance for Uncollectibles	-	-	132,536	132,536
Prepaid Expenses	-	-	8,495	8,495
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 7,766,170</u>	<u>\$ 55,925</u>	<u>\$ 5,681,092</u>	<u>\$ 13,503,187</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 293,780	\$ -	\$ 35,823	\$ 329,603
Accrued Wages	43,154	-	-	43,154
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	336,934	-	35,823	372,757
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Revenues - Taxes	-	-	132,536	132,536
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>FUND BALANCES</u>				
Nonspendable - Prepaids	-	-	8,495	8,495
Restricted	-	55,925	5,504,238	5,560,163
Committed	7,429,236	-	-	7,429,236
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>7,429,236</u>	<u>55,925</u>	<u>5,512,733</u>	<u>12,997,894</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 7,766,170</u>	<u>\$ 55,925</u>	<u>\$ 5,681,092</u>	<u>\$ 13,503,187</u>

KARNES COUNTY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - ROAD AND BRIDGE FUNDS  
YEAR ENDED SEPTEMBER 30, 2017

	ROAD AND BRIDGE FUND	LATERAL ROAD FUND	ROAD AND BRIDGE SPECIAL	TOTAL
<u>REVENUES</u>				
Taxes				
Property	\$ 6,202,495	\$ -	\$ 2,620,819	\$ 8,823,314
Intergovernmental	2,154,410	19,228	-	2,173,638
Licenses and Permits	639,440	-	-	639,440
Interest	51,199	409	36,747	88,355
Miscellaneous	648,144	-	-	648,144
Total Revenues	<u>9,695,688</u>	<u>19,637</u>	<u>2,657,566</u>	<u>12,372,891</u>
<u>EXPENDITURES</u>				
Current				
Public Transportation				
Road and Bridge	<u>6,767,239</u>	<u>23,707</u>	<u>1,103,234</u>	<u>7,894,180</u>
Total Expenditures	<u>6,767,239</u>	<u>23,707</u>	<u>1,103,234</u>	<u>7,894,180</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,928,449</u>	<u>(4,070)</u>	<u>1,554,332</u>	<u>4,478,711</u>
<u>FUND BALANCES - BEGINNING</u>	<u>4,500,787</u>	<u>59,995</u>	<u>3,958,401</u>	<u>8,519,183</u>
FUND BALANCES - ENDING	<u>\$ 7,429,236</u>	<u>\$ 55,925</u>	<u>\$ 5,512,733</u>	<u>\$ 12,997,894</u>

**KARNES COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	COUNTY AND DISTRICT CLERK FEES	GENERAL RECORDS MANAGE- MENT	JURY FUND	PRETRIAL FUND	COUNTY LIBRARY	PERMANENT IMPROVEMENT	SPECIAL COURT- HOUSE SECURITY FUND
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 469,834	\$ 69,335	\$ 44,313	\$ 35,712	\$ 297,534	\$ 52,204	\$ 179,631
<b>TOTAL ASSETS</b>	<b>\$ 469,834</b>	<b>\$ 69,335</b>	<b>\$ 44,313</b>	<b>\$ 35,712</b>	<b>\$ 297,534</b>	<b>\$ 52,204</b>	<b>\$ 179,631</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 10,819	\$ -	\$ -
Accrued Wages Payable	-	-	-	-	10,589	-	1,711
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,408</b>	<b>-</b>	<b>1,711</b>
<b>FUND BALANCES</b>							
<b>Restricted</b>							
Debt Service	-	-	-	-	-	-	-
Special Revenue Funds	469,834	69,335	44,313	35,712	-	-	177,920
<b>Committed</b>							
Special Revenue Funds	-	-	-	-	276,126	52,204	-
<b>Total Fund Balances</b>	<b>469,834</b>	<b>69,335</b>	<b>44,313</b>	<b>35,712</b>	<b>276,126</b>	<b>52,204</b>	<b>177,920</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 469,834</b>	<b>\$ 69,335</b>	<b>\$ 44,313</b>	<b>\$ 35,712</b>	<b>\$ 297,534</b>	<b>\$ 52,204</b>	<b>\$ 179,631</b>

