



KARNES COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2021**



KARNES COUNTY

COUNTY OFFICIALS

COUNTY JUDGE	WADE J. HEDTKE
COUNTY COMMISSIONERS	
PRECINCT 1	SHELBY DUPNIK
PRECINCT 2	BENNY LYSSY
PRECINCT 3	JAMES ROSALES
PRECINCT 4	SHARON CHESSER
COUNTY ATTORNEY	JENNIFER M. DILLINGHAM
COUNTY TREASURER	VI SWIERC
COUNTY AUDITOR	TOM DUPNICK, EA
TAX ASSESSOR-COLLECTOR	TAMMY BRAUDAWAY
COUNTY CLERK	CAROL SWIZE
DISTRICT CLERK	DENISE RODRIGUEZ
SHERIFF	DWAYNE VILLANUEVA

KARNES COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate fund remaining information of Karnes County, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregated remaining fund information of Karnes County, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Karnes County's financial statements as a whole. The combining fund statements and schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022 on our consideration of Karnes County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Karnes County's internal control over financial reporting and compliance.

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

Armstrong, Vaughan & Associates, P.C.
March 14, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Karnes County’s annual financial report presents our discussion and analysis of the County’s financial performance during the fiscal year ended September 30, 2021. Please read it in conjunction with the County’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

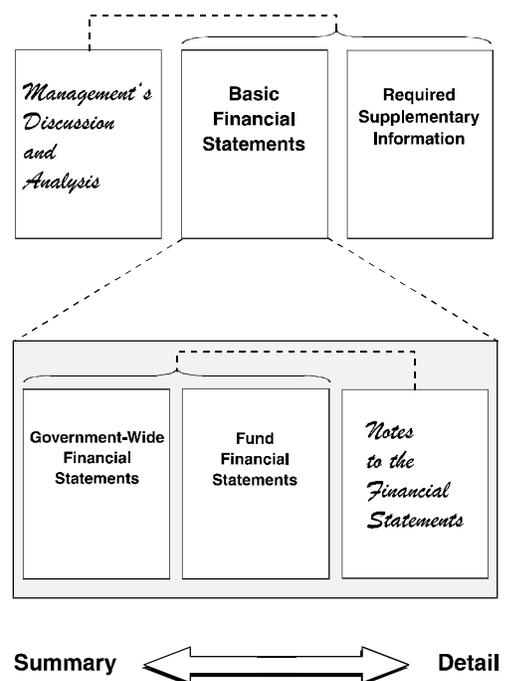
- The County’s total net position was \$99.3 million at September 30, 2021, an increase of \$6.6 million.
- During the year, the County’s governmental expenses were \$6.6 million less than the \$34.3 million generated in general and program revenues for governmental activities. The total cost of the County’s programs increased 2.8% from the prior year.
- The general fund reported a fund balance this year of \$37.5 million, an increase of \$4.0 million. A settlement for construction defects was reached for \$2.2 million and expenditures were under budget \$1.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

Government-Wide Statements

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

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net position. The County's combined net position was \$99.3 million at September 30, 2021. (See Table A-1).

Table A-1
County's Net Position

	Governmental Activities		Percentage Change
	2021	2020*	
<i>Assets:</i>			
Current Assets	\$ 72,251,967	\$ 62,040,128	16.5
Other Assets	35,705,123	34,202,920	4.4
<i>Total Assets</i>	<u>107,957,090</u>	<u>96,243,048</u>	12.2
<i>Deferred Outflows of Resources:</i>	<u>2,023,704</u>	<u>1,038,220</u>	94.9
<i>Liabilities:</i>			
Current Liabilities	7,371,472	2,178,483	238.4
Long-term Liabilities	2,332,521	1,658,193	40.7
<i>Total Liabilities</i>	<u>9,703,993</u>	<u>3,836,676</u>	152.9
<i>Deferred Inflows of Resources:</i>	<u>928,417</u>	<u>667,646</u>	39.1
<i>Net Position:</i>			
Net Investment in Capital Assets	35,595,659	34,022,785	4.6
Restricted	22,322,834	5,906,380	277.9
Unrestricted	41,429,891	52,847,781	(21.6)
<i>Total Net Position</i>	<u>\$ 99,348,384</u>	<u>\$ 92,776,946</u>	7.1

*2020 has been restated for the results of a prior period adjustment.

The unrestricted net position represents resources available to fund the programs of the County next year.

Fund Financial Statements

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

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

The County has the following kinds of funds:

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

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

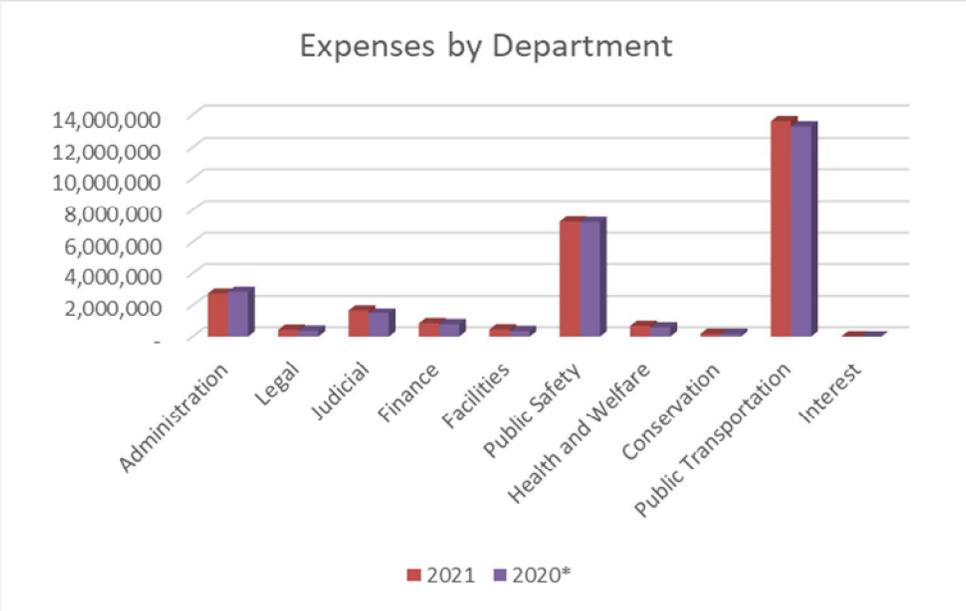
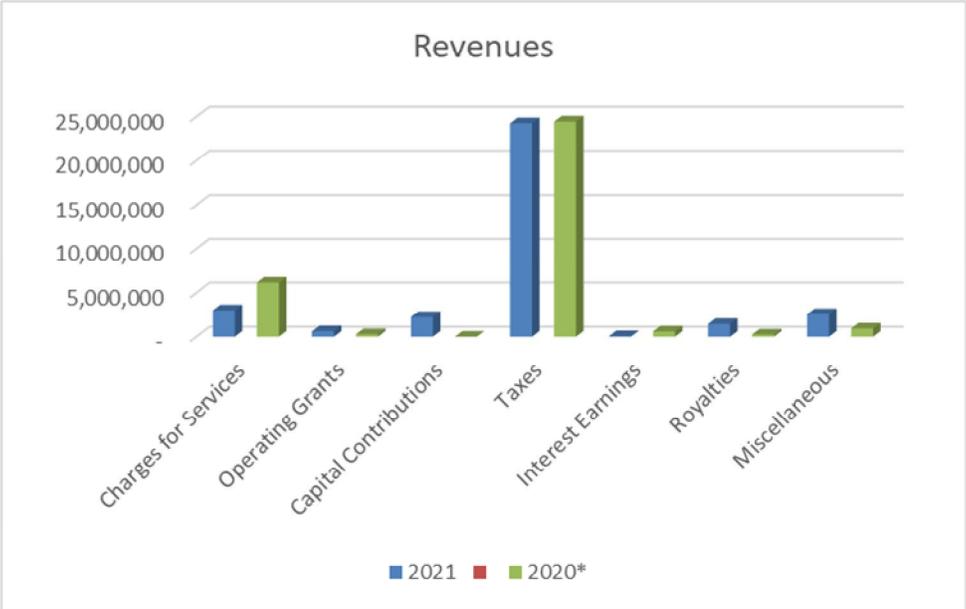
Governmental Activities

Table A-2 summarizes the changes in the County’s net position for 2021 and 2020 fiscal years.

