

**COUNTY OF BREWSTER, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2014**

**COUNTY OF BREWSTER, TEXAS  
DECEMBER 31, 2014**

Table of Contents

	<u>Page</u>	<u>Exhibit</u>
COUNTY OFFICIALS .....	1	
FINANCIAL SECTION .....	2	
Independent Auditor's Report .....	3	
<b>Basic Financial Statements:</b> .....	5	
<u>Government-Wide Financial Statements</u>		
Statement of Net Position - Modified Cash Basis .....	7	1
Statement of Activities - Modified Cash Basis .....	8	2
<u>Fund Financial Statements</u>		
Balance Sheet - Modified Cash Basis - Governmental Funds .....	10	3
Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis - Governmental Funds .....	12	4
Statement of Net Position - Modified Cash Basis - Fiduciary Funds .....	14	5
Notes to the Financial Statements .....	15	
<b>Supplementary Information</b> .....	41	
<u>Non-Major Governmental Funds</u>		
Combining Balance Sheet - Modified Cash Basis .....	42	6
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis .....	46	7
Combining Statement of Changes in Assets and Liabilities - Modified Cash Basis - All Agency Funds .....	50	8
<b>Other Information</b> .....	53	
Management Discussion and Analysis .....	55	
Community Development Block Grant:		
Water Facilities Improvements - Contract Number 713-049 .....	61	9
Water Facilities Improvements - Contract Number 711-060 .....	62	10
Water Facilities Improvements - Contract Number 729-081 .....	63	11

**COUNTY OF BREWSTER, TEXAS  
DECEMBER 31, 2014**

Table of Contents

	<u>Page</u>	<u>Exhibit</u>
<b>FEDERAL FINANCIAL ASSISTANCE SECTION</b> .....	65	
Independent Auditor's 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> .....	67	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	69	
Schedule of Findings and Questioned Costs .....	72	
Schedule of Status of Prior Findings .....	87	
Corrective Action Plan .....	91	
Schedule of Expenditures of Federal Awards .....	96	12
Notes to Schedule of Expenditures of Federal Awards .....	97	

**COUNTY OF BREWSTER, TEXAS  
DECEMBER 31, 2014**

County Officials

Eleazar Cano (elected 01/01/2015) ..... Judge  
Kathy Killingsworth (through 12/31/2014) ..... Judge  
Luc Novovitch (appointed April 2015) ..... Commissioner, Pct 1  
Asa Stone (resigned 10/31/2014);  
George Johnson (appointed December 2014, resigned 04/13/2015) ..... Commissioner, Pct 1  
Hugh Garrett (elected 01/01/2015) ..... Commissioner, Pct 2  
Tom Williams (resigned July 2014) ..... Commission, Pct 2  
Ruben Ortega ..... Commissioner, Pct 3  
Mike Pallanez ..... Commissioner, Pct 4  
Vacant ..... Treasurer  
Ruth Staton (elected 01/01/2015, resigned 01/31/2016) ..... Treasurer  
Della Shackelford (through 12/31/2014) ..... Treasurer  
Bertha R. Martinez ..... Clerk  
Betty Jo Rooney ..... Tax Assessor  
Ronny Dodson ..... Sheriff  
Steve Houston ..... Attorney  
Trevia Watson ..... Auditor

**FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge Eleazar Cano and  
Members of the Commissioners Court of  
The County of Brewster, Texas

### Report on the Financial Statements

We were engaged to audit the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Brewster, Texas, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 error or fraud.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Because of the matters described in the Basis for Disclaimer of Opinions paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for the audit opinions.

### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
General Fund	Disclaimer
Major Governmental Fund - Road & Bridge	Disclaimer
Major Governmental Fund - HIDTA - All Initiatives	Disclaimer
Major Governmental Fund - Tourism Council	Disclaimer
Aggregate Remaining Fund Information	Disclaimer

### ***Basis for Disclaimer of Opinions***

Substantive procedures were not sufficient to support opinions as a result of the lack of internal controls and the lack of supporting documentation. As such, we were not able to quantify the financial effect of any potential misstatements.

### ***Disclaimer Of Opinions***

Because of the significance of the matters described in the Basis for Disclaimer of Opinions paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express an opinion on these financial statements.

### **Basis of Accounting**

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

### **Other Matters**

#### ***Supplementary and Other Information***

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

Because of the significance of the matters discussed in the Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

The management discussion and analysis on pages 55-59, have not been subjected to the auditing procedures, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2016, on our consideration of the County of Brewster, Texas' 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 County of Brewster, Texas' internal control over financial reporting and compliance.

*Gibson, Ruddock, Patterson LLC*  
El Paso, Texas  
February 9, 2016

## **BASIC FINANCIAL STATEMENTS**

This page is left blank intentionally.

COUNTY OF BREWSTER, TEXAS  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
DECEMBER 31, 2014

EXHIBIT 1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 3,750,850
Receivables (net of allowance for uncollectibles)	926
Due from Fiduciary Funds	1,157
Due from Component Unit	22
Capital Assets:	
Land	604,329
Infrastructure, net	2,676,339
Buildings, net	7,851,168
Machinery and Equipment, net	8,101,374
Accumulated Depreciation	(8,822,219)
Total Assets	14,163,946
<b>LIABILITIES</b>	
Payroll Withholdings	17,014
Intergovernmental Payable	114,985
Noncurrent Liabilities	
Due Within One Year	381,530
Due in More Than One Year	2,645,730
Total Liabilities	3,159,259
<b>NET POSITION</b>	
Net Investment in Capital Assets	7,383,731
Restricted for:	
Restricted for Federal & State Programs	21,154
Restricted for Debt Service	231,015
Restricted for Other Purposes	1,157,741
Unrestricted Net Position	2,211,046
Total Net Position	\$ 11,004,687

The notes to the financial statements are an integral part of this statement.

COUNTY OF BREWSTER, TEXAS  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 1,768,789	\$ -	\$ -
County Judge	-	-	5,029
Other General Government	-	262,627	9,101
Public Safety	2,690,355	780,799	844,733
Infrastructure and Environmental Services	736,274	425,679	-
Health and Welfare	82,451	30,548	-
Administration of Justice	735,488	239,361	8,874
County Attorney	-	-	23,595
District Court	-	-	41,454
Community and Economic Development	578,656	6,049	11,164
Bond Interest	146,592	-	-
Other Debt Interest	3,094	-	-
Principal Payment on Capital Leases	27,994	-	-
Capital Outlay	448,094	-	-
Road and Bridges	-	-	-
Intergovernmental	383,165	-	-
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 7,600,952</b>	<b>\$ 1,745,063</b>	<b>\$ 943,950</b>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Hotel Occupancy Taxes

Franchise Taxes

Penalty and Interest

Grants and Contributions Not Restricted (PILOT)

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Position

Net Position- Beginning

Net Position--Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions	Primary Government Governmental
\$ -	\$ (1,768,789)
-	5,029
-	271,728
-	(1,064,823)
-	(310,595)
-	(51,903)
-	(487,253)
-	23,595
-	41,454
-	(561,443)
-	(146,592)
-	(3,094)
-	(27,994)
-	(448,094)
3,710	3,710
-	(383,165)
<u>\$ 3,710</u>	<u>(4,908,229)</u>

1,802,625
502,925
588,289
686,858
1,563
34,923
1,200,375
60,796
2,499
<u>4,880,853</u>
(27,376)
<u>11,032,063</u>
<u>\$ 11,004,687</u>

COUNTY OF BREWSTER, TEXAS  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

	General Fund	Road & Bridge Fund	HIDTA All Initiatives
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,246,177	\$ 320,150	\$ -
Intergovernmental Receivables	926	-	-
Due from Other Funds	59,231	-	-
Due from Component Unit	22	-	-
Total Assets	<u>\$ 2,306,356</u>	<u>\$ 320,150</u>	<u>\$ -</u>
<b>LIABILITIES</b>			
Payroll Withholdings	\$ 10,628	\$ 1,443	\$ 2,264
Intergovernmental Payable	42,835	72,150	-
Due to Other Funds	-	-	53,126
Total Liabilities	<u>53,463</u>	<u>73,593</u>	<u>55,390</u>
<b>FUND BALANCES</b>			
Federal or State Funds Grant Restriction	-	-	-
Retirement of Long-Term Debt	-	-	-
Other Restricted Fund Balance	-	246,557	-
Other Committed Fund Balance	97,400	-	-
Unassigned Fund Balance	2,155,493	-	(55,390)
Total Fund Balances	<u>2,252,893</u>	<u>246,557</u>	<u>(55,390)</u>
Total Liabilities and Fund Balances	<u>\$ 2,306,356</u>	<u>\$ 320,150</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

Tourism Council	Other Funds	Total Governmental Funds
\$ 662,115	\$ 522,408	\$ 3,750,850
-	-	926
-	-	59,231
-	-	22
<u>\$ 662,115</u>	<u>\$ 522,408</u>	<u>\$ 3,811,029</u>
\$ -	\$ 2,679	\$ 17,014
-	-	114,985
-	4,948	58,074
<u>-</u>	<u>7,627</u>	<u>190,073</u>
-	21,154	21,154
-	231,015	231,015
662,115	249,069	1,157,741
-	18,491	115,891
-	(4,948)	2,095,155
<u>662,115</u>	<u>514,781</u>	<u>3,620,956</u>
<u>\$ 662,115</u>	<u>\$ 522,408</u>	<u>\$ 3,811,029</u>

COUNTY OF BREWSTER, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - MODIFIED CASH  
BASIS - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Road & Bridge Fund	HIDTA All Initiatives
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 1,802,625	\$ -	\$ -
General Sales and Use Taxes	588,289	-	-
Hotel Occupany Taxes	-	-	-
Franchise Tax	1,563	-	-
Penalty and Interest on Taxes	27,400	-	-
Licenses and Permits	5,457	253,530	-
Intergovernmental Revenue and Grants	1,284,428	-	306,844
Charges for Services	1,161,457	-	-
Fines	27,515	-	-
Forfeits	3,557	-	-
Special Assessments	-	155,625	-
Investment Earnings	2,336	-	-
Rents and Royalties	30,850	-	-
Contributions & Donations from Private Sources	4,000	-	-
Other Revenue	22,531	-	-
Total Revenues	<u>4,962,008</u>	<u>409,155</u>	<u>306,844</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	1,635,335	-	-
Public Safety	1,789,060	-	285,356
Infrastructure and Environmental Services	8,140	495,771	-
Health and Welfare	81,998	-	-
Administration of Justice	746,109	-	-
Community and Economic Development	114,562	-	-
Debt Service:			
Bond Principal	-	-	-
Other Debt Principal	-	-	-
Bond Interest	-	-	-
Other Debt Interest	-	-	-
Capital Outlay:			
Capital Outlay	72,636	149,568	-
Intergovernmental:			
Intergovernmental	383,165	-	-
Total Expenditures	<u>4,831,005</u>	<u>645,339</u>	<u>285,356</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>131,003</u>	<u>(236,184)</u>	<u>21,488</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	89,131	325,000	31,844
Transfers Out (Use)	(397,831)	-	(31,844)
Total Other Financing Sources (Uses)	<u>(308,700)</u>	<u>325,000</u>	<u>-</u>
Net Change in Fund Balances	(177,697)	88,816	21,488
Fund Balance - January 1 (Beginning)	<u>2,430,590</u>	<u>157,741</u>	<u>(76,878)</u>
Fund Balance - December 31 (Ending)	<u>\$ 2,252,893</u>	<u>\$ 246,557</u>	<u>\$ (55,390)</u>

The notes to the financial statements are an integral part of this statement.

Tourism Council	Other Funds	Total Governmental Funds
\$ -	\$ 502,925	\$ 2,305,550
-	-	588,289
686,858	-	686,858
-	-	1,563
-	7,523	34,923
-	6,342	265,329
-	549,038	2,140,310
-	93,590	1,255,047
-	1,141	28,656
-	37,467	41,024
-	6,797	162,422
-	163	2,499
-	-	30,850
-	3,725	7,725
-	-	22,531
686,858	1,208,711	7,573,576
-	43,836	1,679,171
-	320,929	2,395,345
-	-	503,911
-	-	81,998
-	3,612	749,721
460,475	22,441	597,478
-	355,000	355,000
-	43,091	43,091
-	146,592	146,592
-	3,094	3,094
-	225,890	448,094
-	-	383,165
460,475	1,164,485	7,386,660
226,383	44,226	186,916
-	55,444	501,419
(71,744)	-	(501,419)
(71,744)	55,444	-
154,639	99,670	186,916
507,476	415,111	3,434,040
\$ 662,115	\$ 514,781	\$ 3,620,956

COUNTY OF BREWSTER, TEXAS  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2014

---

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 192,110
Total Assets	<u>\$ 192,110</u>
LIABILITIES	
Due to Other Funds	\$ 1,157
Due to Others	190,953
Total Liabilities	<u>\$ 192,110</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed in Note F, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

**A. Financial Reporting Entity**

The County's financial reporting entity comprises the following:

Primary Government:	County of Brewster, Texas
Blended Component Unit:	Brewster County Groundwater Conservation District
Discretely Presented Component Unit:	None

*Primary Government*

Brewster County was organized under the appropriate articles of the Constitution of the State of Texas. A County Judge and one commissioner from each of four precincts within the County govern the County. The County provides the following services: general government, public safety (law enforcement), infrastructure and environmental, health and human services, administration of justice, and community and economic development. The County does not have legislative authority.