REVENUE

<u>FEDERAL ASSET FORFEI- TURE</u>	<u>CONTRACT ELECTION FUND</u>	<u>KARNES COUNTY EMS</u>	<u>HOT CHECK ESCROW</u>	<u>HOT CHECK FUND</u>	<u>LEPC</u>	<u>J.P. COURT FEES</u>	<u>KCGF FUND</u>
\$ 589	\$ 24,814	\$ 14,809	\$ 2,944	\$ 541	\$ 226,971	\$ 159,576	\$ 78,156
<u>\$ 589</u>	<u>\$ 24,814</u>	<u>\$ 14,809</u>	<u>\$ 2,944</u>	<u>\$ 541</u>	<u>\$ 226,971</u>	<u>\$ 159,576</u>	<u>\$ 78,156</u>
\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 5,715	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>5,715</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
589	-	14,809	2,944	535	-	159,576	-
<u>-</u>	<u>24,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,256</u>	<u>-</u>	<u>78,156</u>
<u>589</u>	<u>24,814</u>	<u>14,809</u>	<u>2,944</u>	<u>535</u>	<u>221,256</u>	<u>159,576</u>	<u>78,156</u>
<u>\$ 589</u>	<u>\$ 24,814</u>	<u>\$ 14,809</u>	<u>\$ 2,944</u>	<u>\$ 541</u>	<u>\$ 226,971</u>	<u>\$ 159,576</u>	<u>\$ 78,156</u>

**KARNES COUNTY, TEXAS**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

	SPECIAL REVENUE					DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENTAL
	CONTRIBUTION SHERIFF DEPARTMENT	LAW LIBRARY	COURT GUARDIANSHIP	COURT RECORDS PRESERVATION	COURT REPORTER FEES	INTEREST AND SINKING	
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 33,478	\$ 37,418	\$ 1,646	\$ 823	\$ 5,720	\$ 207,548	\$ 1,943,596
<b>TOTAL ASSETS</b>	<u>\$ 33,478</u>	<u>\$ 37,418</u>	<u>\$ 1,646</u>	<u>\$ 823</u>	<u>\$ 5,720</u>	<u>\$ 207,548</u>	<u>\$ 1,943,596</u>
<b>LIABILITIES</b>							
Accounts Payable	\$ 250	\$ 346	\$ -	\$ -	\$ -	\$ -	\$ 17,136
Accrued Wages Payable	-	-	-	-	-	-	12,300
<b>Total Liabilities</b>	<u>250</u>	<u>346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,436</u>
<b>FUND BALANCES</b>							
Restricted							
Debt Service	-	-	-	-	-	207,548	207,548
Special Revenue Funds	33,228	37,072	1,646	823	5,720	-	1,054,056
Committed							
Special Revenue Funds	-	-	-	-	-	-	652,556
<b>Total Fund Balances</b>	<u>33,228</u>	<u>37,072</u>	<u>1,646</u>	<u>823</u>	<u>5,720</u>	<u>207,548</u>	<u>1,914,160</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 33,478</u>	<u>\$ 37,418</u>	<u>\$ 1,646</u>	<u>\$ 823</u>	<u>\$ 5,720</u>	<u>\$ 207,548</u>	<u>\$ 1,943,596</u>

