



**KARNES COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2025**



KARNES COUNTY

COUNTY OFFICIALS

COUNTY JUDGE

WADE J. HEDTKE

COUNTY COMMISSIONERS

PRECINCT 1

DAVID WIATREK

PRECINCT 2

BENNY LYSSY

PRECINCT 3

JAMES ROSALES

PRECINCT 4

WESLEY GISLER

COUNTY ATTORNEY

JENNIFER TAPIA

COUNTY TREASURER

VI SWIERC

COUNTY AUDITOR

TOM DUPNICK, EA

TAX ASSESSOR-COLLECTOR

TAMMY BRAUDAWAY

COUNTY CLERK

JAMIE LEAL

DISTRICT CLERK

DENISE RODRIGUEZ

SHERIFF

STEVEN BAILEY

**KARNES COUNTY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

**TABLE OF CONTENTS**

**INTRODUCTORY SCHEDULE**

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

**FINANCIAL SECTION**

INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4
BASIC FINANCIAL STATEMENTS .....	12
STATEMENT OF NET POSITION .....	13
STATEMENT OF ACTIVITIES .....	15
BALANCE SHEET - GOVERNMENTAL FUNDS .....	16
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION .....	17
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS .....	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES .....	19
STATEMENT OF FIDUCIARY NET POSITION .....	20
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION .....	21
NOTES TO BASIC FINANCIAL STATEMENTS .....	22
REQUIRED SUPPLEMENTARY INFORMATION .....	41
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GENERAL FUND .....	42
ROAD AND BRIDGE FUND .....	44
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL .....	45
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS .....	46
SCHEDULE OF COUNTY CONTRIBUTIONS – PENSION PLAN .....	48
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS .....	49
NOTES TO THE SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS .....	50

SUPPLEMENTARY INFORMATION .....	51
COMBINING BALANCE SHEET – NONMAJOR FUNDS.....	52
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR FUNDS .....	58
COMPARATIVE BALANCE SHEETS –GENERAL FUND.....	64
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND.....	65
COMPARATIVE BALANCE SHEETS – ROAD AND BRIDGE FUND.....	66
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -- ROAD AND BRIDGE .....	67
COMPLIANCE SECTION.....	68
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING         STANDARDS</i> .....	69
REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE.....	71
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	74
CORRECTIVE ACTION PLAN.....	76
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	77
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS.....	78



## INDEPENDENT AUDITOR'S REPORT

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

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate fund remaining information of Karnes County, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Karnes County, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Change in Accounting Principle***

As stated in Note N to the financial statements, the Karnes County implemented GASB Statement 101 related to compensated absences in 2025. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of changes and contributions for net pension liability and total other post-employment benefit liability as referred to in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2026 on our consideration of Karnes County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Karnes County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive, flowing style.

Armstrong, Vaughan & Associates, P.C.  
January 16, 2026

## 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, 2025. Please read it in conjunction with the County's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The County's total net position was \$166 million at September 30, 2025, an increase of \$13 million.
- During the year, the County's governmental activities expenses were \$13 million less than the \$45 million generated in general and program revenues for governmental activities. The total cost of the County's programs increased 3% from the prior year.
- The general fund reported a fund balance this year of \$71.7 million, an increase of \$9.4 million. The County did not conduct facility improvements as contemplated in the budget.

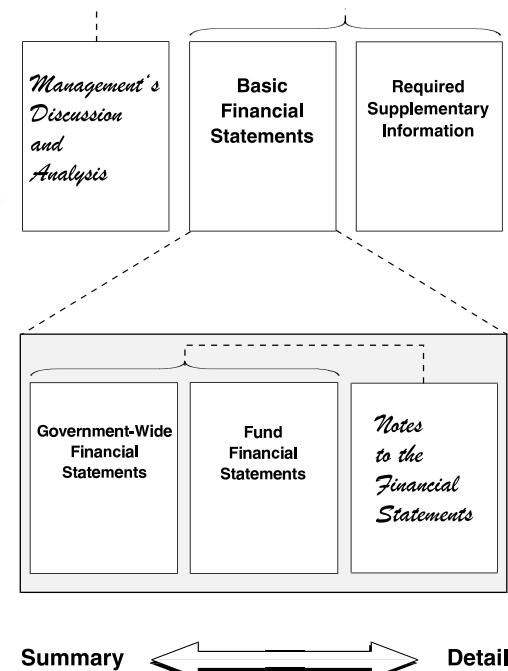
### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



The statements are followed by a

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

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

### Government-Wide Statements

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

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

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

## 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.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net position. The County's combined net position was \$166 million at September 30, 2025. Of this amount, \$76 million was invested in capital assets net of related debt. The unrestricted net position of \$76 million represents resources available to fund any of the County's programs next year. (See Table A-1).

In 2025, the County implemented GASB Statement 101 related to compensated absences. This increased the liability. 2024 has not been restated. See note N to the financial statements for more information.

**Table A-1**  
 County's Net Position

	Governmental Activities		Percentage Change
	2025	2024	

<i>Assets:</i>			
Current Assets	\$ 95,563,545	\$ 95,786,618	(0.2)
Other Assets	545,075	-	100.0
Capital Assets	76,107,006	62,639,891	21.5
<i>Total Assets</i>	<u>172,215,626</u>	<u>158,426,509</u>	8.7
<i>Deferred Outflows of Resources:</i>	<u>1,134,541</u>	<u>1,331,351</u>	(14.8)
<i>Liabilities:</i>			
Current Liabilities	4,867,619	4,578,763	6.3
Long-term Liabilities	1,856,441	2,328,191	(20.3)
<i>Total Liabilities</i>	<u>6,724,060</u>	<u>6,906,954</u>	(2.6)
<i>Deferred Inflows of Resources:</i>	<u>740,680</u>	<u>181,154</u>	308.9
<i>Net Position:</i>			
Net Investment in Capital Assets	75,659,324	62,639,891	20.8
Restricted	14,185,142	23,418,647	(39.4)
Unrestricted	76,040,961	66,611,214	14.2
<i>Total Net Position</i>	<u>\$ 165,885,427</u>	<u>\$ 152,669,752</u>	8.7

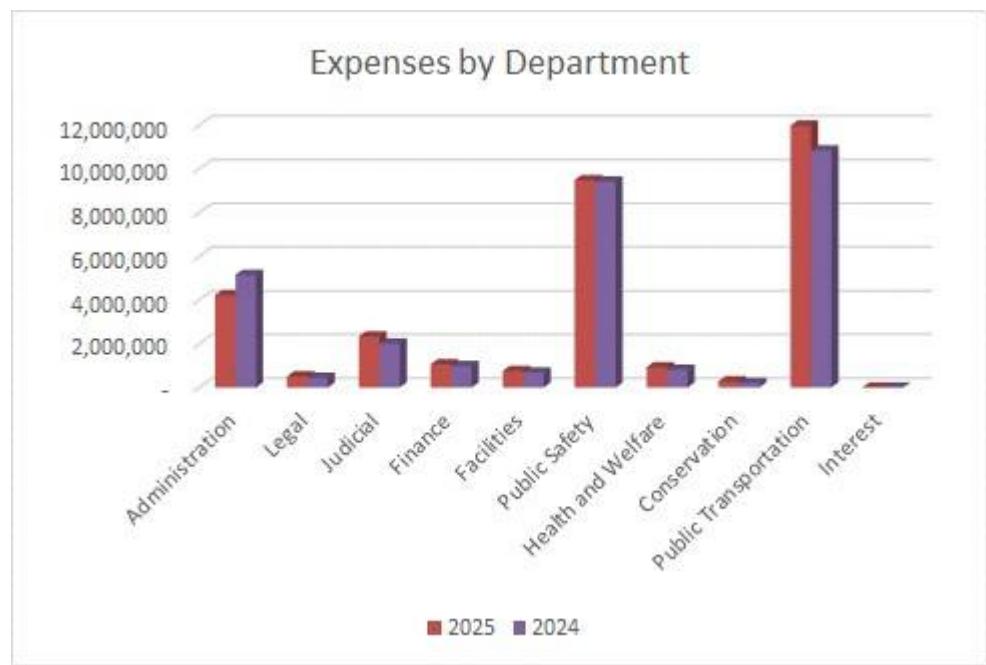
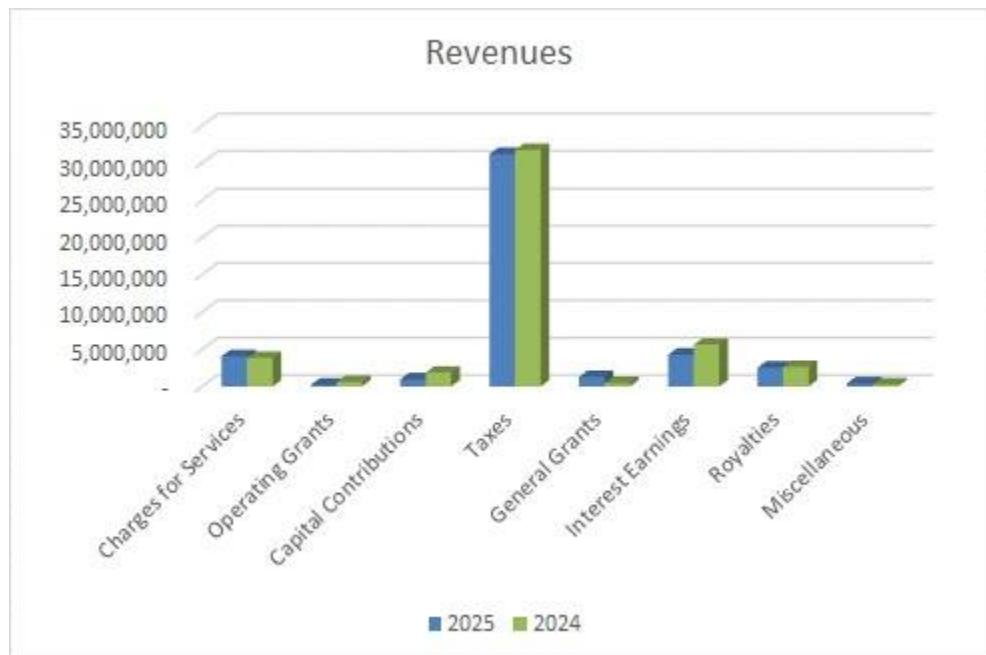
Table A-2 summarizes the changes in the County's net position for 2025 and 2024 fiscal years.