Table A-2
Changes in County's Net Position

	Governmental		Percentage Change
	2021	2020*	
<i>Program Revenues:</i>			
Charges for Services	\$ 3,132,658	\$ 6,139,472	(49.0)
Operating Grants and Contributions	618,845	283,013	118.7
Capital Contributions	2,252,864	-	100.0
<i>General Revenues:</i>			
Taxes	24,246,725	24,443,750	(0.8)
Interest Earnings	61,793	596,485	(89.6)
Royalties	1,460,086	252,409	478.5
Miscellaneous	2,576,792	935,948	175.3
TOTAL REVENUES	34,349,763	32,651,077	5.2
<i>Program Expenses:</i>			
Administration	2,729,098	2,841,492	(4.0)
Legal	418,491	359,569	16.4
Judicial	1,670,179	1,465,168	14.0
Finance	820,894	766,045	7.2
Facilities	436,842	339,922	28.5
Public Safety	7,264,015	7,229,999	0.5
Health and Welfare	650,282	562,849	15.5
Conservation	172,578	169,654	1.7
Public Transportation	13,608,519	13,283,416	2.4
Interest	7,427	-	100.0
TOTAL EXPENSES	27,778,325	27,018,114	2.8
 Change in Net Position	 6,571,438	 5,632,963	 16.7
Beginning Net Position	92,776,946	87,143,983	
Ending Net Position	<u>\$ 99,348,384</u>	<u>\$ 92,776,946</u>	

*2020 has been restated from a prior period adjustment.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2021, the County had invested \$48.3 million in buildings and equipment. Significant additions in 2021 included the transportation grant for county road improvements that will continue into 2022. (See Table A-4.)

Table A-3
County's Capital Assets

	Governmental Activities		Total Percentage Change
	2021	2020*	
Land	\$ 175,432	\$ 175,432	0.0
Construction in Progress	2,724,708	14,133	19179.0
Buildings and Improvements	30,995,911	30,995,911	0.0
Infrastructure	5,039,253	5,039,253	0.0
Vehicles and Equipment	9,379,324	10,618,633	(11.7)
Totals at Historical Cost	48,314,628	46,843,362	3.1
Accumulated Depreciation	(12,609,505)	(12,640,439)	(0.2)
Net Capital Assets	<u>\$ 35,705,123</u>	<u>\$ 34,202,923</u>	4.4

*2020 has been restated from a prior period adjustment.

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

Long Term Debt

As of September 30, 2021, the County had \$109 thousand in a capital lease outstanding as shown in Table A-5. More detailed information about the County's debt is presented in the notes to the financial statements.

Table A-4
County's Long-Term Debt

	Governmental Activities		Total Percentage Change
	2021	2020	
Capital Leases	\$ 109,464	\$ 180,135	(39.2)
Total Long-Term Debt	<u>\$ 109,464</u>	<u>\$ 180,135</u>	(39.2)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Revenues from governmental fund types remained largely unchanged \$34.3 million. The County experienced decreases in sales tax that were offset by increases in grant and miscellaneous income. Governmental expenditures increased \$1.8 million to \$29.2 million. Most of the increase was attributable to capital outlay on county roads and other grant expenditures.

Budgetary Highlights

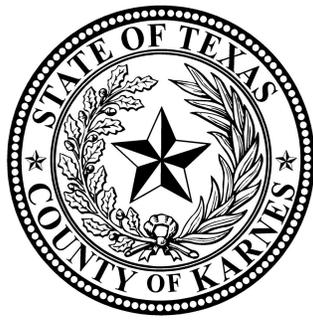
The County's actual expenditures in the General Fund were \$1.4 million less than final budgeted amounts. Revenues were higher than the budget by \$2.9 million, primarily from the construction defect settlement. Fund balance increased \$4.0 million compared to a budgeted reduction in fund balance of \$291 thousand.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2021-2022 budget includes an increase in property tax rates from \$0.261836 to \$0.376243. However, this is only expected to increase property tax revenue by \$43 thousand because of changes in valuations. The County does not anticipate any significant changes to County services or operations. The Road and Bridge Fund is anticipated to complete the TxDOT county road grant projects in fiscal year 2022. The County is also investigating the best uses of the \$3.0 million received from the American Rescue Plan Act.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County at (830)-780-2721.



BASIC FINANCIAL STATEMENTS

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

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

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

KARNES COUNTY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Governmental Activities
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 68,675,771
Certificates of Deposit	142,939
Ad Valorem Taxes Receivable (net)	925,828
Other Receivables (Net of Allowances)	2,390,137
Prepaid Expenses	117,292
<i>Total Current Assets</i>	72,251,967
 <i>Capital Assets:</i>	
Land	175,432
Construction in Progress	2,724,708
Buildings and Improvements	30,995,911
Vehicles and Equipment	9,379,324
Infrastructure	5,039,253
Accumulated Depreciation	(12,609,505)
<i>Total Capital Assets</i>	35,705,123
TOTAL ASSETS	107,957,090
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Other Post Employment Benefit Outflows	15,760
Deferred Pension Related Outflows	2,007,944
TOTAL DEFERRED OUTFLOWS	\$ 2,023,704

See accompanying notes to basic financial statements.

KARNES COUNTY
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2021

	Governmental Activities
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 4,690,298
Accrued Wages	348,120
Unearned Revenue	2,198,609
Accrued Compensated Absences	99,193
Current Maturities of Long-term Debt	35,252
<i>Total Current Liabilities</i>	7,371,472
 <i>Long-term Liabilities:</i>	
Long-term Debt (Net of Current)	74,212
Accrued Compensated Absences	99,193
Total Other Post Employment Benefits Liability	188,674
Net Pension Liability	1,970,442
<i>Total Long-term Liabilities</i>	2,332,521
TOTAL LIABILITIES	9,703,993
 DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Related Inflows	927,974
Deferred Other Post Employment Benefits Inflows	443
TOTAL DEFERRED INFLOWS	928,417
 NET POSITION	
Net Investment in Capital Assets	35,595,659
Restricted for:	
Elections	117,160
Legal	238,436
Judicial	702,287
Public Safety	528,375
Records Management	791,537
Sheriff	197,841
Libraries	637,475
Road and Bridge Maintenance	19,109,723
Unrestricted	41,429,891
TOTAL NET POSITION	\$ 99,348,384

See accompanying notes to basic financial statements.



KARNES COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions and Programs	Expenses	Program Revenues			Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government:					
<i>Governmental Activities:</i>					
Administration	\$ 2,729,098	\$ 616,764	\$ 27,787	\$ -	\$ (2,084,547)
Legal	418,491	-	23,333	-	(395,158)
Judicial	1,670,179	462,877	83,565	-	(1,123,737)
Finance	820,894	393,307	-	-	(427,587)
Facilities	436,842	6,000	-	-	(430,842)
Public Safety	7,264,015	859,665	348,770	-	(6,055,580)
Health and Welfare	650,282	6,681	20,945	-	(622,656)
Conservation	172,578	-	-	-	(172,578)
Public Transportation	13,608,519	787,364	114,445	2,252,864	(10,453,846)
Interest	7,427	-	-	-	(7,427)
Total Primary Government	\$ 27,778,325	\$ 3,132,658	\$ 618,845	\$ 2,252,864	(21,773,958)
General Revenues:					
Taxes					
Ad Valorem Taxes					20,485,997
Sales Taxes					3,760,728
Interest and Investment Earnings					61,793
Oil and Gas Royalties					1,460,086
Miscellaneous					2,576,792
Total General Revenues					28,345,396
Change in Net Position					6,571,438
Net Position at Beginning of Year					92,953,164
Prior Period Adjustment					(176,218)
Net Position at End of Year					\$ 99,348,384

See accompanying notes to basic financial statements.