*Blended Component Unit*

A *blended component unit* is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria. A blended component unit meets at least one of the following criteria: (a) the blended component unit's governing body is the same or substantially the same as the Commissioners Court, and there is a financial benefit or burden relationship with the County, or County management has operational responsibility for the component unit; (b) the component unit provides services entirely or almost entirely to the County; or (c) the component unit's debt is expected to be repaid entirely or almost entirely with resources of the County. The blended component unit's funds are blended into those of the County by appropriate fund type to constitute the primary government presentation.

*Discretely Presented Component Unit*

*Discretely presented component units* are separate legal entities that meet the financial accountability component unit criteria but do not meet the criteria for blending, as previously described.

*Evaluation of Component Units*

Based on the application of the criteria described above, the following is a brief overview of each potential component unit addressed in defining the governmental entity.

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Brewster County Groundwater Conservation District-Blended Component Unit*

Brewster County Commissioner's Court appoints members to the Board of Directors and the District is financially dependent upon Brewster County. Consequently the District is considered a blended component unit and its activities at and for the year ended December 31, 2014 have been presented in the fund financial statements as a special revenue fund.

*Tri-County Juvenile Probation Department - Separate Entity*

Brewster, Jeff Davis, and Presidio County judges have oversight duties of the Tri-County Juvenile Probation Department. Brewster County is the fiscal agent for those monies. The County has one representative on the juvenile probation's board of directors. The County has no authority in selecting the management of the juvenile probation and Tri County Juvenile Probation Department is considered a separate entity. However, Brewster County has a fiduciary responsibility for Tri-County Juvenile Probation Department and reports the department as an agency fund; although they are not a component unit.

**B. Related Organizations**

Related organizations provide services within the County that are administered by separate boards or commissions, but the County is not financially accountable, and such organizations are therefore not component units of the County, even though Commissioners Court may appoint a voting majority of an organization's board. Consequently, financial information for the following entity is not included within the scope of these financial statements.

*Emergency Services District #1* - A related organization of the County includes the Emergency Services District #1 which was created to implement emergency services to a specific area.

*Brewster County Appraisal District - Separate Entity*

Appraisal districts were created by the Texas Legislature and operate to provide accurate property values for all taxing entities in the respective counties. Representation on the Brewster Appraisal district is provided to each taxing entity in proportion to their share of total appraised value. The County has one representative on the appraisal district's board of directors. Each taxing authority has the responsibility to fund the district and has input as to the budget amounts. The County has no authority in selecting the management of the appraisal district. By legislative act, the district is to be independent and separate from the participating entities and therefore, its financial statements are not included with Brewster County's statements.

**C. Government-wide Statements**

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The County's basic financial statements include both government-wide and fund financial statements and categorize primary activities as either governmental or business type. The County's general government, public safety, infrastructure and environmental services, health and human services, administration of justice, community and economic development.

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In the government-wide Statement of Net Position, both governmental and business-type activities columns are presented on a consolidated basis. As of December 31, 2014 the County had no business type activities to report. The County's net position is reported in three parts-net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's governmental functions and business type. Governmental activities generally are financed through taxes, intergovernmental revenues and fines and fees and other nonexchange revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. Program revenues must be directly associated with the function. Operating grants include *operating* specific and discretionary (either operating or capital) grants while the capital grants column reflects *capital* specific grants. The County does not allocate indirect costs.

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

**D. Fund Financial Statements**

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance/net position, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

**E. Fund Accounting**

The County accounts for its activities in two types of funds (Governmental and Fiduciary) and two account groups (Long-term debt and Capital Assets). As of December 31, 2014, the County had no capital projects funds.

GOVERNMENTAL FUNDS - The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The County reports the following major governmental funds:

1. General Fund - The general fund is the County's primary operating fund of the County and always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund includes the Jail Infrastructure fund to track committed funds specific to jail infrastructure. These funds have been consolidated for financial reporting purposes.
2. Road & Bridge Fund - The County accounts for road & bridge fees and disbursements related to the repair and maintenance of the County's roads in the road and bridge fund.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. HIDTA - All Initiatives - The County accounts for federal financial assistance passed through the office of National Drug Control Policy used to reduce drug trafficking and drug production in the United States.
4. Tourism Council Fund - The County accounts for receipts, primarily from hotel occupancy taxes, and disbursements related to the promotion of tourism to the County of Brewster, Texas in the tourism council fund.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUNDS:

1. Special Revenue Funds-The County accounts for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects in a special revenue fund. Most federal and state financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. Debt Service Fund - The County accounts for resources accumulated and payments made for principal and interest on general long-term debt of governmental funds in a debt service fund.

FIDUCIARY FUNDS

1. Agency Funds - The County accounts for resources held for others in a custodial capacity in agency funds. These resources are not available to support County programs. Agency funds include the following:

*Historical Commission* is used to account monies held by the County in trust for the Historical Commission used for the historical preservation of sites within Brewster County.

*County Attorney* fund is used to account for the collections and disbursement of insufficient fund checks filed with the County Attorney by area merchants.

*District Clerk Bonds* is used to account for bond monies related to criminal cases held in trust until case is determined.

*District Clerk Other* is used to account for restitution amounts held in trust until the related case is resolved.

*District Clerk Child Support* fund is used to account for the collections and disbursements of the child support funds.

*County Clerk Bonds* is used to account for bond monies related to civil cases held in trust until case is determined.

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Inmate Trust Fund* is used to account for monies held in trust collected at the time of booking and refunded to inmates upon release.

*Tri-County Juvenile Probation* is used to account monies held by the County in trust for the Tri-County Juvenile Probation Department.

The emphasis in fund financial statements is on the major funds in either the governmental or business type activities categories. Non-major funds by category are summarized into a single column.

The County's fiduciary funds are presented in the fiduciary fund financial statements by type (trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**F. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

*Measurement Focus*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined in item (2) below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

1. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The government-wide statements utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position and net financial position. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with the activities are generally reported within the limitations of the modified cash basis of accounting.

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Modified Cash Basis of Accounting*

The County's basic financial statements have been presented using the modified cash basis of accounting (also referred to as the cash basis of accounting) which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenues are recognized when received and expenses are recognized when paid. Only cash (and cash equivalents) and items that involve the receipt or disbursement of cash (or cash equivalents) during the period are recognized, except for the following modifications:

1. Interfund receivables and payables that arise from transactions and events involving cash or cash equivalents are recognized;
2. Assets that normally convert to cash or cash equivalents (e.g. certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents are recognized;
3. Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements are recognized;
4. Capital assets, including related depreciation, that arise from cash transactions and events (by definition this would exclude donated and capital lease transactions) are recognized in the government-wide statements and fiduciary fund statements only;
5. Long-term liabilities that arise from cash transactions and events are recognized in the government-wide statements and fiduciary fund statements only.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods and services received but not yet paid, and accrued expenses and liabilities) *not* being recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the County utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

**G. Other Accounting Policies**

1. The County has defined cash to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, each fund's position in the external investment pool is treated as a cash equivalent, reported as Government cash pool in the financial statements, because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2. Investments are reported at cost, the amount of the cash outflow to acquire the investment.
3. The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.
4. The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is not in substantial compliance with the requirements of the Act and with local policies.
5. Additional policies and contractual provisions governing deposits and investments for the County are specified below:

***Credit Risk:***

Deposits - This is not applicable to the County.

Temporary Investments - While the County does not have a formal investment policy that limits investments to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs), it has historically invested in public funds investment pools that have received top ratings. As of December 31, 2014, the County's investments in TexSTAR and TexPool investment pools were rated AAAM by Standard and Poor's.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2014

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Custodial Credit Risk:***

Deposits - Although the County does not have a formal investment policy regarding custodial credit risk, it has historically followed State law. State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the County complies with this law, it has minimal custodial credit risk for deposits.

Temporary Investments - Although the County does not have a formal investment policy regarding custodial credit risk, it has historically followed State law. To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the County generally requires counterparties to register the securities in the name of the County and hand them over to the County or its designated agent. This includes securities in securities lending transactions. Investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

***Concentration of Credit Risk:***

Deposits - This is not applicable to the County.

Temporary Investments - Although the County does not have a formal investment policy regarding concentration of credit risk, it has historically limited investments to investment pools. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the County's investment portfolio.

***Interest Rate Risk:***

Deposits - This is not applicable to the County.

Temporary Investments - To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the County requires its investment portfolio to have maturities of less than one year on a weighted average maturity (WAM) basis. All of the County's investment pools qualify as a 2a7-like pools and are excluded from the interest rate risk disclosure requirement. See Note IV for further details.

***Foreign Currency Risk:***

Deposits - Although the County does not have a formal investment policy regarding foreign currency risk, the County attempts to limit the risk that changes in exchange rates will adversely affect a deposit by avoiding deposits denominated in a foreign currency.

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Temporary Investments - Although the County does not have a formal investment policy regarding foreign currency risk, the County attempts to limit the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools or securities which are denominated in a foreign currency.

6. The County does not inventory supplies. Supplies are expensed when purchased and the effect to the financial statements is not considered to be material.
7. Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight line basis over the following estimated useful lives:

Buildings	20-40 years
Building restoration	30 years
Machinery and equipment	03-15 years
Improvements	10-30 years
Other infrastructure	10-50 years

The County reports and depreciates new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. The County elected to implement the infrastructure provisions on a prospective basis for infrastructure investments occurring subsequent to January 1, 2003.

8. The County permits compensated absences for vacation and sick leave accumulated monthly based on years of service. An employee is to be paid for unused vacation time for a maximum of 336 hours upon separation from service, including death. An employee's estate is to be paid for one-half of unused sick leave for a maximum of 336 hours if the employee dies while employed by the county. An employee is not compensated for sick leave under any other separation from service. The total dollar amount of unpaid vacation benefits as of December 31, 2014 was \$98,125, which will be expensed in the reporting period when paid in accordance with the modified cash basis of accounting.
9. During 2014, Commissioners Court approved changes to the qualifications and conditions to be eligible for post-retirement healthcare benefits. Adopted and effective July 14, 2014, the primary changes were the removal of creditable service being continuous, 15 years of service was reduced to 10 years of service for full-time employees and 8 years for elected officials regardless of hire date. However, subsequent to year end, the policy was rescinded and the original policy was reinstated.

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The County's original policy provides post-retirement healthcare benefits to employees that retire after 15 years of service for employees hired subsequent to September 1, 2000 and 10 years of service for employees hired prior to that date. In 2014, fifteen County retirees received post-retirement benefits at a total cost of \$124,571, to the County for insurance premiums paid. Currently the County reports post-retirement benefits on a modified cash basis which records expense in the reporting period when paid.

10. Interfund activity is reported either as a loan, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

11. The preparation of financial statements in conformity with the modified cash basis of accounting used by the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures such as estimated useful lives in determining depreciation expense; accordingly, actual results could differ from those estimates.
12. The County has adopted the fund balance classifications prescribed by GASB. Fund balances are classified as nonspendable, restricted, committed, assigned and unassigned based on the circumstances that apply. In accordance with County policy:
1. Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
  2. Restricted fund balance classification includes funds with constraints placed on the use of resources which were either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
  3. Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by court resolution/formal action of the commissioners' court which is the government's highest level of decision-making authority.

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

4. Assigned fund balances include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the commissioners' court action or (b) by the county judge who is the official delegated by the commissioners' court with the authority to assign amounts to be used for specific purposes.
5. Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For the classification of fund balances the County considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and (2) the County considers committed and assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Minimum Fund Balance Policies - The County has not formally adopted a minimum fund balance policy; however, in practice, deficit funds are classified as unassigned since the deficits are typically paid through pooled cash overdrafts.

13. The County's annual ad valorem property tax is required to be levied by September 1, or as soon thereafter as practicable, on the assessed value listed as of the prior January 1 for all real and certain personal property. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year of the levy. Penalties and interest begin accruing on February 1. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed.

All taxes are assessed based on 100% of the actual value of property. The State Constitution and the County Charter set a maximum tax rate per \$100 valuation of \$.80. There is no debt limit or margin set by State Law or County Charter. The tax rate initially adopted during 2014 was \$.398576 per \$100 valuation. Subsequent to year-end, a roll-back election was held and the tax rate was rolled back to \$.3727.