**Table A-2**  
Changes in County's Net Position

	Governmental Activities		Percentage
	2025	2024	Change
<i>Program Revenues:</i>			
Charges for Services	\$ 4,061,339	\$ 3,821,964	6.3
Operating Grants and Contributions	253,504	603,985	(58.0)
Capital Contributions	963,102	1,844,261	(47.8)
<i>General Revenues:</i>			
Taxes	31,186,131	31,707,530	(1.6)
Interest Earnings	4,313,406	5,600,600	(23.0)
General Grants	1,268,008	446,158	184.2
Royalties	2,526,058	2,607,970	(3.1)
Miscellaneous	367,832	280,429	31.2
<b>TOTAL REVENUES</b>	<b>44,939,380</b>	<b>46,912,897</b>	<b>(4.2)</b>
<i>Program Expenses:</i>			
Administration	4,219,790	5,149,580	(18.1)
Legal	509,320	444,328	14.6
Judicial	2,338,183	2,016,705	15.9
Finance	1,064,610	979,448	8.7
Facilities	751,262	683,575	9.9
Public Safety	9,480,177	9,418,682	0.7
Health and Welfare	927,276	816,935	13.5
Conservation	281,913	208,553	35.2
Public Transportation	11,977,680	10,849,720	10.4
Interest	-	1,344	(100.0)
<b>TOTAL EXPENSES</b>	<b>31,550,211</b>	<b>30,568,870</b>	<b>3.2</b>
Change in Net Position	13,389,169	16,344,027	(18.1)
Beginning Net Position	152,669,752	136,325,725	
Prior Period Adjustment	(173,494)	-	
<b>Ending Net Position</b>	<b>\$ 165,885,427</b>	<b>\$ 152,669,752</b>	

Total revenues decreased 2.0 million or 4%. The decrease was primarily sales tax and interest income which weakened with market conditions.

Total expenses increased \$1.0 million or 3%. Public transportation accounted for most of the increase and relates to depreciation on recent road improvements.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2025, the County had invested \$76.1 million in buildings and equipment. Significant additions in 2025 were primarily county road improvements, vehicles and sheriff's office video equipment. (See Table A-3.) More detailed information about the County's capital assets is presented in the notes to the financial statements.

**Table A-3**  
County's Capital Assets

	Governmental Activities		Total Percentage Change
	2025	2024	
Land	\$ 220,432	\$ 220,432	0.0
Construction in Progress	3,079,813	4,506,374	(31.7)
Buildings and Improvements	32,941,048	32,509,338	1.3
Infrastructure	47,670,905	32,267,388	47.7
Vehicles and Equipment	15,305,861	12,082,744	26.7
Totals at Historical Cost	99,218,059	81,586,276	21.6
Accumulated Depreciation	(23,111,053)	(18,946,385)	22.0
Net Capital Assets	<u>\$ 76,107,006</u>	<u>\$ 62,639,891</u>	21.5

### Long Term Debt

In 2025, the County financed the purchase of video equipment for the Sheriff's office for \$448 thousand. The note requires four annual payments of \$116 thousand through 2029. More detailed information about the County's debt is presented in the notes to the financial statements.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Revenues from governmental fund types decreased from \$46.7 million to \$45.0 million. This was primarily from weaker interest income and sales tax collections based on market conditions. Governmental expenditures increased \$5.7 million to \$45.8 million. Most of the increase was attributable to significant capital outlay for county road improvements, EMS training facility, EMS equipment, Sheriff's equipment and road and bridge facility improvements.

The General Fund ended with a fund balance of \$71.7 million, which is over 4 years of general fund operating expenditures.

Road and Bridge decreased its fund balance by \$9.9 million to \$10 million. This was the result of significant road improvements. The remaining fund balance still holds over 1 year of Road and Bridge operating expenditures.

Nonmajor fund balance was relatively unchanged (increasing from \$8.0 million to \$8.2 million). The largest share of this fund balance is committed for courthouse maintenance.

## **Budgetary Highlights**

The County's actual expenditures in the General Fund were \$12.3 million less than final budgeted amounts. The largest variance was in capital outlay for \$10.5 million as building improvements did not occur as expected. Revenues were higher than the budget by \$1.3 million as the County budgets conservatively on unpredictable revenue streams. Fund balance increased \$9.4 million compared to a budgeted reduction in fund balance of \$4.8 million. Many of the capital projects budgeted are carried over into the 2026 budget.

Road and Bridge expenditures were under budget by \$4.6 million. Not all of the budgeted capital projects were completed and they are continuing into 2026. Revenues were \$467 thousand over budget as grant proceeds were not budgeted.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The 2025-2026 budget increased the property tax rate from \$0.234499 per \$100 of valuation to \$0.241058, which is expected to raise similar property tax revenue as 2024-2025. Spending in the General Fund is expected to increase to \$20.6 million with significant capital projects planned. In addition, the County has budgeted to move \$29.5 million in general fund balance into a capital projects fund to support a multi-year capital improvement plan. The Road and Bridge Fund budget increased to \$27.2 million as significant road improvements are ongoing. The County does not anticipate any significant changes to County services or operations.

## **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, 2025**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 61,967,143
Investments	30,811,436
Ad Valorem Taxes Receivable (net)	724,825
Other Receivables (Net of Allowances)	1,843,065
Prepaid Expenses	217,076
<i>Total Current Assets</i>	<u>95,563,545</u>
<i>Capital Assets:</i>	
Land	220,432
Construction in Progress	3,079,813
Buildings and Improvements (net)	24,630,366
Vehicles and Equipment (net)	6,028,860
Infrastructure (net)	42,147,535
<i>Total Capital Assets</i>	<u>76,107,006</u>
<i>Other Assets:</i>	
Net Pension Asset	<u>545,075</u>
<b>TOTAL ASSETS</b>	<u>172,215,626</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Other Post Employment Benefit Outflows	52,554
Deferred Pension Related Outflows	1,081,987
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>\$ 1,134,541</u>

See accompanying notes to basic financial statements.

**KARNES COUNTY**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**SEPTEMBER 30, 2025**

	<u>Governmental Activities</u>
<b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 3,961,157
Accrued Wages	365,993
Unearned Revenue	343,682
Note Payable - Current Portion	109,731
Accrued Compensated Absences - Current Portion	87,056
<i>Total Current Liabilities</i>	<u>4,867,619</u>
<i>Long-term Liabilities:</i>	
Accrued Compensated Absences - Net of Current Portion	348,226
Note Payable - Net of Current Portion	337,952
Total Other Post Employment Benefits Liability	<u>1,170,263</u>
<i>Total Long-term Liabilities</i>	<u>1,856,441</u>
<b>TOTAL LIABILITIES</b>	<u>6,724,060</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Pension Related Inflows	643,121
Deferred Other Post Employment Benefits Inflows	<u>97,559</u>
<b>TOTAL DEFERRED INFLOWS</b>	<u>740,680</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	75,659,324
Restricted for:	
Net Pension Asset	545,075
Elections	65,683
Legal	148,875
Judicial	1,013,850
Public Safety	1,139,123
Records Management	545,205
Sheriff	39,219
Libraries	483,611
Road and Bridge Maintenance	10,204,501
Unrestricted	<u>76,040,961</u>
<b>TOTAL NET POSITION</b>	<u>\$165,885,427</u>



**KARNES COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

<b>Functions and Programs</b>	<b>Program Revenues</b>				<b>Net Revenue (Expense) and Change in Net Position</b>	
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>		
<b>Primary Government:</b>						
<i>Governmental Activities:</i>						
Administration	\$ 4,219,790	\$ 759,641	\$ 32,550	\$ 156,070	\$ (3,271,529)	
Legal	509,320	-	23,333	-	(485,987)	
Judicial	2,338,183	526,727	48,907	-	(1,762,549)	
Finance	1,064,610	464,935	-	-	(599,675)	
Facilities	751,262	6,000	-	-	(745,262)	
Public Safety	9,480,177	1,492,961	17,050	-	(7,970,166)	
Health and Welfare	927,276	13,060	16,594	-	(897,622)	
Conservation	281,913	-	-	-	(281,913)	
Public Transportation	11,977,680	798,015	115,070	807,032	(10,257,563)	
<b>Total Primary Government</b>	<b>\$ 31,550,211</b>	<b>\$ 4,061,339</b>	<b>\$ 253,504</b>	<b>\$ 963,102</b>	<b>(26,272,266)</b>	
<b>General Revenues:</b>						
Taxes						
Ad Valorem Taxes					25,500,811	
Sales Taxes					5,685,320	
Interest and Investment Earnings					4,313,406	
General Grants					1,268,008	
Oil and Gas Royalties					2,526,058	
Miscellaneous					367,832	
<b>Total General Revenues</b>					<b>39,661,435</b>	
Change in Net Position					13,389,169	
<b>Net Position at Beginning of Year</b>					<b>152,669,752</b>	
Prior Period Adjustment - Change in Accounting Principle					(173,494)	
<b>Net Position at End of Year</b>					<b>\$ 165,885,427</b>	

See accompanying notes to basic financial statements.

**KARNES COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2025**

	<u>Major Funds</u>	<u>Other</u>	<u>Total</u>	
	<u>General Fund</u>	<u>Road &amp; Bridge</u>	<u>Nonmajor Funds</u>	<u>Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 40,917,713	\$ 12,405,265	\$ 8,644,166	\$ 61,967,144
Investments	30,697,526	-	113,910	30,811,436
Ad Valorem Taxes Receivable (net)	614,706	110,119	-	724,825
Other Receivables	1,670,324	116,732	56,009	1,843,065
Prepaid Items	<u>202,195</u>	<u>14,381</u>	<u>500</u>	<u>217,076</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 74,102,464</u></b>	<b><u>\$ 12,646,497</u></b>	<b><u>\$ 8,814,585</u></b>	<b><u>\$ 95,563,546</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ 1,324,680	\$ 2,386,076	\$ 250,401	\$ 3,961,157
Accrued Wages	291,844	55,920	18,229	365,993
Unearned Revenue	8,738	-	334,944	343,682
<i>Total Liabilities</i>	<u>1,625,262</u>	<u>2,441,996</u>	<u>603,574</u>	<u>4,670,832</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Revenues - Property Taxes	614,706	110,119	-	724,825
Unavailable Revenues - EMS	<u>158,900</u>	<u>-</u>	<u>-</u>	<u>158,900</u>
<i>Total Deferred Inflows</i>	<u>773,606</u>	<u>110,119</u>	<u>-</u>	<u>883,725</u>
<i>Fund Balances:</i>				
Nonspendable:				
Prepaid Items	202,195	14,381	500	217,076
Restricted for:				
Elections	-	-	65,683	65,683
Legal	-	-	148,875	148,875
Judicial	-	-	1,013,850	1,013,850
Public Safety	-	-	1,139,123	1,139,123
Records Management	-	-	545,205	545,205
Sheriff	-	-	39,219	39,219
Libraries	-	-	483,611	483,611
Road and Bridge Maintenance	-	10,080,001	-	10,080,001
Committed for:				
Public Safety	-	-	269,759	269,759
Courthouse Maintenance	-	-	4,505,186	4,505,186
Unassigned	<u>71,501,401</u>	<u>-</u>	<u>-</u>	<u>71,501,401</u>
<i>Total Fund Balances</i>	<u>71,703,596</u>	<u>10,094,382</u>	<u>8,211,011</u>	<u>90,008,989</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 74,102,464</u></b>	<b><u>\$ 12,646,497</u></b>	<b><u>\$ 8,814,585</u></b>	<b><u>\$ 95,563,546</u></b>

See accompanying notes to basic financial statements.