KARNES COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Major Fund General Fund	Major Fund Road & Bridge	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 40,983,930	\$ 18,286,910	\$ 9,404,930	\$ 68,675,770
Certificates of Deposit	-	-	142,939	142,939
Ad Valorem Taxes Receivable (net)	786,240	139,588	-	925,828
Other Receivables	846,300	1,444,837	99,000	2,390,137
Prepaid Items	103,712	13,580	-	117,292
TOTAL ASSETS	\$ 42,720,182	\$ 19,884,915	\$ 9,646,869	\$ 72,251,966
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 3,939,273	\$ 723,302	\$ 27,722	\$ 4,690,297
Accrued Wages	277,002	51,890	19,228	348,120
Unearned Revenue	25,666	-	2,172,943	2,198,609
<i>Total Liabilities</i>	<u>4,241,941</u>	<u>775,192</u>	<u>2,219,893</u>	<u>7,237,026</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Revenues - Property Taxes	786,240	139,588	-	925,828
Unavailable Revenues - EMS	160,000	-	-	160,000
<i>Total Liabilities</i>	<u>946,240</u>	<u>139,588</u>	<u>-</u>	<u>1,085,828</u>
<i>Fund Balances:</i>				
Nonspendable:				
Prepaid Items	103,712	13,580	-	117,292
Restricted for:				
Elections	-	-	117,160	117,160
Legal	-	-	238,436	238,436
Judicial	-	-	702,287	702,287
Public Safety	-	-	528,375	528,375
Records Management	-	-	791,537	791,537
Sheriff	-	-	197,841	197,841
Libraries	-	-	637,475	637,475
Road and Bridge Maintenance	-	18,956,555	-	18,956,555
Committed for:				
Courthouse Maintenance	-	-	4,213,865	4,213,865
Unassigned	37,428,289	-	-	37,428,289
<i>Total Fund Balances</i>	<u>37,532,001</u>	<u>18,970,135</u>	<u>7,426,976</u>	<u>63,929,112</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 42,720,182	\$ 19,884,915	\$ 9,646,869	\$ 72,251,966

See accompanying notes to basic financial statements.

KARNES COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 63,929,112

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 35,705,123

Long-term liabilities, including capital lease payables are not due and payable in the current period and, therefore are not reported in the governmental funds. (109,464)

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

Net Pension Liability	(1,970,442)	
Pension Related Deferred Outflows	2,007,944	
Pension Related Deferred Inflows	<u>(927,974)</u>	(890,472)

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

Total Other OPEB Liability	(188,674)	
OPEB Related Deferred Outflows	15,760	
OPEB Related Deferred Inflows	<u>(443)</u>	(173,357)

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

Accrued Compensated Absences		(198,386)
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds. 1,085,828

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 99,348,384

KARNES COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Major Fund General Fund	Major Fund Road & Bridge	Other Nonmajor Funds	Total Governmental Funds
REVENUES				
Ad Valorem Taxes	\$ 7,072,912	\$ 12,488,527	\$ 958,850	\$ 20,520,289
Sales Taxes	3,760,728	-	-	3,760,728
Fines and Forfeitures	378,768	-	78,182	456,950
Charges for Services	893,510	-	164,651	1,058,161
Licenses, Permits, and Fees	742,894	826,341	-	1,569,235
Interest Income	38,671	14,761	8,362	61,794
Royalties	246,912	-	-	246,912
Misc Income	2,612,196	4,716	18,923	2,635,835
Grants and Donations	447,319	3,203,046	339,256	3,989,621
TOTAL REVENUES	<u>16,193,910</u>	<u>16,537,391</u>	<u>1,568,224</u>	<u>34,299,525</u>
EXPENDITURES				
Current:				
Administration	2,024,165	-	137,881	2,162,046
Legal	399,210	-	17,670	416,880
Judicial	1,344,646	-	255,520	1,600,166
Finance	814,383	-	-	814,383
Facilities	325,483	-	58,824	384,307
Public Safety	6,261,857	-	210,708	6,472,565
Health and Welfare	82,237	-	549,594	631,831
Conservation	171,586	-	-	171,586
Public Transportation	-	12,769,980	-	12,769,980
Capital Outlay	738,190	2,708,826	291,589	3,738,605
Debt Service:				
Principal	-	70,671	-	70,671
Interest	-	7,427	-	7,427
TOTAL EXPENDITURES	<u>12,161,757</u>	<u>15,556,904</u>	<u>1,521,786</u>	<u>29,240,447</u>
Excess (Deficiency) in Revenue Over (Under) Expenditures	4,032,153	980,487	46,438	5,059,078
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	41,664	110,469	-	152,133
Transfers In (Out)	(74,315)	-	74,315	-
TOTAL OTHER FINANCING SOURCES	<u>(32,651)</u>	<u>110,469</u>	<u>74,315</u>	<u>152,133</u>
Net Change in Fund Balance	3,999,502	1,090,956	120,753	5,211,211
BEGINNING FUND BALANCE	33,014,975	17,879,179	7,949,514	58,843,668
Prior Period Adjustment	517,524	-	(643,291)	(125,767)
ENDING FUND BALANCE	<u>\$ 37,532,001</u>	<u>\$ 18,970,135</u>	<u>\$ 7,426,976</u>	<u>\$ 63,929,112</u>

See accompanying notes to basic financial statements.

KARNES COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,211,211

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

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

Capital Outlay	3,510,204	
Depreciation Expense	<u>(2,008,004)</u>	1,502,200

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

Principal Payments on Long-term Debt	70,671	
Change in Compensated Absences	<u>(110,426)</u>	(39,755)

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

6,258

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

(6,583)

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

(101,893)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 6,571,438

KARNES COUNTY
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2021

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 14,440,480
Certificates of Deposit	122,245
TOTAL ASSETS	14,562,725
 LIABILITIES	
Accounts Payable	372
TOTAL LIABILITIES	372
 NET POSITION	
Restricted for:	
Individuals, Organizations and other Governments	14,562,353
TOTAL NET POSITION	\$ 14,562,353

See accompanying notes to basic financial statements.

KARNES COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Ad Valorem Tax Collections for Other Governments	\$ 42,499,210
Property Seizures	136,350
Cash Bonds	54,425
Inmate Deposits	44,875
Motor Vehicle Collections for the State	1,968,210
Interest Income	4,344
Grant Revenues Collected for Others	1,184,865
Unclaimed Oil Lease Revenues	1,477,873
Excess Tax Sale Proceeds	44,976
TOTAL ADDITIONS	<u>47,415,128</u>
DEDUCTIONS	
Cash Bond Refunds and Forfeitures	32,957
Property Seizure Refunds and Forfeitures	65,795
Jail Commissary Purchases for Inmates	37,717
Refunds to Inmates	5,554
Oil Lease Distributions to Property Owners	1,584,425
Excess Tax Payouts to Property Owners	220,513
Grant Disbursements	1,201,667
Property Tax Distributions to Other Governments	42,073,658
Motor Vehicle Distributions to the State	1,957,857
Other Distributions	241,182
TOTAL DEDUCTIONS	<u>47,421,325</u>
Net Increase in Fiduciary Net Position	(6,197)
BEGINNING NET POSITION	-
Prior Period Adjustment	14,568,550
ENDING NET POSITION	<u>\$ 14,562,353</u>

See accompanying notes to basic financial statements.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. REPORTING ENTITY

Component Units

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

Related Organizations

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

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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

4. CASH AND CASH EQUIVALENTS

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

5. INVESTMENTS

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

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

6. ACCOUNTS RECEIVABLE/REVENUE RECOGNITION

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2020 and past due after January 31, 2021. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

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

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

KARNES COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2021

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

7. PREPAID ITEMS

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

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

9. CAPITAL ASSETS

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

<u>Asset</u>	<u>Estimated Life</u>
Buildings and Improvements	15-50 years
Infrastructure	30 years
Vehicles and Equipment	3-10 years

10. COMPENSATED ABSENCES

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

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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

11. UNAVAILABLE/UNEARNED REVENUE

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

12. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

13. LONG-TERM OBLIGATIONS

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

14. PENSIONS

The net pension liability, deferred inflows, and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS), and additions to and deductions from TCERS's fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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

15. NET POSITION

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

16. FUND BALANCES

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

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

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

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

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

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

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

17. USE OF ESTIMATES

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

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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

18. COMPARATIVE DATA/RECLASSIFICATIONS

Comparative data for the prior year (where provided) includes certain reclassifications to conform to the 2021 presentation. These reclassifications had no effect on the changes in fund balance/net position except as noted in the prior period adjustment note to the financial statements.