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**KARNES COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	COUNTY AND DISTRICT CLERK FEES	GENERAL RECORDS MANAGE- MENT	JURY FUND	PRETRIAL FUND	COUNTY LIBRARY	PERMANENT IMPROVEMENT	SPECIAL COURT- HOUSE SECURITY FUND
<b>REVENUES</b>							
Taxes							
Property	\$ -	\$ -	\$ -	\$ -	\$ 474,511	\$ -	\$ 87,343
Intergovernmental	-	-	-	-	-	-	-
Charges for Services	82,696	6,454	-	-	-	-	18,025
Interest	2,545	407	273	-	2,485	302	1,163
Miscellaneous	-	-	3,096	4,454	-	12,000	-
Total Revenues	<u>85,241</u>	<u>6,861</u>	<u>3,369</u>	<u>4,454</u>	<u>476,996</u>	<u>12,302</u>	<u>106,531</u>
<b>EXPENDITURES</b>							
Current							
General Administration							
Records Management	2,257	2,296	-	-	-	-	-
Elections	-	-	-	-	-	-	-
Law Library	-	-	-	-	-	-	-
Judicial							
Judicial Court	-	-	5,075	-	-	-	-
Public Safety							
Fire	-	-	-	-	-	-	-
Local Emergency Planning	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	96,690
EMS	-	-	-	-	-	-	-
Culture and Recreation							
Library	-	-	-	-	481,336	-	-
Capital Projects							
Public Transportation	-	-	-	-	-	-	-
Debt Service							
Principal Retirement	-	-	-	-	-	-	-
Interest Retirement	-	-	-	-	-	-	-
Total Expenditures	<u>2,257</u>	<u>2,296</u>	<u>5,075</u>	<u>-</u>	<u>481,336</u>	<u>-</u>	<u>96,690</u>
Net Change in Fund Balances	82,984	4,565	(1,706)	4,454	(4,340)	12,302	9,841
<b>FUND BALANCES - BEGINNING</b>	<u>386,850</u>	<u>64,770</u>	<u>46,019</u>	<u>31,258</u>	<u>280,466</u>	<u>39,902</u>	<u>168,079</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 469,834</u>	<u>\$ 69,335</u>	<u>\$ 44,313</u>	<u>\$ 35,712</u>	<u>\$ 276,126</u>	<u>\$ 52,204</u>	<u>\$ 177,920</u>

REVENUE

FEDERAL ASSET FORFEI- TURE	CONTRACT ELECTION FUND	KARNES COUNTY EMS	HOT CHECK ESCROW	HOT CHECK FUND	LEPC	J.P. COURT FEES	KCGF FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,724	\$ -	\$ -
-	-	14,500	2,950	447	-	-	-
-	23,991	-	-	-	-	19,080	-
4	86	66	-	-	1,464	916	494
-	-	-	-	957	1,250	-	27,612
<u>4</u>	<u>24,077</u>	<u>14,566</u>	<u>2,950</u>	<u>1,404</u>	<u>38,438</u>	<u>19,996</u>	<u>28,106</u>
-	-	-	-	-	-	-	-
-	4,225	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	4,598	-
-	-	-	-	-	-	-	-
-	-	-	-	-	32,658	-	-
-	-	-	3,297	186	-	-	75,581
-	-	3,472	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,225	3,472	3,297	186	32,658	4,598	75,581
4	19,852	11,094	(347)	1,218	5,780	15,398	(47,475)
<u>585</u>	<u>4,962</u>	<u>3,715</u>	<u>3,291</u>	<u>(683)</u>	<u>215,476</u>	<u>144,178</u>	<u>125,631</u>
<u>\$ 589</u>	<u>\$ 24,814</u>	<u>\$ 14,809</u>	<u>\$ 2,944</u>	<u>\$ 535</u>	<u>\$ 221,256</u>	<u>\$ 159,576</u>	<u>\$ 78,156</u>

**KARNES COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES (CONTINUED)**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	SPECIAL REVENUE					DEBT SERVICE	NON-MAJOR GOVERNMENTAL
	CONTRIBUTION SHERIFF DEPARTMENT	LAW LIBRARY	COURT GUARDIANSHIP	COURT RECORDS PRESERVATION	COURT REPORTER FEES	INTEREST AND SINKING	
<b>REVENUES</b>							
Taxes							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900,834	\$ 1,498,412
Intergovernmental	40,909	-	-	-	-	-	58,806
Charges for Services	-	38,495	1,120	560	16,457	-	206,878
Interest	80	207	6	3	44	4,257	14,802
Miscellaneous	-	-	-	-	-	-	49,369
Total Revenues	<u>40,989</u>	<u>38,702</u>	<u>1,126</u>	<u>563</u>	<u>16,501</u>	<u>905,091</u>	<u>1,828,267</u>
<b>EXPENDITURES</b>							
Current							
General Administration							
Records Management	-	-	-	-	-	-	4,553
Elections	-	-	-	-	-	-	4,225
Law Library	-	4,269	-	-	-	-	4,269
Judicial							
Judicial Court	-	-	-	-	10,781	-	20,454
Public Safety							
Fire	-	-	-	-	-	-	-
Local Emergency Planning	-	-	-	-	-	-	32,658
Sheriff	21,625	-	-	-	-	-	197,379
EMS	-	-	-	-	-	-	3,472
Culture and Recreation							
Library	-	-	-	-	-	-	481,336
Capital Projects							
Public Transportation	-	-	-	-	-	-	-
Debt Service							
Principal Retirement	-	-	-	-	-	735,000	735,000
Interest Retirement	-	-	-	-	-	177,625	177,625
Total Expenditures	<u>21,625</u>	<u>4,269</u>	<u>-</u>	<u>-</u>	<u>10,781</u>	<u>912,625</u>	<u>1,660,971</u>
Net Change in Fund Balances	19,364	34,433	1,126	563	5,720	(7,534)	167,296
<b>FUND BALANCES - BEGINNING</b>	<u>13,864</u>	<u>2,639</u>	<u>520</u>	<u>260</u>	<u>-</u>	<u>215,082</u>	<u>1,746,864</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 33,228</u>	<u>\$ 37,072</u>	<u>\$ 1,646</u>	<u>\$ 823</u>	<u>\$ 5,720</u>	<u>\$ 207,548</u>	<u>\$ 1,914,160</u>