The Texas Property Tax Code (Code), with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles from taxation. In addition, the Code provides for the establishment of countywide appraisal districts. Since January 1, 1983, the appraisal of property within the County has been the responsibility of the countywide appraisal district.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The appraisal district is required under the Code to appraise all taxable property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of real property within the appraisal district must be reviewed every four years; however, the County may, at its own expense, require annual reviews of appraised values. The County may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The County Tax Office collects County property taxes for the County and six other local governments. At the first of the year, tax receivables represent delinquent and current year uncollected taxes. Major tax payments are received December through April, and are recognized as revenue in the year received. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received.

14. Management made a review of subsequent events through the date of the auditor's report. The financial statements were available for distribution February 9, 2016.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position**

The reconciliation below reconciles certain differences between the funds balance for total governmental funds on the governmental funds balance sheet and the net position for governmental activities as reported in the government-wide statement of net position.

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position - Modified Cash Basis**

**Total Fund Balances - Governmental Funds** \$ 3,620,956

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$18,910,011 and the accumulated depreciation was \$7,914,631. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.

7,598,023

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

---

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(Continued)**

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position - Modified Cash Basis**

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase net position. 693,296

The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (907,588)

**Net Position of Governmental Activities** \$ 11,004,687

**B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The reconciliation below reconciles the differences between the net changes in funds balance as shown on the governmental funds statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities.

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities - Modified Cash Basis**

**Total Net Change in Fund Balances - Governmental Funds** \$ 186,916

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase net position. 693,296

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. (907,588)

**Change in Net Position of Governmental Activities** \$ (27,376)

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

---

**III. LEGAL COMPLIANCE - BUDGETS**

The County Judge serves as the Budget Officer for the Commissioners Court of the County. Budgets are adopted by Commissioners Court on a modified cash basis.

The Budget Officer prepares a proposed budget utilizing spending requests received from the various County departments and agencies. This proposed budget contains the County Judge's estimate of revenues. The Commissioners Court may not legally adopt an annual operating budget containing appropriations in excess of the available funds at the beginning of the fiscal year and the anticipated revenues for the fiscal year as estimated by the County Judge.

Public hearings pertaining to the proposed budget are conducted by Commissioners Court and the Budget Officer. During these hearings, the department heads are requested to explain and justify their spending requests. Before determining the final budget, Commissioners Court, while establishing overall spending priorities for the County, may increase or decrease the amounts requested by the different departments and agencies.

After approval of the budget, Commissioners Court may authorize transfers of appropriations within the various expenditure levels during the year. Such transfers, however, may not increase the overall budget total. The County budget may be increased during the course of the fiscal year for newly received bond proceeds, grants, state aid, intergovernmental contracts or unanticipated revenue received after adoption of the budget.

The legal level of budgetary control requires that all expenditures shall be made in strict compliance with the budget. The legal level of the budgetary control for the general fund and special revenue funds is effectively controlled at the category (personnel, operations, capital outlays) level by department, while control for the debt service fund and capital projects funds is at the fund level. Any budgetary changes impacting appropriations at these levels may be made only with the formal approval of the Commissioners Court.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

---

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

At December 31, 2014, the carrying amount of the County's general fund, major and nonmajor governmental funds, and agency fund's deposits (cash and interest bearing savings accounts included in temporary investments) were \$2,173,018. Of the banks' balances, \$319,766 was secured by FDIC coverage and the balance by an irrevocable \$2,750,000 letter of credit issued by Federal Home Loan Bank of Dallas, dated July 2, 2013 and expiring July 2, 2017, in the name of the depository bank and pledged to Brewster County Commissioners Court. Although the pledged securities are not in the name of Brewster County, the deposits were deemed collateralized under Texas Law.

Due to the immediate availability of the funds, the County's temporary investments at December 31, 2014, are reported as "Government cash pool" and are shown below.

<u>Temporary Investments</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Rating</u>
TexPool	\$ 1,362,825	\$ 1,362,825	AAAm
Texas Class	407,117	407,117	AAAm
Total	<u>\$ 1,769,942</u>	<u>\$ 1,769,942</u>	

TexPool is a local government investment pool in the State of Texas. The State Comptroller of Public Accounts oversees TexPool. There is also the TexPool Advisory Board which advises on TexPool's Investment policy and approves any fee increases. The Advisory Board is composed equally of participants in TexPool and other persons who are qualified to advise TexPool. Texas Class is a pooled investment program administered by Cutwater Asset Management. Texas Class is governed by the board of Trustees which has appointed an Advisory Board composed of Participants and other persons who are qualified to advise the Trust.

Although TexPool and Texas Class are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the County's positions in the TexPool and Texas Class is the same as the value of TexPool and Texas Class shares. TexPool and Texas Class each issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by calling TexPool at 1-866-TEXPOOL and Texas Class at 1-800-707-6242 or online at [www.texasclass.com](http://www.texasclass.com).

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

Pooled Cash - The County has a pooled checking account to accomplish cash transactions for a number of funds and sub-funds. Following is a summary of pooled cash as of December 31, 2014:

General fund:	
General - fund 10	\$ 360,373
Road and Bridge - fund 11	180,080
Jail infrastructure - fund 33	(2,600)
Special revenue funds:	
Records management - fund 12	76,453
PTD fund - fund 13	7,800
LEOSE training - fund 16	10,770
Homeland security all initiatives - funds 18, 22, 23 & 27	13,011
Technology - fund 31	842
Courthouse preservation - fund 32	22,696
Border colonia access - fund 34	53
Fire Truck VFD - fund 36	4,593
Community Facilities - fund 38	3,810
Clerk technology - fund 44	500
	<u>500</u>
	<u><u>\$ 678,381</u></u>

**B. Property Taxes**

Property taxes receivable consisted of the following at December 31, 2014 which are recognized when received using the modified cash basis of accounting:

Current taxes receivable	\$ 1,591,752
Delinquent taxes receivable	<u>260,233</u>
Ad valorem taxes receivable	<u><u>\$ 1,851,985</u></u>
Delinquent taxes by year:	
2013	\$ 53,613
2012	33,788
2011	24,985
2010	22,172
2009	19,189
2008 and prior	<u>106,486</u>
	<u><u>\$ 260,233</u></u>

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**C. Interfund Balances and Transfers**

Interfund balances are a result of normal operations and are eliminated periodically. Management intends to pay out these balances within one year.

Interfund balances at December 31, 2014 consisted of the following individual amounts:

	Due From Other Funds	Due To Other Funds
General Fund		
HIDTA - All Initiatives	\$ 53,126	\$ -
Nonmajor Governmental Funds	4,948	-
Agency Funds	1,157	-
	<hr/>	<hr/>
Total General Fund	59,231	-
	<hr/>	<hr/>
HIDTA - All Initiatives		
General Fund	-	53,126
	<hr/>	<hr/>
Nonmajor Governmental Funds		
General Fund	-	4,948
	<hr/>	<hr/>
Agency Funds		
General Fund	-	1,157
	<hr/>	<hr/>
Total	<u>\$ 59,231</u>	<u>\$ 59,231</u>

Interfund transfers are generally to cover operating expenditures/deficits in accordance with County policy or legal requirements.

During the year, the most significant transfers were to fund operations within the Road and Bridge fund, which is consolidated into the General Fund; and transfers of hotel taxes collected from the Tourism Fund restricted to the Courthouse Preservation fund, and to the general fund to cover expenditures related to bookkeeping and audit expenses of tourism fund finances.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

Transfers out of:	Transfers into:					Total
	General Fund	Road & Bridge	HIDTA	Nonmajor Governmental Funds		
General Fund	\$ 21,415	\$ 325,000	\$ 31,844	\$ 19,572	\$ 397,831	
HIDTA	31,844	-	-	-	31,844	
Tourism Council	35,872	-	-	35,872	71,744	
<b>Total</b>	<b>\$ 89,131</b>	<b>\$ 325,000</b>	<b>\$ 31,844</b>	<b>\$ 55,444</b>	<b>\$ 501,419</b>	

**D. Capital Assets**

Capital asset activity for the County for the year ended December 31, 2014 was as follows:

	Restated Balance 01/01/2014	Additions	Retirements & Transfers	Balance 12/31/2014
Land	\$ 604,329	\$ -	\$ -	\$ 604,329
Court house and buildings	5,494,827	19,376	123,109	5,637,312
Jail building	2,168,628	45,228	-	2,213,856
Machinery and Equipment	6,216,652	36,384	-	6,253,036
Emergency Equipment	1,654,510	193,828	-	1,848,338
Infrastructure streets	2,672,629	3,710	-	2,676,339
Work in progress:				
Buildings and renovations	98,436	24,673	(123,109)	-
Totals at historical cost	18,910,011	323,199	-	19,233,210
Accumulated Depreciation	(7,914,631)	(907,588)	-	(8,822,219)
	<b>\$ 10,995,380</b>	<b>\$ (584,389)</b>	<b>\$ -</b>	<b>\$ 10,410,991</b>

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

Depreciation expense for the year ended December 31, 2014 as reported in the government-wide financial statements follows:

General Government	\$	100,913
Public Safety		565,029
Infrastructure and Environmental Services		236,073
Health and Human Services		453
Administration of Justice		3,442
Community and Economic Development		<u>1,678</u>
	\$	<u><u>907,588</u></u>

**E. Intergovernmental Payable**

Intergovernmental payable is primarily owed to other taxing entities and the State of Texas. When a taxpayer fails to pay its taxes, the County will sell the property. However, upon sale, the funds must be held for two years if the property was occupied or 6 months if the property was vacant before the sale proceeds can be disbursed to the taxing entities, including the County, in order to allow the delinquent taxpayer or its heirs to redeem the property. These funds are held in the District Excess Tax account in the general fund.

The court fines, court fees, and vehicle registration fees collected by the County on behalf of the State of Texas are recorded as an intergovernmental payable on the balance sheet and the County's portion is recorded as revenue in the Statement of Revenues, Expenditures and changes in Fund Balance. The court fines and fees are generally remitted to the State the month after each quarter end with the filing of the State Criminal Costs and Fees report. The vehicle registration fees are generally remitted to the State the month after the Tax Assessors/Collectors office has collected the fees.

At December 31, 2014, the carrying amount in the intergovernmental balance was as follows:

	General Fund	Road & Bridge Fund	Total
Due to Taxing Authorities	\$ 13,423	\$ -	\$ 13,423
Due to State of Texas	29,412	72,150	101,562
Total	<u>\$ 42,835</u>	<u>\$ 72,150</u>	<u>\$ 114,985</u>

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**F. Long-term Debt**

Long-term liability activity for the year ended December 31, 2014, was as follows:

Description	Restated Amount Outstanding at 12/31/2013	Issued	Retired	Outstanding 12/31/2014	Due Within One Year
Certificates of Obligation, Series 2005	\$ 345,000	\$ -	\$ 170,000	\$ 175,000	\$ 175,000
Certificates of Obligation, Series 2008	2,765,000	-	60,000	2,705,000	60,000
Tax Notes, Series 2008	255,000	-	125,000	130,000	130,000
1998 Summit Rescue Truck Loan	-	-	-	-	-
2012 Pitts Roll Off Trailer Loan	32,357	-	15,097	17,260	16,530
	<u>\$ 3,397,357</u>	<u>\$ -</u>	<u>\$ 370,097</u>	<u>\$ 3,027,260</u>	<u>\$ 381,530</u>

The annual debt service requirements to maturity, including principal and interest, as of December 31, 2014 are as follows:

Year Ending	Principal	Interest	Total
2015	\$ 381,530	\$ 131,052	\$ 512,582
2016	155,730	118,805	274,535
2017	160,000	112,425	272,425
2018	165,000	105,639	270,639
2019	175,000	98,414	273,414
2020 - 2024	1,000,000	365,216	1,365,216
2025 - 2029	990,000	101,468	1,091,468
	<u>\$ 3,027,260</u>	<u>\$ 1,033,019</u>	<u>\$ 4,060,279</u>

*Certificates of Obligation, Series 2005* - On January 10, 2005, at a regular meeting of the Commissioners Court, the County authorized the issuance of Certificates of Obligation in the amount of \$1,510,000 for the purpose of refunding the 1995 bond issue at a lower interest rate to the County. Repayment of the refunding bonds is similar to the 1995 issue and repayments are scheduled annually on February 15 through February 15, 2015. Interest at 2.1 - 3.85% is to be paid semi-annually on February 15, and August 15. The proceeds of the original 1995 bond issue were used for (I) construction and equipping of a new County jail facility, (II) renovation and remodeling the old County jail, (III) architectural project design and professional fees, and (IV) cost of issuance associated with the Certificates.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

*Certificates of Obligation, Series 2008* - In September 2008, the County issued Certificates of Obligation in the amount of \$2,925,000 to provide construction funds to construct three Emergency Response Centers, renovate the old Alpine library for office space, and fund various other county facilities construction and improvements net of bond issuance costs that totaled \$109,654. Interest accruing at rates ranging from 3.5% to 5% is to be paid semi-annually on February 15, and August 15 commencing on February 15, 2010. Principal maturities are scheduled to be paid February 15th each year.