19. CHANGES IN ACCOUNTING PRINCIPLES

As of October 1, 2020, the County made three changes to accounting principles. First, the County changed from accruing no sales tax to accruing two months. This better matches the sales tax collection cycle in that merchants send September collections to the State in October, which is then remitted to the County in November. Second, the County Adopted Governmental Accounting Standards Board Statement 84 related to fiduciary activities. This standard adopted new reporting requirements in the fiduciary activities and defined new types of fiduciary funds. For the County, this necessitated a reevaluation of activities previously reported as fiduciary and added a statement of changes in fiduciary net position to the basic financial statements. Lastly, the County previously reported the activities of the Emergency Services District as a fund of the County. Management has determined that the ESD is better organized as a separate legal entity for which the County is not accountable. That was accomplished in 2021 and the activity for the ESD has been removed from these financial statements.

NOTE B -- DEPOSITS AND INVESTMENTS

1. Deposits

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

2. Investments

As of September 30, 2021, the County's investments consisted of \$63,811,177 in Texas Class, a AAAM rated local government investment pool. The investment is reported in cash and equivalents at \$1 per share, which approximates fair value. In addition, the County had certificates of deposit in the amount of \$265,185 in certificates of deposit carried at amortized cost.

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

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE C -- PROPERTY TAX CALENDAR

The County's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the County. Assessed values are established by the Karnes County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2020, upon which the fiscal 2021 levy was based, was \$7.8 billion (i.e., market value less exemptions).

The County is permitted by the Constitution of the State of Texas to levy taxes up to \$0.80 per \$100 of taxable assessed valuation for all governmental purposes. Taxes for voter approved debt service are generally unlimited. The tax rate to finance general governmental services for the year ended September 30, 2021 was \$0.261836 per \$100 of assessed value. Generally, the County may only increase the maintenance and operations tax levy 3.5% each year without first obtaining voter approval.

NOTE D -- RECEIVABLES

Receivables for the County as of September 30, 2021 are as follows:

	<u>General Fund</u>	<u>Road & Bridge</u>	<u>Nonmajor Funds</u>
Ad Valorem Taxes	\$ 873,600	155,098	\$ -
Allowance for Doubtful Tax Accounts	(87,360)	(15,510)	-
Sales and Mixed Beverage Tax	667,267	-	-
EMS Services	898,554	-	-
Grant Receivable	18,999	1,444,837	-
Other Receivables	34	-	99,000
Allowance for Doubtful EMS Accounts	<u>(738,554)</u>	<u>-</u>	<u>-</u>
 Total Other Receivables	 <u>\$ 1,632,540</u>	 <u>\$ 1,584,425</u>	 <u>\$ 99,000</u>

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE E – CAPITAL ASSETS

Capital asset activity in the governmental funds for the year ended September 30, 2021, was as follows:

	Balance 10/1/2020*	Additions	Disposals/ Transfers	Balance 9/30/2021
<i>Governmental Activities</i>				
Land	\$ 175,432	\$ -	\$ -	\$ 175,432
Construction in Progress	14,133	2,710,575	-	2,724,708
Buildings and Improvements	30,995,911	-	-	30,995,911
Infrastructure	5,039,253	-	-	5,039,253
Vehicles and Equipment	10,618,633	799,629	(2,038,938)	9,379,324
	<u>46,843,362</u>	<u>3,510,204</u>	<u>(2,038,938)</u>	<u>48,314,628</u>
Less Accumulated Depreciation				
Buildings and Improvements	(3,215,045)	(990,916)	-	(4,205,961)
Infrastructure	(7,978,263)	(132,562)	-	(8,110,825)
Vehicles and Equipment	(1,447,131)	(884,526)	2,038,938	(292,719)
	<u>(12,640,439)</u>	<u>(2,008,004)</u>	<u>2,038,938</u>	<u>(12,609,505)</u>
Governmental Activities, Net	<u>\$ 34,202,923</u>	<u>\$ 1,502,200</u>	<u>\$ -</u>	<u>\$ 35,705,123</u>

*2020 restated from the results of a prior period adjustment.

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

Administration	631,167
Finance	2,294
Public Safety	753,079
Health and Welfare	8,568
Public Transportation	612,896
Total Depreciation Expense - Governmental Activities	<u>\$ 2,008,004</u>

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE F -- LONG-TERM DEBT

Changes in long-term debt were as follows:

	Balance 10/1/2020*	Additions	Reductions	Balance 9/30/2021
<i>Governmental Activities:</i>				
Capital Leases	\$ 180,135	\$ -	\$ (70,671)	\$ 109,464
Compensated Absences	87,960	154,406	(43,980)	198,386
Net Pension Liability	1,249,212	1,659,627	(938,397)	1,970,442
Total OPEB Liability	184,866	19,100	(15,292)	188,674
<i>Total Government</i>	<u>\$ 1,702,173</u>	<u>\$ 1,833,133</u>	<u>\$ (1,068,340)</u>	<u>\$ 2,466,966</u>

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

NOTE G -- CAPITAL LEASES

In 2020 the County entered in a lease for an asphalt zipper. The lease requires annual payments of \$39,049 through September 2024. The lease bears interest at 3.46% and is serviced by the Road and Bridge Fund. Asset related to the lease is included in capital assets and as of September 30, 2021 the asset was reported with a cost of \$192,858 and accumulated depreciation of \$38,572.

Requirements for future minimum lease payments are as follows:

Year Ending September 30,	Future Minimum Payments
2022	\$ 39,049
2023	39,049
2024	39,049
Total	117,147
Less: Amount Representing Interest	(7,683)
Net	<u>\$ 109,464</u>

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE H -- PENSION PLAN

Plan Description

The County participates as one of 800 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCDRS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCDRS is responsible for the administration and management of the system. TCDRS in the aggregate issues a annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

All eligible employees of the County are required to participate in TCDRS. The plan provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS. Members can retire at age 60 and above with 8 or more years of service or with 20 years regardless of age or when the sum of their age and years of service equals 75 or more. A member is vested after 8 years but must leave his accumulated contributions in the plan. Members who withdraw their personal contributions are not entitled to any amounts contributed by the employer. Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute.

At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Benefits Provided

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

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	102
Inactive Employees Entitled to but Not Yet Receiving Benefits	286
Active employees	197
	<u>585</u>

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE H -- PENSION PLAN (Continued)

Contributions

The County has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The actuarially determined rates were 10.95% and 10.74% for the calendar years of 2020 and 2021, respectively. The County contributed the required amount for the year ending September 30, 2021.

The contribution rate payable by the employee members is 7% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The County has adopted a matching rate of 200% with 125% prior service credits. Employees may take a partial lump sum on retirement.

Actuarial Assumptions

The County's net pension liability (NPL) was measured as of December 31, 2020 and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20.0 Years
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE H -- PENSION PLAN (Continued)

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10-year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the most recent analysis was performed in March 2021. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
U.S. Equities	11.5%	4.3%
Global Equity	2.5%	4.55%
International Developed Markets	5.0%	4.25%
International Emerging Markets	6.0%	4.75%
Investment Grade Bonds	3.0%	-0.85%
Strategic Credit	9.0%	2.11%
Direct Lending	16.0%	6.70%
Distressed Debt	4.0%	5.70%
REIT Equities	2.0%	3.45%
Master Limited Partnerships (MLPs)	2.0%	5.10%
Private Real Estate Partnerships	6.0%	4.90%
Private Equity	25.0%	7.25%
Hedge Funds	6.0%	1.85%
Hedge Funds	2.0%	-0.70%
	<u>100%</u>	

The discount rate used to measure the Total Pension Liability (or asset) was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability (or asset).