KARNES COUNTY, TEXAS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2017

	<u>PAYROLL FUND</u>	<u>COUNTY OFFICER ACCOUNTS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$ 18,640</u>	<u>\$ 8,176,006</u>	<u>\$ 8,194,646</u>
<u>LIABILITIES</u>			
Due to Others	<u>\$ 18,640</u>	<u>\$ 8,176,006</u>	<u>\$ 8,194,646</u>

KARNES COUNTY, TEXAS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED SEPTEMBER 30, 2017

<u>PAYROLL FUND</u>	<u>BALANCE</u> <u>10/1/2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>9/30/2017</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 205,687	\$ 9,196,233	\$ (9,383,279)	\$ 18,640
<u>LIABILITIES</u>				
Due to Others	\$ 205,687	\$ 9,196,233	\$ (9,383,279)	\$ 18,640
<u>COUNTY OFFICER ACCOUNTS</u>	<u>BALANCE</u> <u>10/1/2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>9/30/2017</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 3,069,364	\$ 89,691,999	\$ (84,585,357)	\$ 8,176,006
<u>LIABILITIES</u>				
Due to Others	\$ 3,069,364	\$ 89,691,999	\$ (84,585,357)	\$ 8,176,006
<u>TOTAL</u>	<u>BALANCE</u> <u>10/1/2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>9/30/2017</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 3,275,051	\$ 98,888,232	\$ (93,968,636)	\$ 8,194,646
<u>LIABILITIES</u>				
Due to Others	\$ 3,275,051	\$ 98,888,232	\$ (93,968,636)	\$ 8,194,646

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

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KARNES COUNTY, TEXAS  
COUNTY AND DISTRICT CLERK FEES FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET - POSITIVE (NEGATIVE)
<u>REVENUES</u>				
Charges for Services	\$ 73,000	\$ 73,000	\$ 82,696	\$ 9,696
Interest	<u>500</u>	<u>500</u>	<u>2,545</u>	<u>2,045</u>
Total Revenues	73,500	73,500	85,241	11,741
<u>EXPENDITURES</u>				
General Administration				
Records Management	<u>25,000</u>	<u>25,000</u>	<u>2,257</u>	<u>22,743</u>
Net Change in Fund Balance	<u>\$ 48,500</u>	<u>\$ 48,500</u>	82,984	<u>\$ 34,484</u>
<u>FUND BALANCE - BEGINNING</u>			<u>386,850</u>	
FUND BALANCE - ENDING			<u>\$ 469,834</u>	

KARNES COUNTY, TEXAS  
GENERAL RECORDS MANAGEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>(NEGATIVE)</u>
<u>REVENUES</u>				
Charges for Services	\$ 3,600	\$ 3,600	\$ 6,454	\$ 2,854
Interest	<u>50</u>	<u>50</u>	<u>407</u>	<u>357</u>
Total Revenues	3,650	3,650	6,861	3,211
<u>EXPENDITURES</u>				
General Administration				
Records Management	<u>5,000</u>	<u>5,000</u>	<u>2,296</u>	<u>2,704</u>
Net Change in Fund Balance	<u>\$ (1,350)</u>	<u>\$ (1,350)</u>	4,565	<u>\$ 5,915</u>
<u>FUND BALANCE - BEGINNING</u>			<u>64,770</u>	
FUND BALANCE - ENDING			<u>\$ 69,335</u>	