*Tax Notes Series 2008* - In October 2008, the County issued Tax notes in the amount of \$600,000 for the purpose of funding renovation, equipping, and improving the Brewster County Jail. The note principal is to be repaid annually each February 15th through 2015. Interest accrues at 6% and is to be paid semi-annually each February 15th and August 15th.

*Loans Payable:* - In February 2012, the County took out a loan in the amount of \$47,425 to finance the purchase of a 2012 Pitts Roll Off Trailer. The loan calls for yearly payments of \$17,296, including interest at 4.46%. Final payment is scheduled for February 2015.

**G. Fund Balances**

The following schedule discloses the details of fund balance classifications as of December 31, 2014:

	General Fund	Road & Bridge Fund	HIDTA - All Initiatives	Tourism Council	Other Funds	Total
Restricted:						
Infrastructure	\$ -	\$ 246,557	\$ -	\$ -	\$ -	\$ 246,557
Records Management, Preservation and Courthouse Security	-	-	-	-	76,453	76,453
Pre-Trial Diversion Program	-	-	-	-	7,800	7,800
Marathon EMS	-	-	-	-	72	72
LEOSE Training	-	-	-	-	10,769	10,769
Groundwater Conservation	-	-	-	-	18,491	18,491
Homeland Security	-	-	-	-	10,332	10,332
Sheriff Seized Property	-	-	-	-	89,033	89,033
Sheriff Abandoned Vehicles	-	-	-	-	15,097	15,097
County Attorney Hot Checks	-	-	-	-	1,504	1,504
JP Technology Fund	-	-	-	-	842	842
Courthouse Preservation	-	-	-	-	29,129	29,129
TX DOT Colonia Program	-	-	-	-	53	53
Fire Truck	-	-	-	-	4,593	4,593
Community Facilities	-	-	-	-	3,810	3,810
Clerk's Technology	-	-	-	-	500	500
County Jail	-	-	-	-	20,236	20,236
Tourism Promotion	-	-	-	662,115	-	662,115
Debt Service	-	-	-	-	231,015	231,015
Total restricted	-	246,557	-	662,115	519,729	1,428,401
Committed:						
Jail infrastructure	97,400	-	-	-	-	97,400
Total committed	97,400	-	-	-	-	97,400

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

	General Fund	Road & Bridge Fund	HIDTA - All Initiatives	Tourism Council	Other Funds	Total
Unassigned:	2,155,493	-	-	-	-	2,155,493
Fund deficits						
HIDTA	-	-	(55,390)	-	-	(55,390)
Borderstar	-	-	-	-	(4,948)	(4,948)
Total unassigned	2,155,493	-	(55,390)	-	(4,948)	2,095,155
Total fund balances	\$ 2,252,893	\$ 246,557	\$ (55,390)	\$ 662,115	\$ 514,781	\$ 3,620,956

H. Retirement Plan Commitments

**Plan Description** - The County provides retirement, disability, and death benefits for all of its regular full-time and part-time employees through a nontraditional, agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for administration of the statewide agent multiple-employer public employee retirement system consisting of 656 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 years or more of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated contribution in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their 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 employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits are 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.

**Funding Policy** - The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

The employer contribution rate increased to 11.35% for calendar year 2014. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**Annual Pension Cost** - For the employer's accounting year ending December 31, 2014, the estimated annual pension cost for the TCDRS plan was \$496,770, which also represents the amount paid during the year using the modified cash basis of accounting.

**Actuarial Valuation Information**

Actuarial valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Entry Age	Entry Age	Entry Age
	Level percentage of	Level percentage of	Level percentage of
Amortization method	payroll closed	payroll closed	payroll closed
Amortization period in years	20	20	20
	SAF: 10-yr smoothed value	SAF: 10-yr smoothed value	SAF: 5-yr smoothed value
Asset valuation method	ESF: Fund Value	ESF: Fund Value	ESF: Fund Value
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increase	5.40%	5.40%	4.90%
Inflation	3.50%	3.50%	3.00%
Cost of living adjustments	0.00%	0.00%	0.00%

**Trend Information**

**for the Retirement Plan for the Employees of the County of Brewster, Texas**

Accounting Year Ending	Annual Pension Cost	Percentage of APC Pension Contributed	Net Obligation
12-31-2014	\$ 496,770	100%	\$ 1,103,371
12-31-2013	447,212	100%	1,103,870
12-31-2012	430,071	100%	1,104,369

**Funded Status** - The funded status of the plan as of December 31, 2013, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 7,232,992
Actuarial value of plan assets	6,026,186
Unfunded AAL	1,206,806
Funded ratio	83.32%
Annual covered payroll (actuarial)	2,564,207
UAAL as percentage of covered payroll	47.06%

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Schedule of Funding Progress for the Retirement Plan  
County of Brewster, Texas**

Actuarial valuation date	(1) Actuarial value of assets	(2) Actuarial accrued liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded ratio (1) (2)	(5) Annual covered payroll	(6) UAAL as a percentage of covered payroll (3) (5)
12-31-2013	\$ 6,026,186	\$ 7,232,992	\$ 1,206,806	83.32%	\$ 2,564,207	47.06%
12-31-2012*	5,408,119	6,662,946	1,254,827	81.17%	2,506,217	50.07%
12-31-2011	5,263,033	6,473,141	1,210,108	81.31%	2,711,783	44.62%

\*Funding information may differ from prior year compliance data due to plan changes effective 1/1/2014.

**I. Commitments and Contingencies**

*Leases* - The County leases real property from the American Legion Big Bend Post 79 for purposes of additional parking for the Brewster County Courthouse Complex. In exchange, the County shall pave certain lots of the property and provide for maintenance and repairs during the term. Either party may terminate the lease by providing a 30 day written notice.

*Litigation* - During the normal course of business, the County was subject to various legal claims. As of December 31, 2014, the County was the subject of litigation. However, no amounts are presented on these modified cash basis financial statements. Such litigation will be defended vigorously. Management believes that any amount incurred would be covered by insurance.

*Federal and State Funding* - The County receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the grantors for expenditures disallowed under the terms and conditions of the appropriate agency.

*Risk Management* - The County is exposed to risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2014, Brewster County participated in a risk pool through the Texas Association of Counties as deemed necessary to protect against member losses. The County remains exposed to any losses, which would exceed the resources and commercial insurance of the association. There has been no significant reductions in insurance coverage from prior years and settlements have not exceeded coverage for the past year.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

---

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**J. Related Party Transactions**

As of December 31, 2014, the County had incurred expenditures totaling \$13,469 involving transactions with County Officials. These transactions related to payments made to a vendor which is partly owned by one of the County Commissioners and another vendor which employs another County Commissioner. County Officials abstained from voting when these expenditures were approved by Commissioners Court.

This page is left blank intentionally.

**SUPPLEMENTARY INFORMATION**

COUNTY OF BREWSTER, TEXAS  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2014

	212	213	215	216
	Records Management	County Attorney PTD Fund	Marathon EMS	LEOSE Training
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 76,453	\$ 7,800	\$ 72	\$ 10,769
Total Assets	<u>\$ 76,453</u>	<u>\$ 7,800</u>	<u>\$ 72</u>	<u>\$ 10,769</u>
<b>LIABILITIES</b>				
Payroll Withholdings	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Federal or State Funds Grant Restriction	-	-	-	10,769
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	76,453	7,800	72	-
Other Committed Fund Balance	-	-	-	-
Unassigned Fund Balance	-	-	-	-
Total Fund Balances	<u>76,453</u>	<u>7,800</u>	<u>72</u>	<u>10,769</u>
Total Liabilities and Fund Balances	<u>\$ 76,453</u>	<u>\$ 7,800</u>	<u>\$ 72</u>	<u>\$ 10,769</u>

The notes to the financial statements are an integral part of this statement.

217 Brewster Cty Groundwater Conserv. Dist	218 Homeland Security All Initiatives	226 Sheriff Awarded Account	227 Sheriff Abandoned Vehicles	228 Borderstar 2817301	229 JAG 1979705	230 County Attorney Special	231 JP Technology Fund
\$ 18,491	\$ 13,011	\$ 89,033	\$ 15,097	\$ -	\$ -	\$ 1,504	\$ 842
<u>\$ 18,491</u>	<u>\$ 13,011</u>	<u>\$ 89,033</u>	<u>\$ 15,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,504</u>	<u>\$ 842</u>
\$ -	\$ 2,679	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	4,948	-	-	-
-	2,679	-	-	4,948	-	-	-
-	10,332	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	89,033	15,097	-	-	1,504	842
18,491	-	-	-	-	-	-	-
-	-	-	-	(4,948)	-	-	-
<u>18,491</u>	<u>10,332</u>	<u>89,033</u>	<u>15,097</u>	<u>(4,948)</u>	<u>-</u>	<u>1,504</u>	<u>842</u>
<u>\$ 18,491</u>	<u>\$ 13,011</u>	<u>\$ 89,033</u>	<u>\$ 15,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,504</u>	<u>\$ 842</u>

COUNTY OF BREWSTER, TEXAS  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2014

	232	234	236	238
	Courthouse Preservation	TX DOT Colonia Program	Fire Truck Fund	Community Facilities
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 29,129	\$ 53	\$ 4,593	\$ 3,810
Total Assets	<u>\$ 29,129</u>	<u>\$ 53</u>	<u>\$ 4,593</u>	<u>\$ 3,810</u>
<b>LIABILITIES</b>				
Payroll Withholdings	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Federal or State Funds Grant Restriction	-	53	-	-
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	29,129	-	4,593	3,810
Other Committed Fund Balance	-	-	-	-
Unassigned Fund Balance	-	-	-	-
Total Fund Balances	<u>29,129</u>	<u>53</u>	<u>4,593</u>	<u>3,810</u>
Total Liabilities and Fund Balances	<u>\$ 29,129</u>	<u>\$ 53</u>	<u>\$ 4,593</u>	<u>\$ 3,810</u>

The notes to the financial statements are an integral part of this statement.

244 Technology Fee for Clerks	257 CDBG 713-049	259 CDBG 711-060	276 Inmate Comissary Fund	Total Nonmajor Special Revenue Funds	560 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 500	\$ -	\$ -	\$ 20,236	\$ 291,393	\$ 231,015	\$ 522,408
<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,236</u>	<u>\$ 291,393</u>	<u>\$ 231,015</u>	<u>\$ 522,408</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,679	\$ -	\$ 2,679
-	-	-	-	4,948	-	4,948
-	-	-	-	7,627	-	7,627
-	-	-	-	21,154	-	21,154
-	-	-	-	-	231,015	231,015
500	-	-	20,236	249,069	-	249,069
-	-	-	-	18,491	-	18,491
-	-	-	-	(4,948)	-	(4,948)
<u>500</u>	<u>-</u>	<u>-</u>	<u>20,236</u>	<u>283,766</u>	<u>231,015</u>	<u>514,781</u>
<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,236</u>	<u>\$ 291,393</u>	<u>\$ 231,015</u>	<u>\$ 522,408</u>

COUNTY OF BREWSTER, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	212	213	215	216
	Records Management	County Attorney PTD Fund	Marathon EMS	LEOSE Training
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	3,674
Charges for Services	58,902	4,000	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Special Assessments	-	-	-	-
Investment Earnings	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Total Revenues	<u>58,902</u>	<u>4,000</u>	<u>-</u>	<u>3,674</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	43,836	-	-	-
Public Safety	-	-	-	3,395
Administration of Justice	-	-	-	-
Community and Economic Development	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Other Debt Principal	-	-	-	-
Bond Interest	-	-	-	-
Other Debt Interest	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>43,836</u>	<u>-</u>	<u>-</u>	<u>3,395</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,066</u>	<u>4,000</u>	<u>-</u>	<u>279</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	15,066	4,000	-	279
Fund Balance - January 1 (Beginning)	<u>61,387</u>	<u>3,800</u>	<u>72</u>	<u>10,490</u>
Fund Balance - December 31 (Ending)	<u>\$ 76,453</u>	<u>\$ 7,800</u>	<u>\$ 72</u>	<u>\$ 10,769</u>

The notes to the financial statements are an integral part of this statement.