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

	Discount Rate		
	<u>1% Decrease</u>	<u>7.60%</u>	<u>1% Increase</u>
Net Pension Liability (Asset)	\$ 5,562,662	\$ 1,970,442	\$ (1,007,422)

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE H -- PENSION PLAN (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2020:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2019	\$ 22,962,696	\$ 21,713,484	\$ 1,249,212
Changes for the year:			
Service Cost	1,206,241	-	1,206,241
Interest	1,912,202	-	1,912,202
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(117,319)	-	(117,319)
Changes of Assumptions	1,502,443	-	1,502,443
Refund of Contributions	(107,243)	(107,243)	-
Benefit Payments	(1,038,064)	(1,038,064)	-
Administrative Expense	-	(17,818)	17,818
Contributions - Employee	-	611,804	(611,804)
Net Investment Income	-	2,243,960	(2,243,960)
Contributions - Employer	-	957,038	(957,038)
Other Changes	-	(12,647)	12,647
Net Changes	<u>3,358,260</u>	<u>2,637,030</u>	<u>721,230</u>
Balance at December 31, 2020	<u>\$ 26,320,956</u>	<u>\$ 24,350,514</u>	<u>\$ 1,970,442</u>

Pension Plan Fiduciary Net Position

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

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE H -- PENSION PLAN (Continued)

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

For the year ended September 30, 2021, the County recognized pension expense of \$932,140. Also as of September 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 175,947	\$ 176,197
Changes in Actuarial Assumptions	1,158,711	-
Differences Between Projected and Actual Investment Earnings	-	751,777
Contributions Subsequent to the Measurement Date	673,286	-
	\$ 2,007,944	\$ 927,974

Deferred outflows of resources in the amount of \$673,286 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2021	\$ 143,884
2022	407,144
2023	(50,434)
2024	(93,910)
2025	-
Thereafter	-
	\$ 406,684

NOTE I -- OTHER POST-EMPLOYMENT BENEFIT

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

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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

Membership in the plan at September 30, 2020, the valuation date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	4
Inactive Employees Entitled to but Not Yet Receiving Benefits	0
Active employees	120
	124

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

Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.50%
Salary Increases	3.50%
Discount Rate	2.25%
Mortality Rates	For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Mortality Tables. Those rates are projected on a fully generational basis based on the ultimate rates of Scale MP-2019.
Health Care Trend Rates	Level trend rate of 4.50%
Participation Rates	Assumed 25% of all active employees who currently have coverage will continue with coverage upon retirement. Those those with family coverage, 5% will elect to continue with coverage including the spouse and the remainder will elect individual coverage.

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

	1% Decrease	Healthcare Trend Rate	1% Increase
Total OPEB Liability	\$ 170,212	\$ 188,674	\$ 211,272
		Discount Rate	
	1% Decrease	2.25%	1% Increase
Total OPEB Liability	\$ 203,682	\$ 188,674	\$ 175,054

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE I -- OTHER POSTEMPLOYMENT BENEFIT (Continued)

The County's Total OPEB Liability (TOL), based on the above actuarial factors, as of September 30, 2021, the measurement date, was calculated as follows:

	Total OPEB Liability
Balance at September 30, 2020	\$ 184,866
Changes for the year:	
Service Cost	14,780
Interest	4,320
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions or Other Inputs	-
Benefit Payments	(15,292)
Net Changes	3,808
Balance at September 31, 2021	\$ 188,674

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

For the year ended September 30, 2021, the County recognized OPEB expense of \$21,875. In addition, the following deferred inflows and outflows were reported as of September 30, 2021 related to the benefit:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 15,760	\$ -
Changes in Experience	-	443
Contributions Subsequent to the Measurement Date	-	-
	\$ 15,760	\$ 443

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE I -- OTHER POSTEMPLOYMENT BENEFIT (Continued)

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

For the Plan Year ended September 30,		
2022	\$	2,775
2023		2,775
2024		2,775
2025		2,775
2026		2,775
Thereafter		1,442
	<u>\$</u>	<u>15,317</u>

NOTE J – TAX ABATEMENTS

The County provides tax abatements to incentivize development and provide economic growth in the County. As of September 30, 2021, the County had one such agreement. In exchange for improvements in the County, the County will rebate 100% of the incremental property tax revenue and 100% of the incremental sales tax revenue generated by the project for a term of 10 years (through November 2026) or until a total rebate of \$300,000 is achieved. During the year ended September 30, 2021, the County rebated \$11,414 in property taxes and \$20,643 in sales tax. The remaining potential future year rebates are \$92,873.

NOTE K -- RISK MANAGEMENT

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

NOTE L – INTERFUND TRANSFERS

The following transfers occurred during the year ending September 30, 2021:

From	To	Amount	Purpose
Nonmajor Governmental	General Fund	\$ 8,185	Closure of Debt Service Fund
General Fund	Nonmajor Governmental	82,500	Grant Match
		<u>\$ 90,685</u>	

KARNES COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE M -- LITIGATION

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

NOTE N -- COMMITMENTS

As of September 30, 2021, the County had the following outstanding commitments for contracts awarded:

<u>Project</u>	<u>Estimated Project Cost to County</u>	<u>Expended through 9/30/21</u>	<u>Estimated Future Commitment</u>
Archives Building	\$ 88,000	\$ 70,400	\$ 17,600
Water System Improvements	35,000	7,000	28,000
County Road Improvements	2,910,205	1,200,048	1,710,157
Flood Plan	825,000	94,125	730,875
	<u>\$ 3,858,205</u>	<u>\$ 1,371,573</u>	<u>\$ 2,486,632</u>

NOTE O -- PRIOR PERIOD ADJUSTMENT

The County has made changes to the September 30, 2020 financial statements for corrections and changes in accounting policies. These adjustments and their impact on each opinion unit are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Fiduciary Activities</u>	<u>Governmental Activities</u>
Beginning Fund Balance/Net Position, Previously Reported	\$ 33,014,975	\$ 7,949,514	\$ -	\$ 92,953,164
<i>Changes in Accounting Principles:</i>				
<i>Adoption of GASB 84</i>				
Additional Fiduciary Accounts Identified	-	-	516,207	-
Amounts Previously Reported as Liabilities in Agency Funds	-	-	14,052,343	-
Accrual of Sales Tax Remittances for August and September	409,872	-	-	409,872
<i>Changes in Reporting Entity:</i>				
Rural Fire Fund Removed as Separate Legal Entity	-	(643,291)	-	(693,742)
<i>Corrections:</i>				
Understated Capital Assets	-	-	-	180,135
Understated Capital Lease Payable	-	-	-	(180,135)
Understated Prepaid Items	28,178	-	-	28,178
Unrecorded Grant Receivable	79,474	-	-	79,474
Beginning Fund Balance/Net Position, Restated	<u>\$ 33,532,499</u>	<u>\$ 7,306,223</u>	<u>\$ 14,568,550</u>	<u>\$ 92,776,946</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

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

KARNES COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget Amounts		Actual Amounts	Variance
	Original	Final		
REVENUES				
Ad Valorem Taxes	\$ 6,945,187	\$ 6,945,187	\$ 7,072,912	\$ 127,725
Sales Taxes	3,480,000	3,480,000	3,760,728	280,728
Fines and Forfeitures	448,000	448,000	378,768	(69,232)
Charges for Services	713,000	713,000	893,510	180,510
Licenses, Permits, and Fees	1,141,600	1,141,600	742,894	(398,706)
Interest Income	150,000	150,000	38,671	(111,329)
Royalties	-	-	246,912	246,912
Misc Income	240,400	260,484	2,612,196	2,351,712
Grants and Donations	121,033	124,931	447,319	322,388
TOTAL REVENUES	<u>13,239,220</u>	<u>13,263,202</u>	<u>16,193,910</u>	<u>2,930,708</u>
EXPENDITURES				
<i>Current:</i>				
<i>Administration:</i>				
County Judge	158,864	158,864	157,513	1,351
County Clerk	353,447	353,447	330,284	23,163
Nondepartmental	991,004	892,487	869,751	22,736
Elections	143,530	143,530	140,789	2,741
Waste & Recycle	98,603	98,603	92,321	6,282
Commissioners	295,119	295,119	279,421	15,698
Information Technology	196,800	218,493	154,086	64,407
<i>Legal:</i>				
County Attorney	331,467	331,467	332,137	(670)
Victim Services	69,984	69,984	67,073	2,911
<i>Judicial:</i>				
District Clerk	294,434	294,434	270,106	24,328
Justices of the Peace	546,627	546,627	532,729	13,898
Judicial Court	692,237	692,237	541,811	150,426
<i>Finance:</i>				
County Auditor	291,852	291,852	261,580	30,272
County Treasurer	206,215	206,215	184,189	22,026
Tax Assessor	385,035	385,035	368,614	16,421
Courthouse Maintenance	351,223	361,223	325,483	35,740
<i>Public Safety:</i>				
Emergency Medical Services	2,368,514	2,442,427	2,400,453	41,974
Constables	206,834	207,383	197,013	10,370
County Sheriff	3,964,703	3,970,863	3,626,371	344,492
DPS	\$ 46,028	\$ 46,028	\$ 38,020	\$ 8,008