KARNES COUNTY, TEXAS  
JURY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Interest	\$ 70	\$ 70	\$ 273	\$ 203
Miscellaneous	<u>-</u>	<u>-</u>	<u>3,096</u>	<u>3,096</u>
Total Revenues	70	70	3,369	3,299
 <u>EXPENDITURES</u>				
Current				
Judicial				
Jury	<u>10,000</u>	<u>10,000</u>	<u>5,075</u>	<u>4,925</u>
Net Change in Fund Balance	<u>\$ (9,930)</u>	<u>\$ (9,930)</u>	(1,706)	<u>\$ 8,224</u>
 <u>FUND BALANCE - BEGINNING</u>			<u>46,019</u>	
 FUND BALANCE - ENDING			<u>\$ 44,313</u>	

KARNES COUNTY, TEXAS  
COUNTY LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET -</u>
				<u>(NEGATIVE)</u>
<u>REVENUES</u>				
Taxes				
Property	\$ 481,947	\$ 481,947	\$ 474,511	\$ (7,436)
Interest	<u>500</u>	<u>500</u>	<u>2,485</u>	<u>1,985</u>
Total Revenues	482,447	482,447	476,996	(5,451)
<u>EXPENDITURES</u>				
Current				
Culture and Recreation				
Library	<u>489,209</u>	<u>489,209</u>	<u>481,336</u>	<u>7,873</u>
Net Change in Fund Balance	<u>\$ (6,762)</u>	<u>\$ (6,762)</u>	(4,340)	<u>\$ 2,422</u>
<u>FUND BALANCE - BEGINNING</u>			<u>280,466</u>	
FUND BALANCE - ENDING			<u>\$ 276,126</u>	

KARNES COUNTY, TEXAS  
PERMANENT IMPROVEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Interest	\$ 50	\$ 50	\$ 302	\$ 252
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>12,000</u>	<u>6,000</u>
Total Revenues	6,050	6,050	12,302	6,252
<u>EXPENDITURES</u>				
Public Facilities				
Courthouse and Buildings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 6,050</u>	<u>\$ 6,050</u>	12,302	<u>\$ 6,252</u>
<u>FUND BALANCE - BEGINNING</u>			<u>39,902</u>	
FUND BALANCE - ENDING			<u>\$ 52,204</u>	

KARNES COUNTY, TEXAS  
COURTHOUSE SECURITY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET - POSITIVE (NEGATIVE)
<u>REVENUES</u>				
Taxes				
Property	\$ 89,055	\$ 89,055	\$ 87,343	\$ (1,712)
Charges for Services	18,000	18,000	18,025	25
Interest	250	250	1,163	913
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	107,305	107,305	106,531	(774)
<u>EXPENDITURES</u>				
Public Safety				
Sheriff	<u>107,103</u>	<u>107,103</u>	<u>96,690</u>	<u>10,413</u>
Total Expenditures	107,103	107,103	96,690	10,413
Net Change in Fund Balance	<u>\$ 202</u>	<u>\$ 202</u>	9,841	<u>\$ 9,639</u>
<u>FUND BALANCE - BEGINNING</u>			<u>168,079</u>	
FUND BALANCE - ENDING			<u>\$ 177,920</u>	

KARNES COUNTY, TEXAS  
LEPC FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes				
Property	\$ 36,670	\$ 36,670	\$ 35,724	\$ (946)
Interest	280	280	1,464	1,184
Miscellaneous Receipts	<u>-</u>	<u>-</u>	<u>1,250</u>	<u>1,250</u>
Total Revenues	36,950	36,950	38,438	1,488
<u>EXPENDITURES</u>				
Public Safety				
Local Emergency Planning Committee	<u>32,755</u>	<u>32,755</u>	<u>32,658</u>	<u>97</u>
Net Change in Fund Balance	<u>\$ 4,195</u>	<u>\$ 4,195</u>	5,780	<u>\$ 1,585</u>
<u>FUND BALANCE - BEGINNING</u>			<u>215,476</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$ 221,256</u>	