217 Brewster Cty Groundwater Conserv. Dist	218 Homeland Security All Initiatives	226 Sheriff Awarded Account	227 Sheriff Abandoned Vehicles	228 Borderstar 2817301	229 JAG 1979705	230 County Attorney Special	231 JP Technology Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
6,342	-	-	-	-	-	-	-
-	530,050	-	-	4,004	-	-	-
-	-	-	-	-	-	-	-
-	-	11,283	26,184	-	-	1,141	-
-	-	-	-	-	-	-	6,797
-	-	-	-	-	-	2	-
-	-	-	-	-	-	-	-
<u>6,342</u>	<u>530,050</u>	<u>11,283</u>	<u>26,184</u>	<u>4,004</u>	<u>-</u>	<u>1,143</u>	<u>6,797</u>
-	-	-	-	-	-	-	-
-	268,972	12,472	13,667	8,952	-	-	-
-	-	-	-	-	-	557	3,055
14,841	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	193,711	14,325	-	-	-	-	-
<u>14,841</u>	<u>462,683</u>	<u>26,797</u>	<u>13,667</u>	<u>8,952</u>	<u>-</u>	<u>557</u>	<u>3,055</u>
<u>(8,499)</u>	<u>67,367</u>	<u>(15,514)</u>	<u>12,517</u>	<u>(4,948)</u>	<u>-</u>	<u>586</u>	<u>3,742</u>
<u>19,000</u>	<u>555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>-</u>
<u>19,000</u>	<u>555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>-</u>
10,501	67,922	(15,514)	12,517	(4,948)	17	586	3,742
7,990	(57,590)	104,547	2,580	-	(17)	918	(2,900)
<u>\$ 18,491</u>	<u>\$ 10,332</u>	<u>\$ 89,033</u>	<u>\$ 15,097</u>	<u>\$ (4,948)</u>	<u>\$ -</u>	<u>\$ 1,504</u>	<u>\$ 842</u>

COUNTY OF BREWSTER, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 MODIFIED CASH BASIS - NON MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	232	234	236	238
	Courthouse Preservation	TX DOT Colonia Program	Fire Truck Fund	Community Facilities
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	-	-	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Special Assessments	-	-	-	-
Investment Earnings	7	-	-	-
Contributions & Donations from Private Sources	-	-	1,000	2,725
Total Revenues	<u>7</u>	<u>-</u>	<u>1,000</u>	<u>2,725</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	1,180	-
Administration of Justice	-	-	-	-
Community and Economic Development	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Other Debt Principal	-	-	-	-
Bond Interest	-	-	-	-
Other Debt Interest	-	-	-	-
Capital Outlay:				
Capital Outlay	14,144	-	-	-
Total Expenditures	<u>14,144</u>	<u>-</u>	<u>1,180</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,137)</u>	<u>-</u>	<u>(180)</u>	<u>2,725</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	35,872	-	-	-
Total Other Financing Sources (Uses)	<u>35,872</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	21,735	-	(180)	2,725
Fund Balance - January 1 (Beginning)	<u>7,394</u>	<u>53</u>	<u>4,773</u>	<u>1,085</u>
Fund Balance - December 31 (Ending)	<u>\$ 29,129</u>	<u>\$ 53</u>	<u>\$ 4,593</u>	<u>\$ 3,810</u>

The notes to the financial statements are an integral part of this statement.

244 Technology Fee for Clerks	257 CDBG 713-049	259 CDBG 711-060	276 Inmate Comissary Fund	Total Nonmajor Special Revenue Funds	560 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 502,925	\$ 502,925
-	-	-	-	-	7,523	7,523
-	-	-	-	6,342	-	6,342
-	8,210	3,100	-	549,038	-	549,038
-	-	-	30,688	93,590	-	93,590
-	-	-	-	1,141	-	1,141
-	-	-	-	37,467	-	37,467
-	-	-	-	6,797	-	6,797
-	-	-	-	9	154	163
-	-	-	-	3,725	-	3,725
-	8,210	3,100	30,688	698,109	510,602	1,208,711
-	-	-	-	43,836	-	43,836
-	-	-	12,291	320,929	-	320,929
-	-	-	-	3,612	-	3,612
-	4,500	3,100	-	22,441	-	22,441
-	-	-	-	-	355,000	355,000
-	-	-	-	-	43,091	43,091
-	-	-	-	-	146,592	146,592
-	-	-	-	-	3,094	3,094
-	3,710	-	-	225,890	-	225,890
-	8,210	3,100	12,291	616,708	547,777	1,164,485
-	-	-	18,397	81,401	(37,175)	44,226
-	-	-	-	55,444	-	55,444
-	-	-	-	55,444	-	55,444
-	-	-	18,397	136,845	(37,175)	99,670
500	-	-	1,839	146,921	268,190	415,111
<u>\$ 500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,236</u>	<u>\$ 283,766</u>	<u>\$ 231,015</u>	<u>\$ 514,781</u>

COUNTY OF BREWSTER, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - MODIFIED CASH BASIS  
 AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	BALANCE JANUARY 1 2013	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31 2014
<b>HISTORICAL COMMISSION</b>				
Assets:				
Cash and Cash Equivalents	\$ 2,581	\$ 4,405	\$ 2,745	\$ 4,241
Liabilities:				
Due to Others	\$ 2,581	\$ 4,405	\$ 2,745	\$ 4,241
<b>COUNTY ATTORNEY</b>				
Assets:				
Cash and Cash Equivalents	\$ 5,764	\$ 11,053	\$ 10,363	\$ 6,454
Liabilities:				
Due to Others	\$ 5,764	\$ 11,053	\$ 10,363	\$ 6,454
<b>INMATE TRUST FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 32,802	\$ 63,132	\$ 93,838	\$ 2,096
Liabilities:				
Due to Others	\$ 32,802	\$ 63,132	\$ 93,838	\$ 2,096
<b>DISTRICT CLERK CHILD SUPPORT</b>				
Assets:				
Cash and Cash Equivalents	\$ 3,179	\$ 1,425	\$ 1,425	\$ 3,179
Liabilities:				
Due to Others	\$ 3,179	\$ 1,425	\$ 1,425	\$ 3,179
<b>DISTRICT CLERK BONDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 30,350	\$ 2,500	\$ 4,500	\$ 28,350
Liabilities:				
Due to Others	\$ 30,350	\$ 2,500	\$ 4,500	\$ 28,350
<b>DISTRICT CLERK OTHER</b>				
Assets:				
Cash and Cash Equivalents	\$ 10,029	\$ 15	\$ -	\$ 10,044
Liabilities:				
Due to Others	\$ 10,029	\$ 15	\$ -	\$ 10,044

The notes to the financial statements are an integral part of this statement.

COUNTY OF BREWSTER, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - MODIFIED CASH BASIS  
 AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	BALANCE JANUARY 1 2013	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31 2014
<b>COUNTY CLERK BONDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 61,747	\$ 12,128	\$ 11,600	\$ 62,275
Liabilities:				
Due to Others	\$ 61,747	\$ 12,128	\$ 11,600	\$ 62,275
<b>TRI COUNTY JUVENILE PROBATION</b>				
Assets:				
Cash and Cash Equivalents	\$ 74,314	\$ 280,323	\$ 279,166	\$ 75,471
Liabilities:				
Due to Other Funds	\$ -	\$ 1,157	\$ -	\$ 1,157
Due to Others	74,314	-	-	74,314
Total Liabilities	\$ 74,314	\$ 1,157	\$ -	\$ 75,471
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 220,766	\$ 374,981	\$ 403,637	\$ 192,110
Liabilities:				
Due to Other Funds	\$ -	\$ 1,157	\$ -	\$ 1,157
Due to Others	220,766	94,658	124,471	190,953
Total Liabilities	\$ 220,766	\$ 95,815	\$ 124,471	\$ 192,110

The notes to the financial statements are an integral part of this statement.

This page is left blank intentionally.

## **OTHER INFORMATION**

This page is left blank intentionally.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

**COUNTY OF BREWSTER, TEXAS  
MANGEMENT’S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2014**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the County’s financial performance provides an overview of the County’s financial activities for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented herein with the County’s financial statements, which follow this section.

**BASIS OF ACCOUNTING**

The financial statements are prepared on the cash basis of accounting which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). Management budgets and records receipts and disbursements on a cash basis because it believes this comprehensive basis of accounting is more suitable to the efficient administration of a smaller government.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position (in Exhibit 1) and the Statement of Activities (in Exhibit 2) provide information about the activities of the County as a whole and present a longer-term view of the County’s finances. Fund financial statements (in Exhibits 3, 4 & 5) for governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County’s operations in more detail than the government-wide statements by providing information about the county’s most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

The notes to the financial statements (starting on page 15) provides narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

**FINANCIAL HIGHLIGHTS**

As of December 31, 2014, the general fund reported a fund balance of \$2,252,893 as compared to \$2,430,590 at December 31, 2013. The net change in excess of expenditures over revenues in 2014, \$177,697, resulted in the decrease in fund balance mainly due to a significant decrease in fines and fees.

**REPORTING THE COUNTY AS A WHOLE**

The analysis of the County’s overall financial condition and operations begins in Exhibit 1. Its primary purpose is to show whether the accounts accounted for by the County are better off or worse off as a result of the year’s activities. The Statement of Net Position and the Statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. The County’s financial reporting policy is to use the modified cash basis of accounting, also referred to as the cash basis of accounting, where revenues are recognized when received and expenditures when paid. Therefore tax receivables and accounts payable are not reported in the

County's financial statements. Such information is disclosed to the extent the information is deemed relevant to the financial statements.

These two statements report the County's net position and changes in it. One can think of the County's net position (the difference between assets and liabilities) as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in the County's property tax base and the condition of the County's roads and bridges and facilities, must be considered to assess the overall financial health of the County.

In the Statement of Net Position and the Statement of Activities, we report the County into one kind of activity:

- Governmental activities – Most of the County's basic services are reported here, including law enforcement, courts, emergency management, Road and Bridge, jail, and general administration. Property taxes, licenses and fees, and state and federal grants finance most of these activities.

#### *Reporting the County's Most Significant Funds*

Our analysis of the County's major funds begins in Exhibit 3. The fund financial statements provide detailed information about the most significant funds and not the County as whole. Some funds are required to be established by State or Federal law and by debt covenants. However, the Commissioners Court may establish many other funds to help it control and manage money for particular purposes (such as the Road & Bridge Department, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money such as grants received from the U.S. Department of Housing and Urban Development).

- Governmental funds – Most of the County's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified cash basis of accounting, which measures cash (and cash equivalents) and items that involve the receipt of disbursement of cash (or cash equivalents) except for modifications described in the notes to the financial statements (Note I-F). The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation provided in the notes to the financial statements.

#### *The County as Trustee*

The County is responsible for assets, which because of a trust arrangement can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in separate Statement of Fiduciary Net Position in Exhibit 5. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is

responsible for ensuring that the assets reported in these funds are used for their intended purposes. The county's agency accounts mostly relate to certain inmate accounts and appearance bonds.

## **THE COUNTY AS A WHOLE**

The County's combined net position decreased \$27,376. The decrease can be directly traced to the significant decrease in fines and fees.

The County does not budget for amounts needed to pay for unused vacation and sick days. The County will continue to account for accrued vacation and sick leave as incurred since the amounts related to sick leave incurred each year are not predictable.

A substantial portion of Brewster County's yearly budget does not derive from ad valorem taxes. Brewster County receives a substantial payment from the U.S. Government for Payment in Lieu of taxes (PILT). This has been a yearly payment meant to compensate the County for lands removed from ad valorem tax rolls by the U.S. Government's acquisition of Big Bend National Park. The County has historically allocated a portion of the PILT to the two school districts that have land in Big Bend National Park.

Brewster County also houses prisoners for the U.S. Marshal's Service. While the U.S. Marshal's service has, in the past, kept the Brewster County Jail operating at near capacity, the Marshal's service does not and will not guarantee that it will house any specific number of prisoners in the Brewster County Jail.

Given that both these payments are not guaranteed, but constitute a substantial part of the County's Budget, Commissioner's Court strives to maintain reserves which would be adequate to provide for ongoing County operations in the event that either or both these payments declined substantially or ceased.

## **THE COUNTY'S FUNDS**

As the County completed the year, its governmental funds (as presented in the balance sheet in Exhibit 3) reported a combined fund balance of \$3,620,956 as compared with \$3,434,040 at the end of 2013. The increase is the result of increased hotel tax receipts because of tourism to Big Bend and the area.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### *Capital Assets*

At the end of 2014, the County had approximately \$10.5 million investment in capital assets including the jail facility, courthouse, Alpine Emergency Response Center, South Brewster Emergency Response Center and Marathon Justice Center. Infrastructure assets consist primarily of paved and unpaved roads.

### *Debt*

At the year-end, the County had outstanding \$3,027,260 in certificates of obligations, tax notes, and loans payable compared to \$3,397,357 in 2013. All payments were made in accordance with the terms of the financial instruments.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates, and fees. Unemployment in the County is 3.8% compared to 4.9% a year ago, this is due to the upswing in the oil and gas business. This compares with the State's unemployment rate of 4.6% and the national rate of 5.6% at year-end. Property taxes remained substantially the same. The County intends to continue to finance and offer programs we currently offer, keeping in mind that the County is dealing with increased costs, just as are all of our individual citizens and businesses.

If these estimates are realized, the County's budgetary General fund balance is expected to stay the same as the current year.

## **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 accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Judge's Office at P.O. Drawer 1630, Alpine, Texas 79831.

Eleazar Cano  
County Judge  
Brewster County, Texas

This page is left blank intentionally.