KARNES COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget Amounts		Actual Amounts	Variance
	Original	Final		
EXPENDITURES (CONT.)				
<i>Current (Cont.):</i>				
<i>Health and Welfare:</i>				
Veterans	\$ 21,021	\$ 21,021	\$ 18,091	\$ 2,930
Health	36,037	36,037	36,029	8
Welfare	45,500	50,250	28,117	22,133
Conservation	175,543	175,063	171,586	3,477
Capital Outlay	1,304,906	1,270,670	738,190	532,480
TOTAL EXPENDITURES	<u>13,575,527</u>	<u>13,559,359</u>	<u>12,161,757</u>	<u>1,397,602</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(336,307)	(296,157)	4,032,153	4,328,310
OTHER FINANCING SOURCES (OFS)				
Proceeds from Sale of Capital Assets	-	-	41,664	41,664
Transfer In (Out)	-	5,007	(74,315)	(79,322)
TOTAL OFS	<u>-</u>	<u>5,007</u>	<u>(32,651)</u>	<u>(37,658)</u>
NET CHANGE IN FUND BALANCE	(336,307)	(291,150)	3,999,502	4,290,652
BEGINNING FUND BALANCE	33,014,975	33,014,975	33,014,975	-
Prior Period Adjustment	-	-	517,524	517,524
ENDING FUND BALANCE	<u>\$32,678,668</u>	<u>\$32,723,825</u>	<u>\$37,532,001</u>	<u>\$ 4,808,176</u>

KARNES COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL – ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget Amounts		Actual Amounts	Variance
	Original	Final		
REVENUES				
Ad Valorem Taxes	\$ 12,240,171	\$ 12,240,171	\$ 12,488,527	\$ 248,356
Licenses, Permits, and Fees	740,000	740,000	826,341	86,341
Interest Income	125,000	125,000	14,761	(110,239)
Misc Income	-	-	4,716	4,716
Grants and Donations	6,596,778	6,596,778	3,203,046	(3,393,732)
TOTAL REVENUES	<u>19,701,949</u>	<u>19,701,949</u>	<u>16,537,391</u>	<u>(3,164,558)</u>
EXPENDITURES				
<i>Current:</i>				
Public Transportation	13,267,104	13,276,685	12,769,980	506,705
Capital Outlay	8,704,071	8,705,490	2,708,826	5,996,664
<i>Debt Service:</i>				
Principal	70,671	70,671	70,671	-
Interest	7,427	7,427	7,427	-
TOTAL EXPENDITURES	<u>22,049,273</u>	<u>22,060,273</u>	<u>15,556,904</u>	<u>6,503,369</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,347,324)	(2,358,324)	980,487	3,338,811
OTHER FINANCING SOURCES (OFS)				
Proceeds from Sale of Capital Assets	-	-	110,469	110,469
TOTAL OFS	<u>-</u>	<u>-</u>	<u>110,469</u>	<u>110,469</u>
Net Change in Fund Balance	(2,347,324)	(2,358,324)	1,090,956	3,449,280
BEGINNING FUND BALANCE	<u>17,879,179</u>	<u>17,879,179</u>	<u>17,879,179</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 15,531,855</u>	<u>\$ 15,520,855</u>	<u>\$ 18,970,135</u>	<u>\$ 3,449,280</u>

KARNES COUNTY
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2021

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

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

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

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

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

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

Total Pension Liability			
2017	2018	2019	2020
\$ 1,038,576	\$ 997,744	\$ 1,055,402	\$ 1,206,241
1,482,025	1,595,093	1,738,727	1,912,202
-	442,312	-	-
159,391	-	-	1,502,443
(193,880)	(197,727)	351,895	(117,319)
<u>(1,019,347)</u>	<u>(1,080,581)</u>	<u>(1,164,708)</u>	<u>(1,145,307)</u>
1,466,765	1,756,841	1,981,316	3,358,260
17,757,774	19,224,539	20,981,380	22,962,696
<u>\$ 19,224,539</u>	<u>\$ 20,981,380</u>	<u>\$ 22,962,696</u>	<u>\$ 26,320,956</u>

Plan Fiduciary Net Position			
2017	2018	2019	2020
\$ 711,087	\$ 770,885	\$ 922,742	\$ 957,038
486,092	528,482	583,486	611,804
2,336,095	(341,999)	3,014,599	2,243,960
(1,019,347)	(1,080,581)	(1,164,709)	(1,145,307)
(12,296)	(14,746)	(16,546)	(17,818)
2,268	8,376	14,716	(12,647)
<u>2,503,899</u>	<u>(129,583)</u>	<u>3,354,288</u>	<u>2,637,030</u>
15,984,880	18,488,779	18,359,196	21,713,484
<u>\$ 18,488,779</u>	<u>\$ 18,359,196</u>	<u>\$ 21,713,484</u>	<u>\$ 24,350,514</u>

\$ 735,760	\$ 2,622,184	\$ 1,249,212	\$ 1,970,442
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96.17%	87.50%	94.56%	92.51%
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\$ 6,944,176	\$ 7,448,138	\$ 8,335,510	\$ 8,740,056
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10.60%	35.21%	14.99%	22.54%
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KARNES COUNTY
SCHEDULE OF COUNTY CONTRIBUTIONS – PENSION PLAN
LAST SEVEN FISCAL YEARS

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

Notes to Schedule of Contributions

Changes in Benefit Terms:

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

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

Changes in Assumptions:

2015: New inflation, mortality and other assumptions

2017: New mortality assumptions

2019: New inflation, mortality and other assumptions

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

	Total OPEB Liability			
	2018	2019	2020	2021
Service Cost	\$ 9,799	\$ 10,197	\$ 10,197	\$ 14,780
Interest	6,134	6,083	6,697	4,320
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	-	-	(603)	-
Changes in Assumptions or Other Inputs	-	-	21,470	-
Benefit Payments	(7,404)	(7,404)	(15,292)	(15,292)
Net Change in Total Pension Liability	8,529	8,876	22,469	3,808
Total OPEB Liability - Beginning	144,992	153,521	162,397	184,866
Total OPEB Liability - Ending	<u>\$ 153,521</u>	<u>\$ 162,397</u>	<u>\$ 184,866</u>	<u>\$ 188,674</u>
 Covered Payroll	 \$ 6,210,472	 \$ 6,210,472	 \$ 7,252,139	 \$ 7,252,139
 Total OPEB Liability as a Percentage of Covered Payroll	 2.47%	 2.61%	 2.55%	 2.60%

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

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



SUPPLEMENTARY INFORMATION

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

Such statements and schedule include:

- Combining Statements – Nonmajor Funds

KARNES COUNTY
 COMBINING BALANCE SHEET – NONMAJOR FUNDS
 SEPTEMBER 30, 2021

	Special Revenue			
	County & District Clerk Records	General Records Management	Law Library	Court Guardianship
ASSETS				
Cash and Cash Equivalents	\$ 735,088	\$ 92,343	\$ 52,716	\$ 7,951
Certificates of Deposit	-	-	-	-
Other Receivables	-	-	-	-
TOTAL ASSETS	\$ 735,088	\$ 92,343	\$ 52,716	\$ 7,951
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ 294	\$ -
Accrued Wages	-	-	-	-
Unearned Grant Revenue	-	-	-	-
<i>Total Liabilities</i>	-	-	294	-
<i>Fund Balances:</i>				
Restricted for:				
Elections	-	-	-	-
Legal	-	92,343	-	7,951
Judicial	-	-	-	-
Public Safety	-	-	-	-
Records Management	735,088	-	52,422	-
Sheriff	-	-	-	-
Libraries	-	-	-	-
Committed for:				
Courthouse Maintenance	-	-	-	-
<i>Total Fund Balances</i>	<i>735,088</i>	<i>92,343</i>	<i>52,422</i>	<i>7,951</i>
TOTAL LIABILITIES AND FUND BALANCES	\$ 735,088	\$ 92,343	\$ 52,716	\$ 7,951