**KARNES COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2025**

**TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS** \$ 90,008,989

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. 76,107,006

Long-term debts (like notes payable) are not payable from current financial resources and thus not reported as a liability in governmental funds.

Note Payable (447,683)

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 (Asset)	545,075
Pension Related Deferred Outflows	1,081,987
Pension Related Deferred Inflows	(643,121)
	983,941

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

Total Other OPEB Liability	(1,170,263)
OPEB Related Deferred Outflows	52,554
OPEB Related Deferred Inflows	(97,559) (1,215,268)

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

Accrued Compensated Absences (435,282)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds. 883,724

## TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES

§ 165.885.427

See accompanying notes to basic financial statements.

**KARNES COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Major Funds		Other Nonmajor Funds	Total Governmental Funds
	General Fund	Road & Bridge		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 15,223,033	\$ 9,146,478	\$ 1,087,520	\$ 25,457,031
Sales Taxes	5,685,320	-	-	5,685,320
Fines and Forfeitures	423,242	-	10,101	433,343
Charges for Services	1,622,362	-	189,768	1,812,130
Licenses, Permits, and Fees	796,537	838,971	-	1,635,508
Interest Income	3,074,310	881,786	357,315	4,313,411
Royalties	268,635	2,257,423	-	2,526,058
Misc Income	767,483	2,703	22,166	792,352
Grants and Donations	112,740	830,764	1,449,771	2,393,275
<b>TOTAL REVENUES</b>	<b>27,973,662</b>	<b>13,958,125</b>	<b>3,116,641</b>	<b>45,048,428</b>
<b>EXPENDITURES</b>				
Current:				
Administration	3,261,626	-	46,634	3,308,260
Legal	412,773	-	103,700	516,473
Judicial	1,968,213	-	285,591	2,253,804
Finance	1,057,210	-	-	1,057,210
Facilities	429,134	-	157,675	586,809
Public Safety	8,564,584	-	146,719	8,711,303
Health and Welfare	127,647	-	794,116	921,763
Conservation	274,851	-	-	274,851
Public Transportation	-	6,365,953	-	6,365,953
Capital Outlay	2,836,280	17,543,962	1,464,760	21,845,002
<b>TOTAL EXPENDITURES</b>	<b>18,932,318</b>	<b>23,909,915</b>	<b>2,999,195</b>	<b>45,841,428</b>
Excess (Deficiency) in Revenue Over (Under) Expenditures	9,041,344	(9,951,790)	117,446	(793,000)
<b>OTHER FINANCING SOURCES (USES) (OFS)</b>				
Sale of Capital Assets	-	15,000	-	15,000
Issuance of Note Payable	447,683	-	-	447,683
Transfers In (Out)	(96,739)	-	96,739	-
<b>TOTAL OFS</b>	<b>350,944</b>	<b>15,000</b>	<b>96,739</b>	<b>462,683</b>
Net Change in Fund Balance	9,392,288	(9,936,790)	214,185	(330,317)
<b>BEGINNING FUND BALANCE</b>	<b>62,311,308</b>	<b>20,031,172</b>	<b>7,996,826</b>	<b>90,339,306</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 71,703,596</b>	<b>\$ 10,094,382</b>	<b>\$ 8,211,011</b>	<b>\$ 90,008,989</b>

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, 2025**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS**      \$ (330,317)

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	17,676,260	
Depreciation Expense	<u>(4,175,787)</u>	13,500,473

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.

Issuance of Long-term Debt	(447,683)	
Change in Compensated Absences	<u>(50,059)</u>	(497,742)

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

(33,358)

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.

944,301

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.

(103,499)

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

(90,689)

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES**      \$ 13,389,169

See accompanying notes to basic financial statements.

**KARNES COUNTY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30, 2025**

	Custodial Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 18,241,298
Certificates of Deposit	<u>39,568</u>
<b>TOTAL ASSETS</b>	<b><u>18,280,866</u></b>
<b>LIABILITIES</b>	
Accounts Payable	<u>676</u>
<b>TOTAL LIABILITIES</b>	<b><u>676</u></b>
<b>NET POSITION</b>	
Restricted for:	
Individuals, Organizations and other Governments	<u>18,280,190</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 18,280,190</u></b>

See accompanying notes to basic financial statements.

**KARNES COUNTY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	<b>Custodial Funds</b>
<b>ADDITIONS</b>	
Ad Valorem Tax Collections for Other Governments	\$ 23,888,673
Property Seizures	46,478
Cash Bonds	62,811
Inmate Deposits	75,352
Motor Vehicle Collections for the State	2,031,459
Interest Income	388,719
Grant Revenues Collected for Others	1,569,162
Excess Tax Proceeds	60,129
Unclaimed Oil Lease Revenues	2,327,557
<b>TOTAL ADDITIONS</b>	<b><u>30,450,340</u></b>
<b>DEDUCTIONS</b>	
Cash Bond Refunds and Forfeitures	37,937
Property Seizure Refunds and Forfeitures	3,046
Jail Commissary Purchases for Inmates	68,690
Refunds to Inmates	7,383
Oil Lease Distributions to Property Owners	1,183,379
Excess Tax Payouts to Property Owners	155,689
Grant Disbursements	1,503,128
Property Tax Distributions to Other Governments	23,600,857
Motor Vehicle Distributions to the State	1,957,158
Other Distributions	683,836
<b>TOTAL DEDUCTIONS</b>	<b><u>29,201,103</u></b>
Net Increase in Fiduciary Net Position	1,249,237
<b>BEGINNING NET POSITION</b>	<b><u>17,030,953</u></b>
<b>ENDING NET POSITION</b>	<b><u>\$ 18,280,190</u></b>

See accompanying notes to basic financial statements.

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2025**

**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, 2025

**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, 2025**

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

**4. CASH AND CASH EQUIVALENTS**

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

**5. INVESTMENTS**

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

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

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

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

**5. INVESTMENTS (CONT.)**

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

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

**6. ACCOUNTS RECEIVABLE/REVENUE RECOGNITION**

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2024 and past due after January 31, 2025. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

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

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

**7. PREPAID ITEMS**

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

**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.

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

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

**9. CAPITAL ASSETS**

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

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

**10. COMPENSATED ABSENCES**

Full-time employees earn paid time off and vacation leave at varying rates depending on length of service. Unused paid time off is not paid on termination but vacation leave is paid on termination. Accumulated, unused paid time off and vacation time is accrued in the government-wide statements based on time more likely than not to be taken as leave or paid out. However, it is only recognized on the governmental fund statements when it is due and payable. The County uses the first in first out flows assumption in determining the liability for compensated absences.

**11. UNAVAILABLE/UNEARNED REVENUE**

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

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

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

**12. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES**

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

**13. LONG-TERM OBLIGATIONS**

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

**14. PENSIONS**

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

**15. NET POSITION**

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

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

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

**16. FUND BALANCES**

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

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

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

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

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

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

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

**17. USE OF ESTIMATES**

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

**18. COMPARATIVE DATA/RECLASSIFICATIONS**

Comparative data for the prior year (where provided) includes certain reclassifications to conform to the 2025 presentation. These reclassifications had no effect on the changes in fund balance/net position except as noted in the prior period adjustment note to the financial statements.

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

**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, 2025, the County's investments included \$27.5 million in Texas Class and \$32.8 million in Texpool, both AAAm rated local government investment pools. The investments are reported in cash and equivalents at \$1 per share, which approximates fair value. Both of these pools are available on demand and are reported in cash and cash equivalents.

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

	<u>Fair Value</u>	<u>Fair Value Level</u>	<u>Weighted Average Maturity</u>
Certificates of Deposit	\$ 7,071,917	Level 2	498 Days
US Government Agency Bonds	<u>23,779,087</u>	Level 2	1409 Days
Total Reported as Investments	<u><u>\$ 30,851,004</u></u>		1200 Days

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

The County was not exposed to any significant investment risks such as interest rate risk, credit risk, custodial credit risk or concentration of credit risk.

**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, 2024, upon which the fiscal 2025 levy was based, was \$10.7 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, 2025 was \$0.234499 per \$100 of assessed value. Generally, the County may only increase the maintenance and operations tax levy 3.5% each year without first obtaining voter approval.

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

**NOTE D -- RECEIVABLES**

Receivables for the County as of September 30, 2025 are as follows:

	General Fund	Road & Bridge	Nonmajor Funds
Ad Valorem Taxes	\$ 683,007	\$ 122,354	\$ -
Allowance for Doubtful Tax Accounts	(68,301)	(12,235)	-
Sales and Mixed Beverage Tax	1,185,397	-	-
Grant Receivable	-	-	25,745
Interest Receivable	290,342	116,732	30,264
Other Receivables	972	-	-
EMS Services	569,451	-	-
Allowance for Doubtful EMS Accounts	<u>(375,838)</u>	<u>-</u>	<u>-</u>
 Total Receivables	 <u>\$ 2,285,030</u>	 <u>\$ 226,851</u>	 <u>\$ 56,009</u>

**NOTE E -- CAPITAL ASSETS**

Capital asset activity in the governmental funds for the year ended September 30, 2025, was as follows:

	Balance 10/1/2024	Additions	Disposals/ Transfers	Balance 9/30/2025
<i>Governmental Activities</i>				
Land	\$ 220,432	\$ -	\$ -	\$ 220,432
Construction in Progress	4,506,374	14,386,153	(15,812,714)	3,079,813
Buildings and Improvements	32,509,338	22,515	409,195	32,941,048
Infrastructure	32,267,388	-	15,403,517	47,670,905
Vehicles and Equipment	12,082,744	3,267,592	(44,475)	15,305,861
	<u>81,586,276</u>	<u>17,676,260</u>	<u>(44,477)</u>	<u>99,218,059</u>
 Less Accumulated Depreciation				
Buildings and Improvements	(7,253,396)	(1,057,286)	-	(8,310,682)
Infrastructure	(3,747,089)	(1,776,281)	-	(5,523,370)
Vehicles and Equipment	(7,945,900)	(1,342,220)	11,119	(9,277,001)
	<u>(18,946,385)</u>	<u>(4,175,787)</u>	<u>11,119</u>	<u>(23,111,053)</u>
 Governmental Activities, Net	 <u>\$ 62,639,891</u>	<u>\$ 13,500,473</u>	<u>\$ (33,358)</u>	<u>\$ 76,107,006</u>

Land and Construction in Progress are not depreciated.