**County of Brewster, Texas**  
**Budgetary Comparison Schedule- Texas Department of Agriculture**  
**Community Development Block Grant**  
**Water Facilities Improvements**  
**December 31, 2014**

EXHIBIT 9

Federal Financial Assistance  
 Federal Grantor: U.S. Department of Housing and Urban Development (HUD)  
 Pass Through Grantor: Texas Department of Agriculture  
 Community Development Block Grant  
 CFDA Number: 14.228  
 Contract Number: 713-049  
 Contract Period: 11/1/13 to 10/31/15

	BUDGET	FEDERAL		OTHER	TOTAL	VARIANCE
		PRIOR YEARS	CURRENT YEAR			
<b>REVENUE</b>						
Federal and state	\$ 168,637	\$ -	\$ 8,210	\$ -	\$ 8,210	\$ (160,427)
Other - Marathon Water Supply Corp.	23,113	-	-	-	-	(23,113)
<b>Total Revenue</b>	<b>191,750</b>	<b>-</b>	<b>8,210</b>	<b>-</b>	<b>8,210</b>	<b>(183,540)</b>
<b>EXPENDITURES</b>						
<b>Federal and state</b>						
Administration	18,550	-	3,710	-	3,710	14,840
Water facilities	127,587	-	-	-	-	127,587
Engineering	22,500	-	4,500	-	4,500	18,000
<b>Local</b>						
Administration	-	-	-	-	-	-
Water facilities	23,113	-	-	-	-	23,113
Engineering	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>191,750</b>	<b>-</b>	<b>8,210</b>	<b>-</b>	<b>8,210</b>	<b>183,540</b>
<b>Excess Revenue Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**County of Brewster, Texas**  
**Budgetary Comparison Schedule- Texas Department of Agriculture**  
**Community Development Block Grant**  
**Water Facilities Improvements**  
**December 31, 2014**

EXHIBIT 10

Federal Financial Assistance  
 Federal Grantor: U.S. Department of Housing and Urban Development (HUD)  
 Pass Through Grantor: Texas Department of Agriculture  
 Community Development Block Grant  
 CFDA Number: 14.228  
 Contract Number: 711-060  
 Contract Period: 10/1/11 to 9/30/13

	BUDGET	FEDERAL		LOCAL	TOTAL	VARIANCE
		PRIOR YEARS	CURRENT YEAR			
<b>REVENUE</b>						
Federal and state	\$ 291,368	\$ 287,483	\$ 3,100	\$ -	\$ 290,583	\$ (785)
Local - Brewster County	11,700	12,557	-	-	12,557	857
<b>Total Revenue</b>	<b>303,068</b>	<b>300,040</b>	<b>3,100</b>	<b>-</b>	<b>303,140</b>	<b>72</b>
<b>EXPENDITURES</b>						
<b>Federal and state</b>						
Administration	31,000	27,900	3,100	-	31,000	-
Water facilities	236,868	236,083	-	-	236,083	785
Engineering	23,500	23,500	-	-	23,500	-
<b>Local</b>						
Administration	-	-	-	-	-	-
Water facilities	11,700	12,557	-	-	12,557	(857)
Engineering	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>303,068</b>	<b>300,040</b>	<b>3,100</b>	<b>-</b>	<b>303,140</b>	<b>(72)</b>
<b>Excess Revenue Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**County of Brewster, Texas**  
**Budgetary Comparison Schedule- Texas Department of Agriculture**  
**Community Development Block Grant**  
**Water Facilities Improvements**  
**December 31, 2014**

EXHIBIT 11

Federal Financial Assistance  
 Federal Grantor: U.S. Department of Housing and Urban Development (HUD)  
 Pass Through Grantor: Texas Department of Agriculture  
 Community Development Block Grant  
 CFDA Number: 14.228  
 Contract Number: 729-081  
 Contract Period: 9/30/09 to 3/28/2012

	BUDGET	FEDERAL		LOCAL	TOTAL	VARIANCE
		PRIOR YEARS	CURRENT YEAR			
<b>REVENUE</b>						
Federal/State	\$ 325,401	\$ 325,402	\$ -	\$ -	\$ 325,402	\$ 1
Local: Brewster County	11,743	-	-	-	-	(11,743)
Match - TXDOT	-	60,795	-	-	60,795	60,795
Total Revenue	<u>337,144</u>	<u>386,197</u>	<u>-</u>	<u>-</u>	<u>386,197</u>	<u>49,053</u>
<b>EXPENDITURES</b>						
Federal/State:						
Administration	34,900	34,900	-	-	34,900	-
Street improvements	-	-	-	-	-	-
Water facilities	255,499	255,499	-	-	255,499	-
Engineering	35,002	35,003	-	-	35,003	(1)
Local:						
Administration	-	-	-	-	-	-
Street improvements	11,743	-	-	-	-	11,743
Engineering	-	-	-	-	-	-
Match - TXDOT						
Water facilities	-	60,795	-	-	60,795	(60,795)
Total Expenditures	<u>337,144</u>	<u>386,197</u>	<u>-</u>	<u>-</u>	<u>386,197</u>	<u>(49,053)</u>
Excess Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This page is left blank intentionally.

**FEDERAL FINANCIAL ASSISTANCE SECTION**

This page is left blank intentionally.

INDEPENDENT AUDITOR'S 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*

To the Honorable Judge Eleazar Cano and  
Members of the Commissioners Court of the  
County of Brewster, Texas

We were engaged to audit, 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, the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Brewster, Texas, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise County of Brewster, Texas's basic modified cash basis financial statements and have issued our report thereon dated February 9, 2016. Our report disclaims opinions on such modified cash basis financial statements because we were unable to obtain sufficient appropriate audit evidence to support such opinions as a result of the lack of internal controls and the lack of supporting documentation. As such, we were not able to quantify the financial effect of any potential misstatements.

**Internal Control over Financial Reporting**

In connection with our engagement to audit the modified cash basis financial statements of County of Brewster, Texas, we considered County of Brewster, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Brewster, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Brewster, Texas's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questions costs to be material weaknesses. See findings 2014-001, 2014-002, 2014-003 and 2014-006.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. See findings 2014-004, 005, and 007.

### **Compliance and Other Matters**

In connection with our engagement to audit the modified cash basis financial statements of County of Brewster, Texas we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questions costs as item 2014-008, 009, 010, and 011. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the modified cash basis financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

### **County of Brewster, Texas' Response to Findings**

County of Brewster, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Brewster, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and , accordingly, we express no opinion on it.

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

*Gibson, Ruddock, Patterson LLC*  
El Paso, Texas  
February 9, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Judge Eleazar Cano and  
Members of the Commissioners Court of the  
County of Brewster, Texas

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

We have audited County of Brewster, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Brewster, Texas's major federal programs for the year ended December 31, 2014. County of Brewster, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of County of Brewster, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial state audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Brewster, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Basis of Qualified Opinion on Homeland Security Grant Program***

As described in the accompanying schedule of findings and questioned costs, County of Brewster, Texas did not comply with requirements regarding CFDA 97.067 Homeland Security Grant Program, finding 2014-016 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for County of Brewster, Texas to comply with the requirements applicable to that program.

### ***Qualified Opinion on Homeland Security Grant Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, County of Brewster, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Homeland Security Grant Program for the year ended December 31, 2014.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, County of Brewster, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-015. Our opinion on each major federal program is not modified with respect to this matter.

County of Brewster, Texas' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. County of Brewster, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of County of Brewster, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Brewster, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Brewster, Texas' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-012, 013, 014 and 016 to be material weaknesses.

*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.

County of Brewster, Texas' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. County of Brewster, Texas' response was not subjected to the 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Gibson, Ruddock, Patterson LLC*  
El Paso, Texas  
February 9, 2016

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

<b>Type of Auditor's Report Issued:</b>	Modified
<b>Internal control over financial reporting:</b>	
<b>Material weaknesses identified?</b>	Yes, findings 2014-001, 2014-002, 2014-003, and 2014-006.
<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>	Yes, finding 2014-004, 2014-005, and 2014-007.
<b>Noncompliance material to the financial statements:</b>	Yes, findings 2014-008, 2014-009, 2014-010 and 2014-011.

**FEDERAL AWARDS**

<b>Internal control over major programs:</b>	
<b>Material weaknesses identified?</b>	Yes, findings 2014-012, 2014-013, 2014-014, and 2014-016.
<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>	No
<b>Type of auditor's report issued on compliance for major programs:</b>	Modified - Homeland Security Grant Program (CFDA 97.067) Unmodified - High Intensity Drug Trafficking Area (CFDA 95.001)
<b>Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?</b>	Yes, findings 2014-012, 2014-013, 2014-014, 2014-015 and 2014-016.
<b>Major Federal Programs:</b>	<b><u>Homeland Security Grant Program:</u></b> CFDA 97.067  <b><u>High Intensity Drug Trafficking Area:</u></b> CFDA 95.001
<b>Dollar Threshold Considered Between Type A and Type B Federal Programs:</b>	\$300,000
<b>Auditee qualified as low-risk auditee?</b>	No

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**FINANCIAL STATEMENT FINDING**

**2014-001 - Internal Control over Financial Reporting - Inadequate Segregation of Duties**

**Criteria:** The County is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly and that adequate documentation is maintained to support all transactions recorded.

**Condition Found:** There are no segregation of duties over payroll. The County Treasurer has the ability to process an run payroll without any review by a second individual. In addition, the County Treasurer has the ability to enter pay rates into the payroll system.

**Effect:** The lack of segregated duties resulted in a weakness in internal controls. It increases the risk of misappropriation of assets and potential misreporting of financial statement amounts due to error or fraud.

**Cause:** The lack of segregation of duties over payroll is a result of turnover in key positions as well as limited County Treasurer's office personnel. It appears the County has placed much trust in a few individuals and did not have procedures in place that require the review of the overall internal control structure on a continuing basis.

**Recommendation:** We recommend management segregate duties for payroll and document all reviews and approvals.

**Management Response:** See corrective action plan.

(Continued)

COUNTY OF BREWSTER, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2014

**FINANCIAL STATEMENT FINDING (Continued)**

**2014-002 - Internal Control Over Financial Reporting Inadequate Documentation**

**Criteria:** The County is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly and that adequate documentation is maintained to support all transactions recorded.

**Condition Found:** 1) Payroll - Documentation was not maintained to support the approval of employee's pay rates. Although management stated that a schedule with all pay rates was approved by Commissioners Court, a copy of the schedule was not retained and maintained as part of the minutes. We noted that not all payroll files had been updated to reflect current rates and employee information. 2) Cash Disbursements - During 2014, there was no purchase order process. As a result, expenditures are not approved prior to the expenditure being incurred. Because of prior year audit results from the period ending December 31, 2013, we concluded controls could not be tested. While performing substantive audit procedures, we noted several non-payroll disbursements which could not be substantiated. We also noted one instance in which it appeared the County made a duplicate payment as one payment was paid based upon the invoice and the other upon the statement. 3) Credit Cards - In reviewing documentation to support credit card charges, we noted several instances of unsupported credit card charges. 4) We noted several journal entries without appropriate supporting documentation.

**Effect:** The lack of maintaining adequate documentation and lack of internal controls increases the risk of misappropriation of assets and potential misreporting of financial statement amounts due to error or fraud.

**Cause:** The County does not have an adequate filing system in place. There has also been significant turnover in key personnel and there has been very limited oversight over many of the accounting functions. It appears the County had placed much trust in a few individuals and did not have procedures in place that required the review of the overall internal control structure on a continuing basis.

**Recommendation:** We recommend management implement procedures to ensure adequate documentation is maintained to support the amounts paid, including payroll, and ensure that all disbursements are approved prior to being incurred. We also recommend the County utilize the designated area located on the personnel files to indicate the pay rate and authorization of the pay rate.

**Management Response:** See Corrective Action Plan

(Continued)

COUNTY OF BREWSTER, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2014

**FINANCIAL STATEMENT FINDING (Continued)**

**2014-003 - Internal Control over Financial Reporting - Capital Assets**

**Criteria:** The County is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly, and that related financial reports are presented properly.

**Condition Found:** It is unknown when the last physical inventory of capital assets was conducted. The depreciation schedule is not being maintained and updated.

**Effect:** we were unable to determine the existence and accuracy of capital assets reported on the financial statements. The lack of defined procedures over capital assets could potentially result in material misstatement in future financial statements; misappropriation of assets, noncompliance with grant provisions and additional outlay of County funding to replace misappropriated assets.

**Cause:** Procedures over capital assets, including procedures related to the financial closing and reporting process, are not thoroughly documented and streamlined. In addition, workload restraints and turnover in key personnel contributed to capital assets to not be properly recorded, tracked and depreciated.

**Recommendation:** We recommend management conduct a complete inventory of capital assets and update the capital asset listing on a regular basis to ensure that the data is correct and properly reported. We recommend management review all contracts/agreements to ensure that any capital assets purchased with grant funds are properly tracked, capitalized and depreciated.