Special Revenue

Court Records Preservation	JP Court Security & Technology	Contract Election Funds	Pretrial Diversion	Court Reporter	Jury Fund
\$ 4,027	\$ 179,225	\$ 77,120	\$ 62,208	\$ 40,177	\$ 78,407
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,027</u>	<u>\$ 179,225</u>	<u>\$ 77,120</u>	<u>\$ 62,208</u>	<u>\$ 40,177</u>	<u>\$ 78,407</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	77,120	-	-	-
-	-	-	-	-	-
-	179,225	-	62,208	40,177	78,407
-	-	-	-	-	-
4,027	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,027</u>	<u>179,225</u>	<u>77,120</u>	<u>62,208</u>	<u>40,177</u>	<u>78,407</u>
<u>\$ 4,027</u>	<u>\$ 179,225</u>	<u>\$ 77,120</u>	<u>\$ 62,208</u>	<u>\$ 40,177</u>	<u>\$ 78,407</u>

KARNES COUNTY
 COMBINING BALANCE SHEET – NONMAJOR FUNDS (CONTINUED)
 SEPTEMBER 30, 2021

	Special Revenue			
	Emergency Management	HAVA	Court Security	County Libraries
ASSETS				
Cash and Cash Equivalents	\$ 495,626	\$ 43,634	\$ 350,371	\$ 521,197
Certificates of Deposit	-	-	-	142,939
Other Receivables	-	-	-	-
	-	-	-	-
TOTAL ASSETS	\$ 495,626	\$ 43,634	\$ 350,371	\$ 664,136
LIABILITIES AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 23	\$ 3,594	\$ 2,350	\$ 13,184
Accrued Wages	-	-	5,751	13,477
Unearned Grant Revenue	-	-	-	-
<i>Total Liabilities</i>	23	3,594	8,101	26,661
<i>Fund Balances:</i>				
Restricted for:				
Elections	-	40,040	-	-
Legal	-	-	-	-
Judicial	-	-	342,270	-
Public Safety	495,603	-	-	-
Records Management	-	-	-	-
Sheriff	-	-	-	-
Libraries	-	-	-	637,475
Committed for:				
Courthouse Maintenance	-	-	-	-
<i>Total Fund Balances</i>	495,603	40,040	342,270	637,475
TOTAL LIABILITIES AND FUND BALANCES	\$ 495,626	\$ 43,634	\$ 350,371	\$ 664,136

Special Revenue

Federal Asset Forfeiture	Courthouse Maintenance	Sheriff Forfeiture	Sheriff Donation	EMS Donation	County Attorney Hot Check
\$ 2,712	\$ 4,218,514	\$ 178,618	\$ 19,987	\$ 30,159	\$ 710
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,712</u>	<u>\$ 4,218,514</u>	<u>\$ 178,618</u>	<u>\$ 19,987</u>	<u>\$ 30,159</u>	<u>\$ 710</u>
\$ -	\$ 4,649	\$ 600	\$ 164	\$ 99	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	4,649	600	164	99	-
-	-	-	-	-	-
-	-	-	-	-	710
-	-	-	-	-	-
2,712	-	-	-	30,060	-
-	-	-	-	-	-
-	-	178,018	19,823	-	-
-	-	-	-	-	-
-	4,213,865	-	-	-	-
<u>2,712</u>	<u>4,213,865</u>	<u>178,018</u>	<u>19,823</u>	<u>30,060</u>	<u>710</u>
<u>\$ 2,712</u>	<u>\$ 4,218,514</u>	<u>\$ 178,618</u>	<u>\$ 19,987</u>	<u>\$ 30,159</u>	<u>\$ 710</u>

KARNES COUNTY
 COMBINING BALANCE SHEET – NONMAJOR FUNDS (CONTINUED)
 SEPTEMBER 30, 2021

	<u>Special Revenue</u>		Total Special Revenue
	<u>County Attorney Forfeiture</u>	<u>Rural Fire Fund</u>	
ASSETS			
Cash and Cash Equivalents	\$ 64,345	\$ -	\$ 7,255,135
Certificates of Deposit	-	-	142,939
Other Receivables	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 64,345</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,398,074</u></u>
LIABILITIES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ -	\$ -	\$ 24,957
Accrued Wages	-	-	19,228
Unearned Grant Revenue	-	-	-
<i>Total Liabilities</i>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u>44,185</u>
<i>Fund Balances:</i>			
Restricted for:			
Elections	-	-	117,160
Legal	64,345	-	165,349
Judicial	-	-	702,287
Public Safety	-	-	528,375
Records Management	-	-	791,537
Sheriff	-	-	197,841
Libraries	-	-	637,475
Committed for:			
Courthouse Maintenance	-	-	4,213,865
<i>Total Fund Balances</i>	<u> </u>	<u> </u>	<u> </u>
	<u>64,345</u>	<u>-</u>	<u>7,353,889</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 64,345</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,398,074</u></u>

Capital Grant Projects	Debt Service	Total Nonmajor Funds
\$ 2,149,795	\$ -	\$ 9,404,930
-	-	142,939
<u>99,000</u>	<u>-</u>	<u>99,000</u>
<u>\$ 2,248,795</u>	<u>\$ -</u>	<u>\$ 9,646,869</u>
\$ 2,765	\$ -	\$ 27,722
-	-	19,228
<u>2,172,943</u>	<u>-</u>	<u>2,172,943</u>
<u>2,175,708</u>	<u>-</u>	<u>2,219,893</u>
-	-	117,160
73,087	-	238,436
-	-	702,287
-	-	528,375
-	-	791,537
-	-	197,841
-	-	637,475
<u>-</u>	<u>-</u>	<u>4,213,865</u>
<u>73,087</u>	<u>-</u>	<u>7,426,976</u>
<u>\$ 2,248,795</u>	<u>\$ -</u>	<u>\$ 9,646,869</u>

KARNES COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE – NONMAJOR FUNDS
 FOR THE YEAR ENDING SEPTEMBER 30, 2021

	Special Revenue			
	County & District Clerk Records	General Records Management	Law Library	Court Guardianship
REVENUES				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	-	-
Charges for Services	107,715	2,434	6,688	2,005
Interest Income	475	54	48	6
Miscellaneous	-	-	-	-
Grants and Donations	-	-	-	-
TOTAL REVENUES	<u>108,190</u>	<u>2,488</u>	<u>6,736</u>	<u>2,011</u>
EXPENDITURES				
Current:				
Administration	123,762	-	-	-
Legal	-	-	3,062	-
Judicial	-	-	-	-
Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>123,762</u>	<u>-</u>	<u>3,062</u>	<u>-</u>
Excess (Deficiency) in Revenue Over (Under) Expenditures	(15,572)	2,488	3,674	2,011
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	-	-
Net Change in Fund Balance	(15,572)	2,488	3,674	2,011
BEGINNING FUND BALANCE	750,660	89,855	48,748	5,940
Prior Period Adjustment	-	-	-	-
ENDING FUND BALANCE	<u>\$ 735,088</u>	<u>\$ 92,343</u>	<u>\$ 52,422</u>	<u>\$ 7,951</u>

Special Revenue

Court Records Preservation	JP Court Security & Technology	Contract Election Funds	Pretrial Diversion	Court Reporter	Jury Fund
\$ -	\$ -	\$ -	\$ -	\$ 30,426	\$ 20,958
-	3,960	-	-	-	-
1,053	-	29,277	4,600	2,399	-
2	116	45	-	25	30
-	-	-	-	-	3,197
-	-	-	-	-	-
<u>1,055</u>	<u>4,076</u>	<u>29,322</u>	<u>4,600</u>	<u>32,850</u>	<u>24,185</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	8,850	-	-	19,866	5,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>8,850</u>	<u>-</u>	<u>-</u>	<u>19,866</u>	<u>5,000</u>
1,055	(4,774)	29,322	4,600	12,984	19,185
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,055	(4,774)	29,322	4,600	12,984	19,185
2,972	183,999	47,798	57,608	27,193	59,222
-	-	-	-	-	-
<u>\$ 4,027</u>	<u>\$ 179,225</u>	<u>\$ 77,120</u>	<u>\$ 62,208</u>	<u>\$ 40,177</u>	<u>\$ 78,407</u>

KARNES COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE – NONMAJOR FUNDS (CONTINUED)
 FOR THE YEAR ENDING SEPTEMBER 30, 2021