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

**NOTE E -- CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 673,965
Public Safety	1,241,394
Legal	745
Judicial	1,500
Facilities	13,684
Health and Welfare	1,102
Conservation	11,004
Public Transportation	<u>2,232,393</u>
<b>Total Depreciation Expense -</b>	
<b>Governmental Activities</b>	<u><u>\$ 4,175,787</u></u>

**NOTE F -- LONG-TERM DEBT**

Changes in long-term debt were as follows:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025
<i>Governmental Activities:</i>				
Notes Payable	\$ -	\$ 447,683	\$ -	\$ 447,683
Compensated Absences	385,223	50,059	-	435,282
Net Pension Liability (Asset)	1,164,265	4,111,338	(5,820,678)	(545,075)
Total OPEB Liability	1,058,062	159,132	(46,931)	1,170,263
<i>Total Government</i>	<u>\$ 2,607,550</u>	<u>\$ 4,768,212</u>	<u>\$ (5,867,609)</u>	<u>\$ 1,508,153</u>

The change in compensated absences is a net figure. The beginning balance for compensated absences is presented as amendment by GASB statement 101 implementation as discussed in note N to the financial statements.

**NOTE G -- NOTE PAYABLE**

In 2025, the County financed the purchase of Sheriff's office video equipment for \$448 thousand. The note requires annual payments of \$116 thousand discounted at a rate of 1.3%.

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
<i>Governmental Activities:</i>					
Note Payable	\$ -	\$ 447,683	\$ -	\$ 447,683	\$ 109,731
<i>Total Government</i>	<u>\$ -</u>	<u>\$ 447,683</u>	<u>\$ -</u>	<u>\$ 447,683</u>	<u>\$ 109,731</u>

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

**NOTE G -- NOTE PAYABLE (CONTINUED)**

Requirements to service the note are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30,			
2026	\$ 109,731	\$ 5,904	\$ 115,635
2027	111,178	4,457	115,635
2028	112,644	2,991	115,635
2029	114,130	1,505	115,635
Total	<u>\$ 447,683</u>	<u>\$ 14,857</u>	<u>\$ 462,540</u>

**NOTE H -- PENSION PLAN**

**Plan Description**

The County participates as one of 890 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCDRS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCDRS is responsible for the administration and management of the system. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

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

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

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the County, 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.

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

**NOTE H -- PENSION PLAN (Continued)**

**Benefits Provided**

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	121
Inactive Employees Entitled to but Not Yet Receiving Benefits	331
Active employees	<u>197</u>
	<u><u>649</u></u>

**Contributions**

The County has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The actuarially determined rates were 11.51% and 11.17% for the calendar years of 2024 and 2025, respectively. For the year ending September 30, 2025, the County contributed \$1,276,631 which matched the required contributions.

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

**Actuarial Assumptions**

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

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2025 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 Board of Trustees adopted the current assumption at their March 2021 meeting.

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

**NOTE H -- PENSION PLAN (Continued)**

The County's net pension liability (NPL) was measured as of December 31, 2024 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, 2024 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	15.6 Years
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

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

Asset Class	Target Allocation	Geometric Real Rate of Return
U.S. Equities	13.0%	5.35%
Global Equity	4.0%	5.15%
International Developed Markets	6.0%	4.75%
International Emerging Markets	0.0%	4.75%
Investment Grade Bonds	3.0%	2.55%
Strategic Credit	9.0%	3.70%
Direct Lending	16.0%	6.85%
Distressed Debt	4.0%	6.80%
REIT Equities	2.0%	3.95%
Master Limited Partnerships (MLPs)	2.0%	4.95%
Commodities	2.0%	1.00%
Private Real Estate Partnerships	6.0%	5.75%
Private Equity	25.0%	8.15%
Hedge Funds	6.0%	3.60%
Cash Equivalents	2.0%	1.10%
	<b>100%</b>	

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

**NOTE H -- PENSION PLAN (Continued)**

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

	Discount Rate		
	1% Decrease	7.60%	1% Increase
Net Pension Liability (Asset)	\$ 4,389,722	\$ (545,075)	\$ (4,621,097)

**Changes in the Net Pension Liability**

The below schedule presents the changes in the Net Pension Liability as of December 31, 2024:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2023	<u>\$ 32,992,189</u>	<u>\$ 31,827,924</u>	<u>\$ 1,164,265</u>
Changes for the year:			
Service Cost	1,526,034	-	1,526,034
Interest	2,565,934	-	2,565,934
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(505,714)	-	(505,714)
Changes of Assumptions	-	-	-
Refund of Contributions	(152,894)	(152,894)	-
Benefit Payments	(1,387,183)	(1,387,183)	-
Administrative Expense	-	(19,370)	19,370
Contributions - Employee	-	765,545	(765,545)
Net Investment Income	-	3,254,567	(3,254,567)
Contributions - Employer	-	1,258,776	(1,258,776)
Other Changes	-	36,076	(36,076)
Net Changes	<u>2,046,177</u>	<u>3,755,517</u>	<u>(1,709,340)</u>
Balance at December 31, 2024	<u>\$ 35,038,366</u>	<u>\$ 35,583,441</u>	<u>\$ (545,075)</u>

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

**NOTE H -- PENSION PLAN (Continued)**

**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](http://www.TCDRS.com).

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

For the year ended September 30, 2025, the County recognized pension expense of \$358,845. Also as of September 30, 2025, 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	\$ 112,573	\$ 337,143
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	-	305,978
Contributions Subsequent to the Measurement Date	<u>969,414</u>	<u>-</u>
	<u>\$ 1,081,987</u>	<u>\$ 643,121</u>

Deferred outflows of resources in the amount of \$969,414 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, 2025. 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,

2025	\$ (357,391)
2026	345,659
2027	(355,423)
2028	(163,393)
2029	-
Thereafter	-
	<u><u>\$ (530,548)</u></u>

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

**NOTE I -- OTHER POST-EMPLOYMENT BENEFIT**

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

Membership in the plan at September 30, 2024, the valuation date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	3
Inactive Employees Entitled to but Not Yet Receiving Benefits	0
Active employees	<u>179</u>
	<u><u>182</u></u>

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

Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.50%
Salary Increases	3.50%
Discount Rate	4.06% (S&P Municipal Bond 20 Year High Grade Index)
Mortality Rates	RPH-2014 Total Table with Projection MP-2021
Turnover	Rates are based on TCDRS assumptions from 2017.
Health Care Trend Rates	Level trend rate of 4.50%
Participation Rates	Assumed 100% of all active employees who currently have coverage will continue with coverage upon retirement. Those with family coverage, 5% will elect to continue with coverage including the spouse and the remainder will elect individual coverage.

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

	Healthcare		
	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	\$ 1,029,686	\$ 1,170,263	\$ 1,338,595
Discount Rate			
Total OPEB Liability	1% Decrease \$ 1,276,837	4.77% \$ 1,170,263	1% Increase \$ 1,072,579

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

**NOTE I -- OTHER POSTEMPLOYMENT BENEFIT (Continued)**

The County's Total OPEB Liability (TOL), based on the above actuarial factors, as of September 30, 2025, the measurement date, was calculated as follows:

	<b>Total OPEB Liability</b>
Balance at September 30, 2024	<u>\$ 1,058,062</u>
Changes for the year:	
Service Cost	112,558
Interest	46,574
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions or Other Inputs	-
Benefit Payments	<u>(46,931)</u>
Net Changes	<u>112,201</u>
Balance at September 30, 2025	<u><u>\$ 1,170,263</u></u>

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

For the year ended September 30, 2025, the County recognized OPEB expense of \$150,429. In addition, the following deferred inflows and outflows were reported as of September 30, 2025 related to the benefit:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 49,718	\$ 13,584
Changes in Experience	2,836	83,975
Contributions Subsequent to the Measurement Date	<u>\$ 52,554</u>	<u>\$ 97,559</u>

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

**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,

2026	\$ (8,703)
2027	(10,036)
2028	(10,874)
2029	(7,694)
2030	(7,694)
Thereafter	<u>(4)</u>
	<u><u>\$ (45,005)</u></u>

**NOTE J -- RISK MANAGEMENT**

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

**NOTE K – INTERFUND TRANSFERS**

The following transfers occurred during the year ending September 30, 2025:

From	To	Amount	Purpose
General Fund	Nonmajor Governmental	\$ 96,739	Grant Match
		<u><u>\$ 96,739</u></u>	

**NOTE L -- LITIGATION**

The County is aware of two demands for payment to two contractors for work done in the County. Disputes exist over the work completed. If an agreement cannot be reached, litigation may occur. Liabilities for both of the payments have been recorded in these financial statements, so the additional impact related to any potential litigation is not expected to be significant to these financial statements.

The County is generally subject to 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.

**KARNES COUNTY**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2025**

**NOTE M -- COMMITMENTS**

As of September 30, 2025, the County had the following outstanding commitments for contracts awarded:

<u>Project</u>	<u>Estimated Project Cost to County</u>	<u>Expended through 9/30/25</u>	<u>Estimated Future Commitment</u>
Drainage Engineering	\$ 259,950	\$ 77,985	\$ 181,965
Generators	105,756	84,605	21,151
EMS Training Facility	<u>5,299,374</u>	<u>503,957</u>	<u>4,795,417</u>
	<u><u>\$ 5,665,080</u></u>	<u><u>\$ 666,547</u></u>	<u><u>\$ 4,998,533</u></u>

**NOTE N -- PRIOR PERIOD ADJUSTMENT**

The County implemented GASB Statement 101 related to compensated absences as of October 1, 2024. The statement changed the compensated absences liability from only leave types that will be paid out on termination to any leave that accumulates and is more likely than not to be paid or taken as leave. This resulted in a portion of the County's paid time off to be added to the liability. This change also required a prior period adjustment to the beginning net position of governmental activities as shown on the statement of activities.