**Management Response:** See Corrective Action Plan

**2014-004 - Internal Control over Financial Reporting - Due to/from Other Funds and Interfund Transfers**

**Criteria:** The County's internally generated financial statements should be representative of the financial activities of each fund. The due to/from other funds accounts represent receivables and payables between the funds, and the interfund transfers represent charges between funds or funds transferring money to another fund. The due to/froms as well as interfund transfers should net to zero.

**Condition Found:** The due to/from other funds did not net to zero. Interfund transfers were not used appropriately and as a result significant adjustments were necessary.

**Effect:** Inappropriate posting of interfund activity can allow for over/understated performance in the individual funds.

**Cause:** Financial closing and reporting processes are not thoroughly documented and the County experienced turnover in key personnel.

**Recommendation:** We recommend the appropriate financial staff reconcile the due to/from other fund accounts monthly to verify they net to zero and are properly classified.

**Management Response:** See Corrective Action Plan

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**FINANCIAL STATEMENT FINDING (Continued)**

**2014-005 - Internal Control over Financial Reporting - Budgetary Controls**

**Criteria:** The County is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly, and that related financial reports are presented properly.

**Condition Found:** It appears not all budget amendments approved by Commissioner's Court were reflected in the Budget and Analysis report generated by the financial system. The Budget and Analysis report is utilized to prepare the budgetary comparison schedule for the financial audit report.

**Effect:** Monitoring of the budget is diminished if amounts reported are inaccurate. Favorable and unfavorable variances cannot be relied upon and County's compliance with the budget cannot be determined.

**Cause:** The Treasurer appointed for the period ended December 31, 2014 is no longer with the County and we were unable to determine why the budget amendments were not reflected on the budget and analysis report.

**Recommendation:** We recommend the County implement a control mechanism to ensure budget amendments approved by commissioner's court are entered into the financial system and reflected in the budget and analysis report.

**Management Response:** See Corrective Action Plan

(Continued)

COUNTY OF BREWSTER, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2014

**FINANCIAL STATEMENT FINDING (Continued)**

**2014-006 -Internal Control over Financial Reporting - Account Reconciliations**

**Criteria:** The County is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly, and that related financial reports are presented properly. Periodic reconciliations of accounts is an example of an internal control over financial reporting.

**Condition Found:** 1) Bank reconciliations were not done for the Ad Valorem Tax Clearing and the Tax Assessor Collector - Vehicle Registration for the month of December 2014. The County contracted with a consultant to reconcile pending bank accounts in 2015. However, some of the bank reconciliations provided contained significant variances between the amount on the reconciliation and the amount in the general ledger. In addition, we noted several reconciliations included outstanding checks that were issued more than a year ago, and some as old as 2006, and erroneous deposits in transits. the Cash Ad Valorem Trust account had two deposits in transit from before October 2013 and the Tax Assessor/Collector account had numerous ACH deposits dated from June 2014 through December 2014. 2) Beginning fund balance did not agree to the prior year ending audited fund balances. 3) Employee benefit withholding accounts were not periodically reconciled. As such, we noted that several withholding accounts carried debit balances which is atypical of a liability account.

**Effect:** Failure to reconcile accounts on a timely basis increases the risk of misappropriation of assets and potential misreporting of financial statement amounts due to error or fraud. Reliability of internal accounting information presented to the Commissioner's Court is diminished when accounting errors are not detected and resolved in a timely manner. Unreconciled vendor benefit accounts can result in untimely discovery of billing errors which may not be recoverable. As a result of the lack of reconciliation of accounts, significant adjustments were necessary and a significant amount of additional time was incurred to complete the audit.

**Cause:** 1) Workload restraints, transitions in the treasurer official position and the assistant treasurers position delayed the completion of bank reconciliations. 2) Journal entries for 2013 were not posted correctly 3) The County does not have routine procedures in place to reconcile withholding accounts and employee benefit accounts. In addition, the payroll clearing process appeared to contribute to the debit withholding balances.

**Recommendation:** We recommend the County designate an individual responsible for ensuring that bank accounts are reconciled in a timely manner (i.e. within 30 days of receiving the bank statement). Unclaimed funds should be submitted to the State in accordance with the State escheat laws and old outstanding deposits and ACHs should be investigated to ensure that all deposits were properly recorded at the bank. In addition, the County should ensure that beginning fund balance accounts agree to audited fund balances once all adjustments are posted. The County should also implement a process that requires a periodic reconciliation of employee benefit and related liability accounts to ensure the County is paying the appropriate amounts to insurance vendors.

**Management Response:** See Corrective Action Plan

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**FINANCIAL STATEMENT FINDING (Continued)**

**2014-007 - Internal Control over Financial Reporting - Schedule of Expenditures of Federal Awards**

**Criteria:** The Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non-Profit Organization. Management is responsible for the accurate preparation of the schedule.

**Condition Found:** Not all grants are tracked in a separate fund; multiple grants with multiple award years and initiatives, including both federal and state sources, are being recorded in the same special revenue fund. In addition, it was difficult to determine whether the source of funds are federal or state funded.

**Effect:** Inaccurate presentation of the Schedule of Expenditures of Federal Awards.

**Cause:** The account structure is not being used to its full potential.

**Recommendation:** In order to facilitate the accurate reporting of federal awards on the schedule of expenditures of federal awards (SEFA), we recommend the County review its chart of accounts and utilize the account structure to track expenses by grant award, grant year, source of funds and initiative.

**Management Response:** See Corrective Action Plan

**2014-008 - State Compliance - Procurement - Interlocal Agreements/Purchasing Cooperatives**

**Criteria:** The Texas Government Code 791.011(d)(1) requires Commissioner's Court to approve through a resolution all interlocal agreements or purchasing cooperatives prior to being used as a method of procurement.

**Condition Found:** The County did not maintain documentation on all cooperatives utilized by the County to evidence that each and every cooperative was approved by commissioner's court resolution.

**Effect:** We were unable to determine if the County was in compliance with this state law.

**Cause:** As a result of personnel turnover, we were unable to determine if the officials responsible for purchasing were aware of the requirement. All court actions are documented in the commissioner's court minutes and it is possible that the minutes of record provide evidence of approval. However, it is difficult to determine when the approval was made and given the time constraints, it was not feasible to look for the approval.

**Recommendation:** We recommend management review all interlocal agreements and purchasing cooperatives to ensure that the Commissioner's Court has approved them as required by state law. For simplicity, the County can compile a list obtain current interlocal contract and obtain a current resolution evidencing approval with the listed cooperatives at a future commissioner's court meeting.

**Management Response:** See Corrective Action Plan

(Continued)

**COUNTY OF BREWSTER, TEXAS**

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2014

**FINANCIAL STATEMENT FINDING (Continued)**

**2014-009 State Compliance - Public Funds Investment Act**

**Criteria:** The County is required to comply with the Public Funds Investment Act, Government Code 2256.

**Condition Found:** We were not provided with any evidence of brokers acknowledging receipt and review of the County's investment policy, nor were we provided evidence of full completion of required training by the investment officer. In addition, the investment reports presented to the Commissioners Court did not include all required elements, including signature of the investment report by the investment officer.

**Effect:** The County of Brewster, Texas is in violation of the Public Funds Investment Act, Government Code 2256 and; therefore, not fulfilling its fiduciary duty in its entirety.

**Cause:** The investment officer authorized for the period ended December 31, 2014 is no longer with the County and we were unable to determine the cause.

**Recommendation:** We recommend that the County prepare its investment reports with all the required elements, obtain acknowledgment from its brokers that they have received, reviewed and will comply with the policy, and ensure the current investment officer obtains the required training hours. The Public Funds Investment Act should be reviewed in its entirety by the investment officer to ensure future compliance with the Act.

**Management Response:** See Corrective Action Plan

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**FINANCIAL STATEMENT FINDING (Continued)**

**2014-010 - State Compliance - Procedures for Setting Amounts for Elected Officers**

**Criteria:** Texas local government code 152.013 states that each year the commissioners court shall set the salary, expenses, and other allowances of elected county or precinct officers. The commissioners court shall set the items at a regular meeting of the court during the regular budget hearing and adoption proceedings.

(b) Before the 10th day before the date of the meeting, the commissioners court must publish in a newspaper of general circulation in the county a notice of:

- (1) any salaries, expenses, or allowances that are proposed to be increased; and
- (2) the amount of the proposed increases.

(c) Before filing the annual budget with the county clerk, the commissioners court shall give written notice to each elected county and precinct officer of the officer's salary and personal expenses to be included in the budget.

**Condition Found:** Upon the newly elected officers taking office in 2015, the County commissioner's noted that the 2015 pay increases, which were approved in 2014, were not published in a newspaper of general circulation in the county notice, as required by state law. The same occurred in 2013 for pay raises for 2014.

**Effect:** The County of Brewster, Texas was non-compliant with state laws and as such, the salary increases were unallowable expenditures in 2014.

**Cause:** Many of the previous elected officers who approved the pay raises are no longer in office; it appears the Court was unaware of the statute until it was brought to the attention of the Court by newly elected officials in 2015.

**Recommendation:** Commissioner's court has rescinded the 2015 pay raises but was unable to take any action on the 2014 pay raises. We recommend the Court consider developing a manual which outlines the statutes that should be followed along with other helpful information such as timelines and other considerations. In instances of turnover, due to resignation or elections, newly elected officials will have the manual to follow.

**Management Response:** See Corrective Action Plan

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**FINANCIAL STATEMENT FINDING (Continued)**

**2014-011 - Federal Compliance - Form 941 Filings**

**Criteria:** Federal law requires quarterly 941 filings. Form 941 is due by the last day of the month that follows the end of the quarter. Although the County is required to make quarterly automatic deposits of its withholdings, the County must also file form 941 quarterly. Accurate information should be filed and if errors are noted an amended 941-X form should be filed.

**Condition Found:** The 2014 4th Quarter Form 941 was filed October 29, 2015, approximately 9 months past the due date. In reconciling total wages between the W-2s and the quarterly 941 forms for 2014, we noted significant variances. It appears that the 4th quarter form 941 was filed with incorrect information.

**Effect:** The County incurs penalties and interest on late filings and in turn diverts money away from other County's needs. If the amounts on Form W-3 (the equivalent of aggregated W-2's) do not agree to the quarterly 941 forms, the County may be contacted by the IRS.

**Cause:** A newly elected treasurer took office January 1, 2015 and did not file the 4th quarter 2014 form 941. It appears the "taxable wages" line item from the payroll report should have been entered into Box 2 of the 4 quarter 941 form instead of the "total gross salaries" line item.

**Recommendation:** The County should file an amended Form 941-X with accurate quarterly information. Quarterly 941 filings should be filed by the required due date. The Treasurer's office in conjunction with the County Auditor's office could develop a calendar of deadlines for any required filings, not just inclusive of payroll filings, to avoid future late filing and penalties.

**Management Response:** See Corrective Action Plan

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**FEDERAL AWARD FINDINGS**

**2014-012 - Homeland Security Grant Program (CFDA 97.067) & High Intensity Drug Trafficking Area (CFDA 95.001) - Internal Control over Compliance - Inadequate Segregation of Duties**

**Criteria:** The County is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly and that adequate documentation is maintained to support all transactions recorded.

**Condition Found:** There are no segregation of duties over payroll. In addition, the County Treasurer has the ability to enter pay rates into the payroll system.

**Effect:** The lack of segregated duties resulted in a weakness in internal controls. It increases the risk of misappropriation of assets and potential misreporting of financial statement amounts due to error or fraud.

**Cause:** The lack of segregation of duties over payroll is a result of turnover in key positions as well as limited County Treasurer's office personnel. It appears the County has placed much trust in a few individuals and did not have procedures in place that require the review of the overall internal control structure on a continuing basis.

**Recommendation:** We recommend management segregate duties for payroll and document all reviews and approvals.

**Management Response:** See corrective action plan.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**FEDERAL AWARD FINDINGS (Continued)**

**2014-013 - Homeland Security Grant Program (CFDA 97.067) & High Intensity Drug Trafficking Area (CFDA 95.001) - Internal Control over Compliance - Inadequate Documentation**

**Criteria:** The County is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly and that adequate documentation is maintained to support all transactions recorded.

**Condition Found:** 1) Payroll - Documentation was not maintained to support the approval of employee's pay rates. Although management stated that a schedule with all pay rates was approved by Commissioners Court, a copy of the schedule was not retained and maintained as part of the minutes. We noted that not all payroll files had been updated to reflect current rates and employee information. 2) Cash Disbursements - During 2014, there was no purchase order process. As a result, expenditures are not approved prior to the expenditure being incurred. Because of prior year audit results from the period ending December 31, 2013, we concluded controls could not be tested.

**Questioned Costs/Basis:** N/A

**Instances/Universe:** N/A

**Effect:** The lack of maintaining adequate documentation and lack of internal controls increases the risk of misappropriation of assets and potential misreporting of financial statement amounts due to error or fraud.