	Special Revenue			
	Emergency Management	HAVA	Court Security	County Libraries
REVENUES				
Ad Valorem Taxes	\$ 93,308	\$ -	\$ 246,795	\$ 566,356
Fines and Forfeitures	-	-	8,802	1,113
Charges for Services	-	-	-	8,480
Interest Income	432	40	287	2,241
Miscellaneous	218	-	-	2,525
Grants and Donations	-	1,754	-	20,945
TOTAL REVENUES	93,958	1,794	255,884	601,660
EXPENDITURES				
Current:				
Administration	-	14,119	-	-
Legal	-	-	-	-
Judicial	-	-	221,804	-
Facilities	-	-	-	-
Public Safety	24,544	-	-	-
Health and Welfare	-	-	-	549,594
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	24,544	14,119	221,804	549,594
Excess (Deficiency) in Revenue Over (Under) Expenditures	69,414	(12,325)	34,080	52,066
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	-	-
Net Change in Fund Balance	69,414	(12,325)	34,080	52,066
BEGINNING FUND BALANCE	426,189	52,365	308,190	585,409
Prior Period Adjustment	-	-	-	-
ENDING FUND BALANCE	\$ 495,603	\$ 40,040	\$ 342,270	\$ 637,475

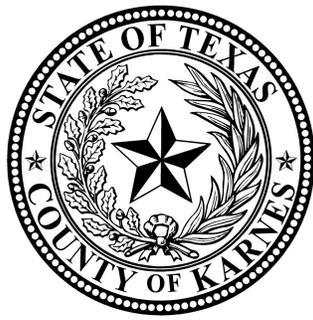
Special Revenue

Federal Asset Forfeiture	Courthouse Maintenance	Sheriff Forfeiture	Sheriff Donation	EMS Donation	County Attorney Hot Check
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	58,131	-	-	-
-	-	-	-	-	-
2	4,225	221	24	25	-
-	6,000	-	-	-	-
-	-	-	9,881	24,500	-
<u>2</u>	<u>10,225</u>	<u>58,352</u>	<u>9,905</u>	<u>24,525</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	3,646
-	-	-	-	-	-
-	58,824	-	-	-	-
-	-	152,465	9,716	23,983	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>58,824</u>	<u>152,465</u>	<u>9,716</u>	<u>23,983</u>	<u>3,646</u>
2	(48,599)	(94,113)	189	542	(3,646)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2	(48,599)	(94,113)	189	542	(3,646)
2,710	4,262,464	272,131	19,634	29,518	4,356
-	-	-	-	-	-
<u>\$ 2,712</u>	<u>\$ 4,213,865</u>	<u>\$ 178,018</u>	<u>\$ 19,823</u>	<u>\$ 30,060</u>	<u>\$ 710</u>

KARNES COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE – NONMAJOR FUNDS (CONTINUED)
 FOR THE YEAR ENDING SEPTEMBER 30, 2021

	<u>Special Revenue</u>		Total Special Revenue
	<u>County Attorney Forfeiture</u>	<u>Rural Fire Fund</u>	
REVENUES			
Ad Valorem Taxes	\$ -	\$ -	\$ 957,843
Fines and Forfeitures	6,176	-	78,182
Charges for Services	-	-	164,651
Interest Income	64	-	8,362
Miscellaneous	6,983	-	18,923
Grants and Donations	-	-	57,080
TOTAL REVENUES	<u>13,223</u>	<u>-</u>	<u>1,285,041</u>
EXPENDITURES			
Current:			
Administration	-	-	137,881
Legal	10,962	-	17,670
Judicial	-	-	255,520
Facilities	-	-	58,824
Public Safety	-	-	210,708
Health and Welfare	-	-	549,594
Capital Outlay	-	-	-
TOTAL EXPENDITURES	<u>10,962</u>	<u>-</u>	<u>1,230,197</u>
Excess (Deficiency) in Revenue Over (Under) Expenditures	2,261	-	54,844
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	-	-	-
Net Change in Fund Balance	2,261	-	54,844
BEGINNING FUND BALANCE	62,084	643,291	7,942,336
Prior Period Adjustment	-	(643,291)	(643,291)
ENDING FUND BALANCE	<u>\$ 64,345</u>	<u>\$ -</u>	<u>\$ 7,353,889</u>

<u>Capital Grant Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>
\$ -	\$ 1,007	\$ 958,850
-	-	78,182
-	-	164,651
-	-	8,362
-	-	18,923
<u>282,176</u>	<u>-</u>	<u>339,256</u>
<u>282,176</u>	<u>1,007</u>	<u>1,568,224</u>
-	-	137,881
-	-	17,670
-	-	255,520
-	-	58,824
-	-	210,708
-	-	549,594
<u>291,589</u>	<u>-</u>	<u>291,589</u>
<u>291,589</u>	<u>-</u>	<u>1,521,786</u>
(9,413)	1,007	46,438
<u>82,500</u>	<u>(8,185)</u>	<u>74,315</u>
73,087	(7,178)	120,753
-	7,178	7,949,514
-	-	(643,291)
<u>\$ 73,087</u>	<u>\$ -</u>	<u>\$7,426,976</u>



COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT

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

County Commissioners
Karnes County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Karnes County as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Karnes County's basic financial statements, and have issued our report thereon dated March 14, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain other matters that were communicated to management in a separate letter dated March 14, 2022.

Purpose of this Report

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

Respectfully submitted,

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

Armstrong, Vaughan & Associates, P.C.

March 14, 2022



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

County Commissioners
Karnes County

Report on Compliance for Each Major State Program

We have audited Karnes County's compliance with the types of compliance requirements described in the Texas Comptroller of Public Accounts, *State of Texas Uniform Grant Management Standards*, which includes the State of Texas Single Audit Circular (UGMS) that could have a direct and material effect on each of its major state programs for the year ended September 30, 2021. Karnes County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Karnes County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the UGMS. Those standards and the UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Karnes County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Karnes County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

The management of Karnes County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Karnes County's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program as a basis for designing auditing procedures for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Karnes County's internal control over compliance.

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

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

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

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

March 14, 2022

KARNES COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Any material weaknesses identified? Yes No

Any significant deficiencies identified? Yes No

Noncompliance material to financial Statements noted? Yes No

2. State Awards

Internal control over major programs:

Any material weaknesses identified? Yes No

Any significant deficiencies identified? Yes No

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

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

Identification of major programs:

Name of State Program
 County Transportation Infrastructure Fund Grant

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings
 NONE

C. State Award Findings and Questioned Costs
 NONE

D. Prior Audit Findings Related to State Awards
 NONE

KARNES COUNTY
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

State Grantor/ Pass-Through Grantor/ Program Title	Grant Number	State Expenditures
TEXAS DEPARTMENT OF TRANSPORTATION		
<i>Direct Programs</i>		
County Transportation Infrastructure Fund	N/A	\$ 1,970,687
TOTAL TEXAS DEPARTMENT OF TRANSPORTATION		1,970,687
 TEXAS WATER DEVELOPMENT BOARD		
<i>Direct Programs</i>		
Flood Infrastructure Fund Category 1	G1001287	70,594
TOTAL TEXAS WATER DEVELOPMENT BOARD		70,594
 TEXAS INDIGENT DEFENSE COMMISSION		
<i>Direct Program</i>		
Formula Grant	N/A	30,191
TOTAL TEXAS INDIGENT DEFENSE COMMISSION		30,191
 TEXAS COMPTROLLER OF PUBLIC ACCOUNTS		
<i>Direct Program</i>		
Law Enforcement Officer Standards and Education Fund (LEOSE)	N/A	3,256
TOTAL TEXAS COMPTROLLER OF PUBLIC ACCOUNTS		3,256
 TEXAS GOVERNOR		
<i>Direct Program</i>		
Victim Service Coordinator	2863904	53,675
TOTAL TEXAS GOVERNOR		53,675
 TOTAL EXPENDITURES OF STATE AWARDS		\$ 2,128,403

KARNES COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The accompanying schedule of expenditures of state awards includes the state grant activity of the County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of Texas Single Audit Circular (“Audit Circular”). The Audit Circular was issued under the authority of the Texas Government Code, Chapter 783, entitled Uniform Grant and Contract Management. This circular sets standards for obtaining consistency and uniformity among state agencies for the coordinated audit of local governments expending any state awards. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position of the County.

During the year ending September 30, 2021, the County did not provide any state awards to subrecipients.