## 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, 2025**

	Budget Amounts		Actual Amounts	Variance
	Original	Final		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 14,905,532	\$ 14,905,532	\$ 15,223,033	\$ 317,501
Sales Taxes	6,300,000	6,084,753	5,685,320	(399,433)
Fines and Forfeitures	260,000	260,000	423,242	163,242
Charges for Services	1,188,500	1,199,846	1,622,362	422,516
Licenses, Permits, and Fees	817,500	817,500	796,537	(20,963)
Interest Income	2,500,275	2,500,275	3,074,310	574,035
Royalties	275,000	275,000	268,635	(6,365)
Misc Income	523,000	524,000	767,483	243,483
Grants and Donations	76,365	83,398	112,740	29,342
<b>TOTAL REVENUES</b>	<b>26,846,172</b>	<b>26,650,304</b>	<b>27,973,662</b>	<b>1,323,358</b>
<b>EXPENDITURES</b>				
<i>Current:</i>				
<i>Administration:</i>				
County Judge	211,618	211,618	210,019	1,599
County Clerk	487,574	487,574	459,961	27,613
Nondepartmental	817,438	805,157	805,070	87
Elections	293,761	304,231	275,958	28,273
Waste & Recycle	113,988	113,988	83,709	30,279
Other Agency Support	358,605	358,672	358,672	-
Commissioners	414,001	414,001	406,931	7,070
Human Resources	156,799	156,799	94,101	62,698
Information Technology	572,129	577,129	567,205	9,924
<i>Legal:</i>				
County Attorney	440,358	440,358	412,773	27,585
<i>Judicial:</i>				
District Clerk	434,670	434,670	426,139	8,531
Justices of the Peace	765,248	765,248	740,263	24,985
Judicial Court	803,511	803,511	801,811	1,700
<i>Finance:</i>				
County Auditor	348,704	348,704	338,988	9,716
County Treasurer	259,799	259,799	254,247	5,552
Tax Assessor	517,533	517,533	463,975	53,558
<i>Facilities</i>	<i>568,098</i>	<i>568,098</i>	<i>429,134</i>	<i>138,964</i>
<i>Public Safety:</i>				
Emergency Medical Services	3,334,464	3,340,145	3,284,710	55,435
Constables	416,750	416,750	348,461	68,289
County Sheriff	5,677,580	6,095,712	4,851,002	1,244,710
DPS	\$ 89,291	\$ 89,291	\$ 80,411	\$ 8,880

**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, 2025**

	Budget Amounts		Actual Amounts	Variance		
	Original	Final				
<b>EXPENDITURES (CONT.)</b>						
<i>Current (Cont.):</i>						
<i>Health and Welfare:</i>						
Veterans	\$ 70,959	\$ 70,959	\$ 54,156	\$ 16,803		
Health	49,878	49,878	45,676	4,202		
Welfare	38,000	38,000	27,815	10,185		
<i>Conservation</i>	313,355	313,355	274,851	38,504		
Capital Outlay	13,517,330	13,315,687	2,836,280	10,479,407		
<b>TOTAL EXPENDITURES</b>	<b>31,071,441</b>	<b>31,296,867</b>	<b>18,932,318</b>	<b>12,364,549</b>		
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(4,225,269)</b>	<b>(4,646,563)</b>	<b>9,041,344</b>	<b>13,687,907</b>		
<b>OTHER FINANCING SOURCES (OFS)</b>						
Issuance of Note Payable	-	-	447,683	447,683		
Transfer In (Out)	(116,249)	(116,249)	(96,739)	19,510		
<b>TOTAL OFS</b>	<b>(116,249)</b>	<b>(116,249)</b>	<b>350,944</b>	<b>467,193</b>		
<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,341,518)</b>	<b>(4,762,812)</b>	<b>9,392,288</b>	<b>14,155,100</b>		
<b>BEGINNING FUND BALANCE</b>	<b>62,311,308</b>	<b>62,311,308</b>	<b>62,311,308</b>	<b>-</b>		
<b>ENDING FUND BALANCE</b>	<b>\$ 57,969,790</b>	<b>\$ 57,548,496</b>	<b>\$ 71,703,596</b>	<b>\$ 14,155,100</b>		

**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, 2025**

	Budget Amounts		Actual	
	Original	Final	Amounts	Variance
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 8,959,058	\$ 8,959,058	\$ 9,146,478	\$ 187,420
Licenses, Permits, and Fees	825,000	825,000	838,971	13,971
Interest Income	1,185,000	1,185,000	881,786	(303,214)
Royalties	2,500,000	2,500,000	2,257,423	(242,577)
Misc Income	-	-	2,703	2,703
Grants and Donations	22,500	22,500	830,764	808,264
<b>TOTAL REVENUES</b>	<b>13,491,558</b>	<b>13,491,558</b>	<b>13,958,125</b>	<b>466,567</b>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Public Transportation	7,343,957	7,380,667	6,365,953	1,014,714
Capital Outlay	21,133,100	21,096,390	17,543,962	3,552,428
<i>Debt Service:</i>				
Principal	37,698	37,698	-	37,698
Interest	1,352	1,352	-	1,352
<b>TOTAL EXPENDITURES</b>	<b>28,516,107</b>	<b>28,516,107</b>	<b>23,909,915</b>	<b>4,606,192</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>(15,024,549)</b>	<b>(15,024,549)</b>	<b>(9,951,790)</b>	<b>5,072,759</b>
<b>OTHER FINANCING SOURCES (OFS)</b>				
Sale of Capital Assets	195,240	195,240	15,000	(180,240)
<b>TOTAL OFS</b>	<b>195,240</b>	<b>195,240</b>	<b>15,000</b>	<b>(180,240)</b>
<b>Net Change in Fund Balance</b>	<b>(14,829,309)</b>	<b>(14,829,309)</b>	<b>(9,936,790)</b>	<b>4,892,519</b>
<b>BEGINNING FUND BALANCE</b>	<b>20,031,172</b>	<b>20,031,172</b>	<b>20,031,172</b>	<b>-</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 5,201,863</b>	<b>\$ 5,201,863</b>	<b>\$ 10,094,382</b>	<b>\$ 4,892,519</b>

KARNES COUNTY  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
SEPTEMBER 30, 2025

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

Budgetary preparation and control is exercised at the department level.

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

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

	<b>Total Pension Liability</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Service Cost	\$ 865,719	\$ 1,143,857	\$ 1,038,576	\$ 997,744
Interest (on the Total Pension Liability)	1,247,626	1,367,975	1,482,025	1,595,093
Changes of Benefit Terms	(172,224)	-	-	442,312
Change of Assumptions	206,651	-	159,391	-
Difference between Expected and Actual Experience	203,545	(575,439)	(193,880)	(197,727)
Benefit Payments, Including Refunds of Employee Contributions	<u>(976,905)</u>	<u>(993,459)</u>	<u>(1,019,347)</u>	<u>(1,080,581)</u>
Net Change in Total Pension Liability	1,374,412	942,934	1,466,765	1,756,841
Total Pension Liability - Beginning	<u>15,440,428</u>	<u>16,814,840</u>	<u>17,757,774</u>	<u>19,224,539</u>
Total Pension Liability - Ending	<u><u>\$ 16,814,840</u></u>	<u><u>\$ 17,757,774</u></u>	<u><u>\$ 19,224,539</u></u>	<u><u>\$ 20,981,380</u></u>
<b>Plan Fiduciary Net Position</b>				
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Contributions - Employer	\$ 883,694	\$ 784,312	\$ 711,087	\$ 770,885
Contributions - Employee	520,696	506,474	486,092	528,482
Net Investment Income	14,755	1,075,034	2,336,095	(341,999)
Benefit Payments, Including Refunds of Employee Contributions	<u>(976,905)</u>	<u>(993,459)</u>	<u>(1,019,347)</u>	<u>(1,080,581)</u>
Administrative Expense	(10,450)	(11,911)	(12,296)	(14,746)
Other	<u>130,457</u>	<u>(166,687)</u>	<u>2,268</u>	<u>8,376</u>
Net Change	562,247	1,193,763	2,503,899	(129,583)
Beginning Plan Fiduciary Net Position	<u>14,228,870</u>	<u>14,791,117</u>	<u>15,984,880</u>	<u>18,488,779</u>
Ending Plan Fiduciary Net Position	<u><u>\$ 14,791,117</u></u>	<u><u>\$ 15,984,880</u></u>	<u><u>\$ 18,488,779</u></u>	<u><u>\$ 18,359,196</u></u>
Net Pension Liability (Asset) - Ending	\$ 2,023,723	\$ 1,772,894	\$ 735,760	\$ 2,622,184
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.96%	90.02%	96.17%	87.50%
Covered Payroll	\$ 7,438,508	\$ 7,235,338	\$ 6,944,176	\$ 7,448,138
Net Pension Liability as a Percentage of Covered Payroll	27.21%	24.50%	10.60%	35.21%

Total Pension Liability						
2019	2020	2021	2022	2023	2024	
\$ 1,055,402	\$ 1,206,241	\$ 1,313,499	\$ 1,236,501	\$ 1,342,736	\$ 1,526,034	
1,738,727	1,912,202	2,050,526	2,174,004	2,310,556	2,565,934	
-	-	-	-	864,041	-	
-	1,502,443	(75,799)	-	-	-	
351,895	(117,319)	(181,757)	(185,884)	225,144	(505,714)	
<u>(1,164,708)</u>	<u>(1,145,307)</u>	<u>(1,332,084)</u>	<u>(1,480,158)</u>	<u>(1,590,091)</u>	<u>(1,540,077)</u>	
1,981,316	3,358,260	1,774,385	1,744,463	3,152,386	2,046,177	
20,981,380	22,962,696	26,320,956	28,095,341	29,839,804	32,992,190	
<u>\$ 22,962,696</u>	<u>\$ 26,320,956</u>	<u>\$ 28,095,341</u>	<u>\$ 29,839,804</u>	<u>\$ 32,992,190</u>	<u>\$ 35,038,367</u>	
Plan Fiduciary Net Position						
2019	2020	2021	2022	2023	2024	
\$ 922,742	\$ 957,038	\$ 940,383	\$ 1,087,249	\$ 1,086,285	\$ 1,258,776	
583,486	611,804	612,778	646,432	704,072	765,545	
3,014,599	2,243,960	5,374,022	(1,779,049)	3,133,039	3,254,567	
<u>(1,164,709)</u>	<u>(1,145,307)</u>	<u>(1,332,084)</u>	<u>(1,480,158)</u>	<u>(1,590,091)</u>	<u>(1,540,077)</u>	
(16,546)	(17,818)	(16,199)	(16,696)	(16,619)	(19,370)	
14,716	(12,647)	12,968	89,625	21,454	36,076	
3,354,288	2,637,030	5,591,868	(1,452,597)	3,338,140	3,755,517	
18,359,196	21,713,484	24,350,514	29,942,382	28,489,785	31,827,925	
<u>\$ 21,713,484</u>	<u>\$ 24,350,514</u>	<u>\$ 29,942,382</u>	<u>\$ 28,489,785</u>	<u>\$ 31,827,925</u>	<u>\$ 35,583,442</u>	
\$ 1,249,212	\$ 1,970,442	\$ (1,847,041)	\$ 1,350,019	\$ 1,164,265	\$ (545,075)	
94.56%	92.51%	106.57%	95.48%	96.47%	101.56%	
\$ 8,335,510	\$ 8,740,056	\$ 8,753,973	\$ 9,234,737	\$ 10,058,178	\$ 10,936,358	
14.99%	22.54%	-21.10%	14.62%	11.58%	-4.98%	