KARNES COUNTY, TEXAS  
JUSTICE OF THE PEACE COURT FEES FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Charges for Services	\$ 5,200	\$ 5,200	\$ 19,080	\$ 13,880
Interest	<u>100</u>	<u>100</u>	<u>916</u>	<u>816</u>
Total Revenues	5,300	5,300	19,996	14,696
<u>EXPENDITURES</u>				
Judicial Court	<u>7,500</u>	<u>7,500</u>	<u>4,598</u>	<u>2,902</u>
Net Change in Fund Balance	<u>\$ (2,200)</u>	<u>\$ (2,200)</u>	15,398	<u>\$ 17,598</u>
<u>FUND BALANCE - BEGINNING</u>			<u>144,178</u>	
FUND BALANCE - ENDING			<u>\$ 159,576</u>	

KARNES COUNTY, TEXAS  
KCGF FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Interest	\$ 25	\$ 25	\$ 494	\$ 469
Miscellaneous	-	-	27,612	27,612
Total Revenues	25	25	28,106	28,081
<u>EXPENDITURES</u>				
Public Safety				
Sheriff	60,000	60,000	75,581	(15,581)
Net Change in Fund Balance	<u>\$ (59,975)</u>	<u>\$ (59,975)</u>	(47,475)	<u>\$ 12,500</u>
<u>FUND BALANCE - BEGINNING</u>			<u>125,631</u>	
FUND BALANCE - ENDING			<u>\$ 78,156</u>	

KARNES COUNTY, TEXAS  
INTEREST AND SINKING FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes				
Property	\$ 912,870	\$ 912,870	\$ 900,834	\$ (12,036)
Interest	<u>1,500</u>	<u>1,500</u>	<u>4,257</u>	<u>2,757</u>
Total Revenues	<u>914,370</u>	<u>914,370</u>	<u>905,091</u>	<u>(9,279)</u>
<u>EXPENDITURES</u>				
Debt Service				
Principal Retirement	735,000	735,000	735,000	-
Interest Retirement	<u>177,525</u>	<u>177,525</u>	<u>177,625</u>	<u>(100)</u>
Total Expenditures	<u>912,525</u>	<u>912,525</u>	<u>912,625</u>	<u>(100)</u>
Net Change in Fund Balance	<u>\$ 1,845</u>	<u>\$ 1,845</u>	(7,534)	<u>\$ (9,379)</u>
<u>FUND BALANCE - BEGINNING</u>			<u>215,082</u>	
FUND BALANCE - ENDING			<u>\$ 207,548</u>	

KARNES COUNTY, TEXAS  
 SHERIFF CONTRIBUTION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET - POSITIVE (NEGATIVE)
<u>REVENUES</u>				
Interest	\$ 25	\$ 25	\$ 80	\$ 55
Intergovernmental	-	-	<u>40,909</u>	<u>40,909</u>
Total Revenues	25	25	40,989	40,964
<u>EXPENDITURES</u>				
Public Safety				
Sheriff	<u>5,000</u>	<u>5,000</u>	<u>21,625</u>	<u>(16,625)</u>
Net Change in Fund Balance	<u>\$ (4,975)</u>	<u>\$ (4,975)</u>	19,364	<u>\$ 24,339</u>
<u>FUND BALANCE - BEGINNING</u>			<u>13,864</u>	
FUND BALANCE - ENDING			<u>\$ 78,156</u>	

KARNES COUNTY, TEXAS  
LAW LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET -</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<u>REVENUES</u>				
Charges for Services	\$ 5,800	\$ 5,800	38,495	\$ 32,695
Interest	<u>-</u>	<u>-</u>	<u>207</u>	<u>207</u>
Total Revenues	5,800	5,800	38,702	32,902
<u>EXPENDITURES</u>				
Current				
Culture and Recreation				
Law Library	<u>6,000</u>	<u>6,000</u>	<u>4,269</u>	<u>1,731</u>
Net Change in Fund Balance	<u>\$ (200)</u>	<u>\$ (200)</u>	34,433	<u>\$ 34,633</u>
<u>FUND BALANCE - BEGINNING</u>			<u>2,639</u>	
FUND BALANCE - ENDING			<u>\$ 37,072</u>	