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

Fiscal Year Ending September 30,	Contributions in Relation to the Actuarially Determined Contribution			Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Determined Contribution	Contribution Deficiency (Excess)			
2025	\$ 1,276,631	\$ 1,276,631	\$ -	\$ 11,347,920		11.2%
2024	1,204,090	1,204,090	-	10,620,562		11.3%
2023	1,050,202	1,050,202	-	9,525,964		11.0%
2022	1,070,729	1,070,729	-	9,300,964		11.5%
2021	938,397	938,397	-	8,016,470		11.7%
2020	946,700	946,700	-	8,620,438		11.0%
2019	890,196	890,196	-	8,181,167		10.9%
2018	745,412	745,412	-	7,222,469		10.3%
2017	720,776	720,776	-	6,927,236		10.4%
2016	825,105	825,105	-	7,412,004		11.1%

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

2024: Employer contributions reflect a 50% CPI COLA was adopted

Changes in Assumptions:

2015: New inflation, mortality and other assumptions

2017: New mortality assumptions

2019: New inflation, mortality and other assumptions

2022: New investment return and inflation assumptions

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

	<b>Total OPEB Liability</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
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	<u>(7,404)</u>	<u>(7,404)</u>	<u>(15,292)</u>	<u>(15,292)</u>
Net Change in Total Pension Liability	8,529	8,876	22,469	3,808
Total OPEB Liability - Beginning	<u>144,992</u>	<u>153,521</u>	<u>162,397</u>	<u>184,866</u>
Total OPEB Liability - Ending	<u><u>\$ 153,521</u></u>	<u><u>\$ 162,397</u></u>	<u><u>\$ 184,866</u></u>	<u><u>\$ 188,674</u></u>
 Covered Employee Payroll	 \$ 6,210,472	 \$ 6,210,472	 \$ 7,252,139	 \$ 7,252,139
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 2.47%	 2.61%	 2.55%	 2.60%
 <b>Total OPEB Liability</b>				
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Service Cost	\$ 14,780	\$ 9,832	\$ 9,832	\$ 112,558
Interest	4,272	7,222	6,342	46,574
Changes of Benefit Terms	-	-	994,532	-
Difference between Expected and Actual Experience	6,832	-	(117,392)	-
Changes in Assumptions or Other Inputs	<u>(32,176)</u>	<u>-</u>	<u>63,530</u>	<u>-</u>
Benefit Payments	<u>(27,208)</u>	<u>(27,208)</u>	<u>(43,802)</u>	<u>(46,931)</u>
Net Change in Total Pension Liability	<u>(33,500)</u>	<u>(10,154)</u>	<u>913,042</u>	<u>112,201</u>
Total OPEB Liability - Beginning	<u>188,674</u>	<u>155,174</u>	<u>145,020</u>	<u>1,058,062</u>
Total OPEB Liability - Ending	<u><u>\$ 155,174</u></u>	<u><u>\$ 145,020</u></u>	<u><u>\$ 1,058,062</u></u>	<u><u>\$ 1,170,263</u></u>
 Covered Employee Payroll	 \$ 7,347,746	 \$ 7,347,746	 \$ 8,927,020	 \$ 8,927,020
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 2.11%	 1.97%	 11.85%	 13.11%

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

**KARNES COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO THE SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT**  
**LIABILITY AND RELATED RATIOS**  
**RETIREE INSURANCE**

**Notes to OPEB Schedule**

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

Changes in Assumptions:

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

Changes in Benefits:

2024    The County now pays the premiums for retirees.

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

## SUPPLEMENTARY INFORMATION

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

Such statements and schedule include:

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

**KARNES COUNTY**  
**COMBINING BALANCE SHEET – NONMAJOR FUNDS**  
**SEPTEMBER 30, 2025**

	Special Revenue			
	County & District Clerk Records	General Records Management	Law Library	Court Guardianship
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 453,262	\$ 92,426	\$ 66,435	\$ 11,270
Investments	-	-	-	-
Other Receivables	-	-	-	-
Prepaid Items	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 453,262</u></b>	<b><u>\$ 92,426</u></b>	<b><u>\$ 66,435</u></b>	<b><u>\$ 11,270</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ 1,098	\$ -
Accrued Wages	-	-	-	-
Unearned Grant Revenue	-	-	-	-
<i>Total Liabilities</i>	<i><u>-</u></i>	<i><u>-</u></i>	<i><u>1,098</u></i>	<i><u>-</u></i>
<i>Fund Balances:</i>				
Nonspendable Prepaid Items	-	-	-	-
Restricted for:				
Elections	-	-	-	-
Legal	-	92,426	-	11,270
Judicial	-	-	-	-
Public Safety	-	-	-	-
Records Management	453,262	-	65,337	-
Sheriff	-	-	-	-
Libraries	-	-	-	-
Committed for:				
Public Safety	-	-	-	-
Courthouse Maintenance	-	-	-	-
<i>Total Fund Balances</i>	<i><u>453,262</u></i>	<i><u>92,426</u></i>	<i><u>65,337</u></i>	<i><u>11,270</u></i>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 453,262</u></b>	<b><u>\$ 92,426</u></b>	<b><u>\$ 66,435</u></b>	<b><u>\$ 11,270</u></b>

**Special Revenue**

Court Records Preservation	JP Court Security & Technology	Contract Election Funds	Pretrial Diversion	Court Reporter	Jury Fund
\$ 26,606	\$ 150,892	\$ 65,563	\$ 133,924	\$ 62,973	\$ 111,845
-	-	-	-	-	-
-	-	-	-	-	-
<u>26,606</u>	<u>150,892</u>	<u>65,563</u>	<u>133,924</u>	<u>62,973</u>	<u>111,845</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,726
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,726</u>

-	-	65,563	-	-	-
-	-	-	-	-	-
-	150,892	-	133,924	62,973	109,119
-	-	-	-	-	-
26,606	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>150,892</u>	<u>65,563</u>	<u>133,924</u>	<u>62,973</u>	<u>109,119</u>

<u>\$ 26,606</u>	<u>\$ 150,892</u>	<u>\$ 65,563</u>	<u>\$ 133,924</u>	<u>\$ 62,973</u>	<u>\$ 111,845</u>
------------------	-------------------	------------------	-------------------	------------------	-------------------

**KARNES COUNTY**  
**COMBINING BALANCE SHEET – NONMAJOR FUNDS (CONTINUED)**  
**SEPTEMBER 30, 2025**

	<b>Special Revenue</b>			
	<b>Emergency Management</b>	<b>HAVA</b>	<b>Court Security</b>	<b>County Libraries</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,123,980	\$ 120	\$ 543,696	\$ 409,957
Investments	-	-	-	113,910
Other Receivables	-	-	-	-
Prepaid Items	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,123,980</b>	<b>\$ 120</b>	<b>\$ 543,696</b>	<b>\$ 523,867</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ 2,817	\$ -	\$ 814	\$ 27,655
Accrued Wages	1,589	-	4,039	12,601
Unearned Grant Revenue	-	-	-	-
<i>Total Liabilities</i>	<i>4,406</i>	<i>-</i>	<i>4,853</i>	<i>40,256</i>
<i>Fund Balances:</i>				
Nonspendable Prepaid Items	-	-	-	-
Restricted for:				
Elections	-	120	-	-
Legal	-	-	-	-
Judicial	-	-	538,843	-
Public Safety	1,119,574	-	-	-
Records Management	-	-	-	-
Sheriff	-	-	-	-
Libraries	-	-	-	483,611
Committed for:				
Public Safety	-	-	-	-
Courthouse Maintenance	-	-	-	-
<i>Total Fund Balances</i>	<i>1,119,574</i>	<i>120</i>	<i>538,843</i>	<i>483,611</i>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,123,980</b>	<b>\$ 120</b>	<b>\$ 543,696</b>	<b>\$ 523,867</b>

## Special Revenue

Federal		County			
Asset Forfeiture	Courthouse Maintenance	Sheriff Forfeiture	Sheriff Donation	EMS Donation	Attorney Hot Check
\$ 3,144	\$ 4,480,363	\$ 37,446	\$ 1,775	\$ 16,405	\$ 710
-	-	-	-	-	-
-	30,264	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,144</u>	<u>\$ 4,510,627</u>	<u>\$ 37,446</u>	<u>\$ 1,775</u>	<u>\$ 16,405</u>	<u>\$ 710</u>
\$ -	\$ 5,441	\$ -	\$ 2	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>5,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,144	-	-	-	16,405	-
-	-	-	-	-	-
-	-	37,446	1,773	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>4,505,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,144</u>	<u>4,505,186</u>	<u>37,446</u>	<u>1,773</u>	<u>16,405</u>	<u>710</u>
\$ 3,144	\$ 4,510,627	\$ 37,446	\$ 1,775	\$ 16,405	\$ 710

**KARNES COUNTY**  
**COMBINING BALANCE SHEET – NONMAJOR FUNDS (CONTINUED)**  
**SEPTEMBER 30, 2025**

	Special Revenue			
	County Attorney Forfeiture	Court Facility Fee	Justice Court Building Security	Language Access
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 44,469	\$ 17,082	\$ 1,216	\$ 301
Investments	-	-	-	-
Other Receivables	-	-	-	-
Prepaid Items	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 44,469</b>	<b>\$ 17,082</b>	<b>\$ 1,216</b>	<b>\$ 301</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Wages	-	-	-	-
Unearned Grant Revenue	-	-	-	-
<i>Total Liabilities</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Fund Balances:</i>				
Nonspendable Prepaid Items	-	-	-	-
Restricted for:				
Elections	-	-	-	-
Legal	44,469	-	-	-
Judicial	-	17,082	1,216	301
Public Safety	-	-	-	-
Records Management	-	-	-	-
Sheriff	-	-	-	-
Libraries	-	-	-	-
Committed for:				
Public Safety	-	-	-	-
Courthouse Maintenance	-	-	-	-
<i>Total Fund Balances</i>	<i>44,469</i>	<i>17,082</i>	<i>1,216</i>	<i>301</i>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 44,469</b>	<b>\$ 17,082</b>	<b>\$ 1,216</b>	<b>\$ 301</b>

Special Revenue					
Rural Law Enforcement	American Rescue Plan Grant	Victim Services Coordinator	Total Special Revenue	Capital Grant Projects	Total Nonmajor Funds
\$ 5	\$ 786,510	\$ 1,791	\$ 8,644,166	\$ -	\$ 8,644,166
-	-	-	113,910	-	113,910
-	-	-	30,264	25,745	56,009
-	-	500	500	-	500
<b>\$ 5</b>	<b>\$ 786,510</b>	<b>\$ 2,291</b>	<b>\$ 8,788,840</b>	<b>\$ 25,745</b>	<b>\$ 8,814,585</b>
<hr/>					
\$ 5	\$ 181,807	\$ 2,291	\$ 224,656	\$ 25,745	\$ 250,401
-	-	-	18,229	-	18,229
-	334,944	-	334,944	-	334,944
<b>5</b>	<b>516,751</b>	<b>2,291</b>	<b>577,829</b>	<b>25,745</b>	<b>603,574</b>
<hr/>					
-	-	500	500	-	500
-	-	-	65,683	-	65,683
-	-	-	148,875	-	148,875
-	-	(500)	1,013,850	-	1,013,850
-	-	-	1,139,123	-	1,139,123
-	-	-	545,205	-	545,205
-	-	-	39,219	-	39,219
-	-	-	483,611	-	483,611
-	269,759	-	269,759	-	269,759
-	-	-	4,505,186	-	4,505,186
<b>-</b>	<b>269,759</b>	<b>-</b>	<b>8,211,011</b>	<b>-</b>	<b>8,211,011</b>
<b>\$ 5</b>	<b>\$ 786,510</b>	<b>\$ 2,291</b>	<b>\$ 8,788,840</b>	<b>\$ 25,745</b>	<b>\$ 8,814,585</b>

**KARNES COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE – NONMAJOR FUNDS**  
**FOR THE YEAR ENDING SEPTEMBER 30, 2025**

	Special Revenue			
	County & District Clerk Records	General Records Management	Law Library	Court Guardianship
	<b>REVENUES</b>	<b>REVENUES</b>	<b>REVENUES</b>	<b>REVENUES</b>
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	-	-
Charges for Services	74,391	-	9,515	1,280
Interest Income	16,567	-	-	-
Miscellaneous	-	-	-	-
Grants and Donations	-	-	-	-
<b>TOTAL REVENUES</b>	<b>90,958</b>	<b>-</b>	<b>9,515</b>	<b>1,280</b>
 <b>EXPENDITURES</b>				
Current:				
Administration	-	-	-	-
Legal	-	-	6,961	-
Judicial	-	-	-	-
Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>6,961</b>	<b>-</b>
 Excess (Deficiency) in Revenue Over (Under) Expenditures	90,958	-	2,554	1,280
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out)	-	-	-	-
Net Change in Fund Balance	90,958	-	2,554	1,280
 <b>BEGINNING FUND BALANCE</b>	<b>362,304</b>	<b>92,426</b>	<b>62,783</b>	<b>9,990</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 453,262</b>	<b>\$ 92,426</b>	<b>\$ 65,337</b>	<b>\$ 11,270</b>

**Special Revenue**

Court Records Preservation	JP Court Security & Technology	Contract Election Funds	Pretrial Diversion	Court Reporter	Jury Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,003	-	-	-	-
7,192	-	58,763	14,638	6,789	-
-	-	-	-	-	-
-	-	-	-	-	15,859
-	-	-	-	-	-
<b>7,192</b>	<b>1,003</b>	<b>58,763</b>	<b>14,638</b>	<b>6,789</b>	<b>15,859</b>
<hr/>					
-	-	46,634	-	-	-
-	-	-	-	-	-
-	8,241	-	-	14,400	20,451
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>-</b>	<b>8,241</b>	<b>46,634</b>	<b>-</b>	<b>14,400</b>	<b>20,451</b>
<hr/>					
7,192	(7,238)	12,129	14,638	(7,611)	(4,592)
<hr/>					
7,192	(7,238)	12,129	14,638	(7,611)	(4,592)
<b>19,414</b>	<b>158,130</b>	<b>53,434</b>	<b>119,286</b>	<b>70,584</b>	<b>113,711</b>
<b>\$ 26,606</b>	<b>\$ 150,892</b>	<b>\$ 65,563</b>	<b>\$ 133,924</b>	<b>\$ 62,973</b>	<b>\$ 109,119</b>

**KARNES COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE – NONMAJOR FUNDS (CONTINUED)**  
**FOR THE YEAR ENDING SEPTEMBER 30, 2025**

	Special Revenue			
	Emergency Management	HAVA	Court Security	County Libraries
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 326,066	\$ -	\$ 326,163	\$ 435,291
Fines and Forfeitures	-	-	6,466	985
Charges for Services	-	-	-	11,768
Interest Income	43,641	-	22,441	29,576
Miscellaneous	-	-	-	307
Grants and Donations	-	-	-	16,594
<b>TOTAL REVENUES</b>	<b>369,707</b>	<b>-</b>	<b>355,070</b>	<b>494,521</b>
<b>EXPENDITURES</b>				
Current:				
Administration	-	-	-	-
Legal	-	-	-	-
Judicial	-	-	238,087	-
Facilities	-	-	-	-
Public Safety	52,912	-	-	-
Health and Welfare	-	-	-	794,116
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>52,912</b>	<b>-</b>	<b>238,087</b>	<b>794,116</b>
Excess (Deficiency) in Revenue Over (Under) Expenditures	316,795	-	116,983	(299,595)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out)	-	-	-	-
Net Change in Fund Balance	316,795	-	116,983	(299,595)
<b>BEGINNING FUND BALANCE</b>	<b>802,779</b>	<b>120</b>	<b>421,860</b>	<b>783,206</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 1,119,574</b>	<b>\$ 120</b>	<b>\$ 538,843</b>	<b>\$ 483,611</b>

**Special Revenue**

<u>Federal Asset Forfeiture</u>	<u>Courthouse Maintenance</u>	<u>Sheriff Forfeiture</u>	<u>Sheriff Donation</u>	<u>EMS Donation</u>	<u>County Attorney Hot Check</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
139	187,055	3,228	-	-	-
-	6,000	-	-	-	-
-	-	-	3,299	5,800	-
<b>139</b>	<b>193,055</b>	<b>3,228</b>	<b>3,299</b>	<b>5,800</b>	<b>-</b>
 - - - - 157,675 - - - 26,716 -  139  -  139  <u>3,005</u> <u>\$ 3,144</u>	 - - - - - 77,272 - - - - 77,272  8,664  -  8,664  <u>4,496,522</u> <u>\$ 4,505,186</u>	 - - - - - - - - - - 111,490 <u>\$ 37,446</u>	 - - - - - 13,052 - - - - 13,052  (74,044)  -  (74,044)  <u>11,526</u> <u>\$ 1,773</u>	 - - - - - 3,483 - - - - 3,483  (9,753)  -  (9,753)  <u>14,088</u> <u>\$ 16,405</u>	 - - - - - - - - - - 2,317  -  2,317  <u>710</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, 2025**

	Special Revenue			
	County Attorney Forfeiture	Court Facility Fee	Justice Court Building Security	Language Access
<b>REVENUES</b>				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	230	1,417
Charges for Services	-	5,432	-	-
Interest Income	1,923	-	-	-
Miscellaneous	-	-	-	-
Grants and Donations	-	-	-	-
<b>TOTAL REVENUES</b>	<b>1,923</b>	<b>5,432</b>	<b>230</b>	<b>1,417</b>
<b>EXPENDITURES</b>				
Current:				
Administration	-	-	-	-
Legal	-	-	-	-
Judicial	-	-	-	4,412
Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,412</b>
Excess (Deficiency) in Revenue Over (Under) Expenditures	1,923	5,432	230	(2,995)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out)	-	-	-	-
Net Change in Fund Balance	1,923	5,432	230	(2,995)
<b>BEGINNING FUND BALANCE</b>	<b>42,546</b>	<b>11,650</b>	<b>986</b>	<b>3,296</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 44,469</b>	<b>\$ 17,082</b>	<b>\$ 1,216</b>	<b>\$ 301</b>

**Special Revenue**

Rural Law Enforcement	American Rescue Plan Grant	Victim Services Coordinator	Total Special Revenue	Capital Grant Projects	Total Nonmajor Funds
\$ -	\$ -	\$ -	\$ 1,087,520	\$ -	\$ 1,087,520
-	-	-	10,101	-	10,101
-	-	-	189,768	-	189,768
-	52,745	-	357,315	-	357,315
-	-	-	22,166	-	22,166
-	<u>1,268,008</u>	-	<u>1,293,701</u>	<u>156,070</u>	<u>1,449,771</u>
-	<u>1,320,753</u>	-	<u>2,960,571</u>	<u>156,070</u>	<u>3,116,641</u>

-	-	-	46,634	-	46,634
-	-	96,739	103,700	-	103,700
-	-	-	285,591	-	285,591
-	-	-	157,675	-	157,675
-	-	-	146,719	-	146,719
-	-	-	794,116	-	794,116
93	<u>1,268,008</u>	-	<u>1,294,817</u>	<u>169,943</u>	<u>1,464,760</u>
93	<u>1,268,008</u>	<u>96,739</u>	<u>2,829,252</u>	<u>169,943</u>	<u>2,999,195</u>

(93) 52,745 (96,739) 131,319 (13,873) 117,446

- - 96,739 96,739 - 96,739

(93) 52,745 - 228,058 (13,873) 214,185

93 217,014 - 7,982,953 13,873 7,996,826  
\$ - \$ 269,759 \$ - \$ 8,211,011 \$ - \$ 8,211,011

**KARNES COUNTY**  
**COMPARATIVE BALANCE SHEETS –GENERAL FUND**  
**SEPTEMBER 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 40,917,713	\$ 30,578,205
Investments	30,697,526	31,336,331
Ad Valorem Taxes Receivable (net)	614,706	576,860
Other Receivables	1,670,324	1,372,184
Prepaid Items	202,195	155,993
<b>TOTAL ASSETS</b>	<u>\$ 74,102,464</u>	<u>\$ 64,019,573</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 1,324,680	\$ 598,301
Accrued Wages	291,844	226,545
Unearned Revenue	8,738	13,190
<i>Total Liabilities</i>	<u>1,625,262</u>	<u>838,036</u>
<i>Deferred Inflows of Resources:</i>		
Unavailable Revenues - Property Taxes	614,706	576,860
Unavailable Revenues - EMS	158,900	293,369
<i>Total Deferred Inflows</i>	<u>773,606</u>	<u>870,229</u>
<i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	202,195	155,993
Unassigned	71,501,401	62,155,315
<i>Total Fund Balances</i>	<u>71,703,596</u>	<u>62,311,308</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 74,102,464</u>	<u>\$ 64,019,573</u>

**KARNES COUNTY**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE – GENERAL FUND**  
**FOR THE YEARS ENDING SEPTEMBER 30, 2025 AND 2024**

	<b>2025</b>	<b>2024</b>
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 15,223,033	\$ 14,018,286
Sales Taxes	5,685,320	6,156,578
Fines and Forfeitures	423,242	275,659
Charges for Services	1,622,362	1,258,292
Licenses, Permits, and Fees	796,537	817,356
Interest Income	3,074,310	3,610,835
Royalties	268,635	275,969
Misc Income	767,483	723,330
Grants and Donations	112,740	60,200
<b>TOTAL REVENUES</b>	<b><u>27,973,662</u></b>	<b><u>27,196,505</u></b>
<b>EXPENDITURES</b>		
Current:		
Administration	3,261,626	2,956,710
Legal	412,773	345,404
Judicial	1,968,213	1,664,785
Finance	1,057,210	976,550
Facilities	429,134	450,574
Public Safety	8,564,584	7,290,537
Health and Welfare	127,647	118,220
Conservation	274,851	208,953
Capital Outlay	2,836,280	1,657,943
<b>TOTAL EXPENDITURES</b>	<b><u>18,932,318</u></b>	<b><u>15,669,676</u></b>
Excess (Deficiency) in Revenue Over (Under) Expenditures	9,041,344	11,526,829
<b>OTHER FINANCING SOURCES (USES)</b>		
Sale of Capital Assets	-	21,000
Issuance of Note Payable	447,683	-
Transfers In (Out)	<u>(96,739)</u>	<u>(23,571)</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<b><u>350,944</u></b>	<b><u>(2,571)</u></b>
Net Change in Fund Balance	9,392,288	11,524,258
<b>BEGINNING FUND BALANCE</b>	<b><u>62,311,308</u></b>	<b><u>50,787,050</u></b>
<b>ENDING FUND BALANCE</b>	<b><u>\$ 71,703,596</u></b>	<b><u>\$ 62,311,308</u></b>

**KARNES COUNTY**  
**COMPARATIVE BALANCE SHEETS – ROAD AND BRIDGE FUND**  
**SEPTEMBER 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 12,405,265	\$ 21,172,854
Ad Valorem Taxes Receivable (net)	110,119	104,185
Other Receivables	116,732	170,109
Prepaid Items	<u>14,381</u>	<u>16,663</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 12,646,497</u></u>	<u><u>\$ 21,463,811</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 2,386,076	\$ 1,281,289
Accrued Wages	55,920	47,165
<i>Total Liabilities</i>	<u>2,441,996</u>	<u>1,328,454</u>
<i>Deferred Inflows of Resources:</i>		
Unavailable Revenues - Property Taxes	110,119	104,185
<i>Total Deferred Inflows</i>	<u>110,119</u>	<u>104,185</u>
<i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	14,381	16,663
Restricted for:		
Road and Bridge Maintenance	10,080,001	20,014,509
<i>Total Fund Balances</i>	<u>10,094,382</u>	<u>20,031,172</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 12,646,497</u></u>	<u><u>\$ 21,463,811</u></u>

**KARNES COUNTY**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE -- ROAD AND BRIDGE**  
**FOR THE YEARS ENDING SEPTEMBER 30, 2025 AND 2024**

	<b>2025</b>	<b>2024</b>
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 9,146,478	\$ 10,114,861
Licenses, Permits, and Fees	838,971	809,732
Interest Income	881,786	1,500,292
Royalties	2,257,423	2,332,000
Misc Income	2,703	2,290
Grants and Donations	830,764	526,824
<b>TOTAL REVENUES</b>	<b>13,958,125</b>	<b>15,285,999</b>
<b>EXPENDITURES</b>		
Current:		
Public Transportation	6,365,953	5,669,963
Capital Outlay	17,543,962	14,790,113
Debt Service:		
Principal	-	37,977
Interest	-	1,343
<b>TOTAL EXPENDITURES</b>	<b>23,909,915</b>	<b>20,499,396</b>
Excess (Deficiency) in Revenue Over (Under) Expenditures	(9,951,790)	(5,213,397)
<b>OTHER FINANCING SOURCES (USES)</b>		
Sale of Capital Assets	15,000	34,868
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>15,000</b>	<b>34,868</b>
Net Change in Fund Balance	(9,936,790)	(5,178,529)
<b>BEGINNING FUND BALANCE</b>	<b>20,031,172</b>	<b>25,209,701</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 10,094,382</b>	<b>\$ 20,031,172</b>



## 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2025, and the related notes to the financial statements, which collectively comprise Karnes County's basic financial statements, and have issued our report thereon dated January 16, 2026.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Karnes County's internal control over financial reporting (internal control) as a basis for designing 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 Karnes County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Report on Compliance and Other Matters***

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

### **Purpose of this Report**

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

Respectfully submitted,

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive, flowing style.

Armstrong, Vaughan & Associates, P.C.

January 16, 2026



## INDEPENDENT AUDITOR'S REPORT

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

County Commissioners  
Karnes County

#### **Report on Internal Control for Each Major Program**

##### ***Qualified Opinion***

We have audited Karnes County's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Karnes County's major federal programs for the year ended September 30, 2025. Karnes County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

##### ***Qualified Opinion – Coronavirus State and Local Fiscal Recovery Funds***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Karnes County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major program for the year ended September 30, 2025.

##### ***Basis for Qualified Opinion***

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

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

*Matter Giving Rise to Qualified Opinion – Coronavirus State and Local Fiscal Recovery Funds*

As described in the accompanying schedule of findings and questioned costs, Karnes County did not comply with requirements regarding Assistance Listing No. 21.027 Coronavirus State and Local Fiscal Recovery Funds as described in finding numbers 2025-001 for Reporting.

Compliance with such requirements is necessary, in our opinion, for Karnes County to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

## **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-001 to be a material weakness.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on Karnes County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Karnes County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive, flowing style.

Armstrong, Vaughan & Associates, P.C.

January 16, 2026

**KARNES COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

**A. Summary of Auditor's Results**

**1. Financial Statements**

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

**2. Federal Awards**

Internal control over major programs:		
Any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Type of auditor's report issued on compliance for major programs:	<u>Qualified</u>	
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Identification of major programs:		
<u>Name of Federal Programs</u>		
Coronavirus State and Local Fiscal Recovery Funds	21.027	
Dollar threshold used to distinguish between Type A and type B Programs:	<u>\$1,000,000</u>	
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**B. Financial Statement Findings**

NONE

**C. Prior Audit Findings**

NONE

**D. Federal Award Findings and Questioned Costs**

2025-001

KARNES COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

**Finding Number:** 2025-001

**Federal Program:** Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) ALN 21.027

**Finding Type:** Material Noncompliance with Reporting Requirements

**Criteria:** Treasury requires accurate annual reporting of obligations and expenditures for the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) to perform effective oversight.

**Condition and Context:** The County incorrectly reported all CSLFRF expenditures as completed as of the March 31, 2025 expenditure report. However, \$587,245 had not yet been spent, a material balance to the grant. The reporting was also finalized.

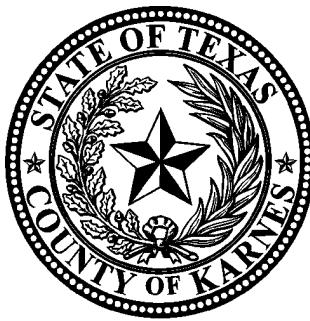
**Cause:** Misunderstanding of reporting status requirements and lack of coordination with other County departments to review data submitted in the report.

**Effect or Potential Effect:** Treasury did not receive accurate information regarding project completion status. Because of the key obligation and expenditure dates in the grant, the Treasury received information that could cause a significant difference in their oversight activities.

**Questioned Cost:** N/A.

**Recommendation:** We recommend that the entity implement procedures to ensure accurate expenditure reporting on grants. This may include formal reconciliation of reported amounts to accounting records and other department review before report submission.

**Views of Responsible Official:** The Treasurer concurs with the audit finding. The Treasurer confused the concepts of obligations (which was complete as of the report date) and expenditures (which were not complete as of the report date). Future grant reports will be supplemented with information from the accounting system to support actual expenditures reported.



CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

**Finding Number:** 2025-001

**Federal Program:** Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) ALN 21.027

**Finding Type:** Material Noncompliance with Reporting Requirements

The entity acknowledges that the CSLFRF report for the period ended March 31, 2025 inaccurately reported that all expenditures had been completed when a portion of the award remained unspent. Management has evaluated the circumstances and determined that the error resulted from a misunderstanding of report finalization requirements.

To address this issue, management will implement enhanced review and approval procedures over grant expenditure reporting to ensure that cumulative expenditures and expenditure status are accurately reported prior to submission and finalization. These procedures will include reconciliation of reported amounts to the general ledger and interagency review to confirm that all funds have been expended before designating any report as final.

**Responsible Official:** Treasurer

**Anticipated Completion Date:** Implemented immediately and applicable to all future expenditure reporting.

**KARNES COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

<u>Federal Grantor/</u> <u>Pass-Through Grantor/</u> <u>Program Title</u>	<u>Assistance</u> <u>Listing</u> <u>Number</u>	<u>Pass through</u> <u>Identifying</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
<b>DEPARTMENT OF THE TREASURY</b>			
<i>Direct Program</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 1,268,008
<b>TOTAL DEPARTMENT OF THE TREASURY</b>			<u>1,268,008</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through the General Land Office</i>			
Community Development Block Grant	14.228	E928	130,735
<i>Passed through the Texas Department of Housing &amp; Community Affairs</i>			
HOME Grant	14.239	2024-0012	25,745
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>156,480</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Direct Program</i>			
Asset Forfeiture Equitable Sharing Program	16.922	N/A	77,272
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u>77,272</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,501,760</u>

**KARNES COUNTY**  
**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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

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

The information in these schedules is presented in accordance with the requirements of Uniform Guidance.

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