**Cause:** The County began retaining and maintaining information presented to Commissioner's Court upon our initial communication during the Summer of 2014. Upon our initial communication, the County began to update payroll files to reflect current rates and employee information; however, by that time, the County was already in the middle of the fiscal year. The County also began working toward developing a purchase order process; however, the task was still ongoing at December 31, 2014.

**Recommendation:** We recommend the County continue to make an effort to update all personnel files and ensure documentation is maintained to support the amounts paid as well as ensure all disbursements are approved prior to being incurred. We also recommend the County utilize the designated area located on the personnel files to indicate the pay rate and authorization of the pay rate.

**Management Response:** See Corrective Action Plan

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**FEDERAL AWARD FINDINGS (Continued)**

**2014-014 -Homeland Security Grant Program (CFDA 97.067) - Internal Control over Compliance - Equipment and Real Property Management**

**Criteria:** The County is required to maintain internal controls to ensure equipment purchased with federal funds is properly tracked and safeguarded.

**Condition Found:** The Sheriff's office has separate inventory procedures. The Sheriff's office conducts a rotating inventory on a continuous basis. Several capital assets are located at remote sites and individuals at those sites report the physical inventory via a web-based system and the Sheriff's office agrees those to the Sheriff's office list. The County also contracted with a third party vendor to perform a complete inventory of all County-wide capital assets. The inventory was completed in May 2015. However, the County still needs to fully integrate and streamline capital asset policies and procedures to ensure capital assets purchased with federal funds are ultimately reflected in the master capital assets listing and financial books of records.

**Questioned Costs/Basis:** N/A

**Instances/Universe:** N/A

**Effect:** The lack of defined procedures over capital assets could potentially result in material misstatement in future financial statements; misappropriation of assets, noncompliance with grant provisions and additional outlay of County funding to replace misappropriated assets.

**Cause:** Procedures over capital assets, including procedures related to the financial closing and reporting process, are not thoroughly documented and streamlined. In addition, workload restraints and turnover in key personnel contributed to capital assets to not be properly tracked and safeguarded.

**Recommendation:** We recommend the Sheriff's office and Treasurer's office work together to fully integrate and streamline capital asset policies and procedures to ensure capital assets purchased with federal funds are ultimately reflected in the master capital assets listing and financial books of records.

**Management Response:** See Corrective Action Plan

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**FEDERAL AWARD FINDINGS (Continued)**

**2014-015 - All Federal Programs - Compliance - Data Collection Form**

**Criteria:** OMB Circular A-133 requires the County to submit the Data Collection Form to the Federal Audit Clearinghouse the earlier of 30 days after receipt of the auditors report or nine months after the end of the audit period.

**Condition Found:** The County did not submit the data collection form to the Federal Clearinghouse Single Audit in accordance with OMB Circular A-133 guidelines for the year ended December 31, 2014.

**Questioned Costs/Basis:** N/A

**Instances/Universe:** One out of one required submissions.

**Effect:** The County is not in compliance with federal requirements.

**Cause:** Turnover with the County Treasurer's office delayed the completion of the audit for the period ended December 31, 2014.

**Recommendation:** We recommend the County submit the data collection form upon completion of the audit for the period ended December 31, 2014.

(Continued)

COUNTY OF BREWSTER, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2014

**FEDERAL AWARD FINDINGS (Continued)**

**2014-016 - Homeland Security Grant Program (CFDA 97.067) - Internal Control over Compliance and Compliance - Special Tests and Provisions**

**Criteria:** The granting agency requires certification of the item being received as part of its reimbursement request to ensure compliance with federal requirements. The granting agency does allow reimbursement prior to an item being received when a "signed economic hardship" form accompanies the request for reimbursement.

**Condition Found:** In testing compliance for the Homeland Security Grant Program, we noted two instances of improper payments. At end of December 2014, the pass-thru entity contacted the County stating that there were additional funds that were available to the County. A decision was made by the County Judge, at the time, to purchase a vehicle. Two payments were made to a vendor, however, the checks were not presented for approval to Commissioner's Court in accordance with County Policy. The County Judge proceeded to sign and certify a request for reimbursement that stated that the item had been received when in fact it had not been delivered. The granting agency allows reimbursement prior to an item being received when a "signed economic hardship" form accompanies the request for reimbursement; however, this was not the case in this instance. Newly elected officials took office in January 2015 and before they could submit the request for reimbursement, they became aware that the vendor had filed for bankruptcy and the vehicle would not be delivered to the County.

**Questioned Costs/Basis:** Known questioned costs were determined by totaling the items tested that were found to be improper payments and reimbursed by the federal government. Likely questioned costs were determined by dividing the number of errors found in the sample by the total number of items sampled, and multiplying that percentage times the total population.

Known Questioned Cost: None - Funds not reimbursed

**Instances/Universe:** N/A - Request for reimbursement was not submitted by the County.

**Effect:** The County is not in compliance with special federal grant provisions. In addition, the General Fund had to pay for an item that was never received.

**Cause:** It appears the County Judge in office during 2014 had to expend the funds prior to the end of the year and attempted to utilize the funds prior to "losing" them; however, in doing so, the purchases were not made in compliance with federal or local requirements.

**Recommendation:** The County attorney has already submitted the bankruptcy paperwork to make a claim and attempt to have the funds returned. In addition, although the payment was charged to the federal program, reimbursement was not requested by the County due to the circumstances surrounding the purchase.

COUNTY OF BREWSTER, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2012

**FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**2013-001 - Financial Reporting - Inadequate segregation of duties**

**Condition Found:** There are no segregation of duties over payroll, journal entries and cash receipts. The County Treasurer has the ability to process and run payroll without any review by a second individual. In addition, the County Treasurer has the ability to enter pay rates into the payroll system. The County Treasurer has the ability to initiate and post journal entries without a second review. The County Treasurer has the ability to receipt cash, prepare the deposit and physically deposit funds at the bank.

**Status:** The finding has been repeated in the current year regarding segregation of duties over payroll only. The Treasurer did implement segregation of certain duties for cash receipts and journal entries. For example, the treasurer segregated duties over journal entries and cash receipts between the Treasurer and the Assistant Treasurer. The bookkeeper began making the physical deposits to the bank. However, it is also important to note that due to a newly elected treasurer in 2015 and turnover in the Treasurer's office, these procedures were not followed consistently for 2015. During the June 12, 2015 Commissioners Court meeting, the Court filed an order to appoint a county auditor to address this finding. The County Auditor was hired Fall of 2015 and is working to setup necessary segregation of duties going forward.

**2013-002 - Financial Reporting - Internal Control over Financial Reporting and Inadequate Documentation**

**Condition Found:** 1) Payroll - Documentation was not maintained to support the approval of employees' pay rates. Although management stated that a schedule with all pay rates was approved by Commissioners Court, a copy of the schedule was not retained and maintained as part of the minutes. We noted payroll files have not been updated to reflect current rates and employee information. 2) Cash Receipts - A listing of cash received through the mail is not maintained nor reconciled to the deposit slip. 3) Credit Cards - The County has numerous credit cards that are held by County employees and County officials. We noted numerous instances in which invoices or receipts were not maintained to support charges to the credit cards held by some of the County employees and County Officials. In addition, there was no prior approval of charges prior to the expenditure being incurred. 4) Cash Disbursements - There is no purchase order process. As a result, expenditures are not approved prior to the expenditure being incurred. We also noted that documentation is not always maintained for disbursements. Although Commissioner's Court approves all non-payroll disbursements, there were several instances in which no record of Commissioner's Court's approval could be provided because copies of the invoice listings were not retained and maintained as part of the minutes.

**Status:** Inadequate and missing documentation was noted during the audit for the period ending December 31, 2014 and a similar finding has been reported. The County began retaining and maintaining information presented to Commissioner's Court upon our initial communication during Summer 2014. At that time, the 2014 salaries were already approved in 2013 and had not been retained as this was before we brought the retention matter to the County's attention. The County has not updated all payroll files to reflect current rates and employee information. With the cooperation of the newly appointed Treasurer, Commissioners Court enacted changes to financial procedures in January 2014. Those procedures included: coding of bills, purchasing procedures, travel voucher/meal receipts, time sheets, charge account procedures and county credit card use procedures.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF STATUS OF PRIOR FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

**FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**2013-003 - Financial Reporting - Capital Assets**

**Condition Found:** We found several conditions related to capital assets. 1) A physical inventory of capital assets has not been conducted. Due to turnover in key positions, it is unknown as to when the last inventory took place. 2) A listing of additions was not maintained throughout 2013. We also noted additions were tagged but not logged into the capital asset listing. 3) The capital asset nor the related debt for the 2012 acquisition of equipment was not properly recorded 4) Upon review of the capital assets additions report, we noted four items did not meet the County's disclosed capitalization policy. 5) Because capital asset additions were not capitalized in a timely and accurate manner and because new management did not know how to re-run depreciation for the new additions, depreciation expense had not been recorded for 2013.

**Status:** The Court added a new position for the Treasurer's Office for the purpose of maintaining inventory and serving as the County's purchasing agent. During the November 13, 2014 Commissioners Court meeting, the Court approved vendor RCI to complete the county inventory. Inventory was completed on May 1, 2015. The capital asset records were not maintained for several months in 2014 and the County Auditor's office is now working to get the accounts reconciled and updated. As the inventory was not conducted for the period ending December 31, 2014, lacking documentation and controls not fully implemented, the finding has been repeated in the current year.

**2013-004 - Financial Reporting - Due to/from other funds and interfund transfers**

**Condition Found:** The due to/from other funds did not net to zero. Interfund transfers were not used appropriately and as a result significant adjustments were necessary.

**Status:** Finding has been repeated in the current year as amounts were not reconciled and net to zero. Significant adjustments were required in the audit period ending December 31, 2014.

**2013-005 - State Compliance - Public Funds Investment Act**

**Condition Found:** The County's investment policy does not include various elements required by the Public Funds Investment Act, Government Code 2256. Furthermore, it appears that there has not been an annual approval of the investment policy or qualified brokers nor is there evidence of brokers acknowledging receipt and review of the County's investment policy, approval of independent training sources, or required training of investment officer. In addition, the investment reports presented to the Commissioners Court do not include all required elements.

**Status:** Although significant progress was made to address several non-compliance matters, not all non-compliance was addressed. The finding has been repeated for the period ending December 31, 2014.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF STATUS OF PRIOR FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

**FEDERAL AWARD FINDINGS**

**2013-006 - High Intensity Drug Trafficking Area (CFDA 95.001) - Internal Controls over Compliance - Inadequate segregation of duties**

**Condition Found:** There are no segregation of duties over payroll, journal entries and cash receipts. The County Treasurer has the ability to process and run payroll without any review by a second individual. In addition, the County Treasurer has the ability to enter pay rates into the payroll system. The County Treasurer has the ability to initiate and post journal entries without a second review.

**Status:** The finding has been repeated in the current year regarding segregation of duties over payroll only. The Treasurer did implement segregation of certain duties for cash receipts and journal entries. For example, the treasurer segregated duties over journal entries and cash receipts between the Treasurer and the Assistant Treasurer. The bookkeeper began making the physical deposits to the bank. However, it is also important to note that due to a newly elected treasurer in 2015 and turnover in the Treasurer's office, these procedures were not followed consistently for 2015. During the June 12, 2015 Commissioners Court meeting, the Court filed an order to appoint a county auditor to address this finding. The County Auditor was hired Fall of 2015 and is working to setup necessary segregation of duties going forward.

**2013-007 - Homeland Security Grant Program (CFDA 97.067) & High Intensity Drug Trafficking Area (CFDA 95.001) - Internal Control over Compliance - Inadequate Documentation**

**Condition Found:** 1) Payroll - Documentation was not maintained to support the approval of employee's pay rates. Although management stated that a schedule with all pay rates was approved by Commissioners Court, a copy of the schedule was not retained and maintained as part of the minutes. We noted payroll files have not been updated to reflect current rates and employee information. 2) Cash Disbursements - There is no purchase order process. As a result, expenditures are not approved prior to the expenditure being incurred. Although Commissioner's Court approves all non-payroll disbursements, there were several instances in which no record of Commissioner's Court's approval could be provided because copies of the invoice listings were not retained and maintained as part of the minutes.

**Status:** Inadequate and missing documentation was noted during the audit for the period ending December 31, 2014 and a similar finding has been reported. The County began retaining and maintaining information presented to Commissioner's Court upon our initial communication during Summer 2014. At that time, the 2014 salaries were already approved in 2013 and had not been retained as this was before we brought the retention matter to the County's attention. The County has not updated all payroll files to reflect current rates and employee information. With the cooperation of the newly appointed Treasurer, Commissioners Court enacted changes to financial procedures in January 2014. Those procedures included: coding of bills, purchasing procedures, travel voucher/meal receipts, time sheets, charge account procedures and county credit card use procedures.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF STATUS OF PRIOR FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

**FEDERAL AWARD FINDINGS**

**2013-008 - Homeland Security Grant Program (CFDA 97.067) - Internal Control over Compliance - Capital Assets**

**Condition Found:** The County does not have any procedures in place to ensure that an inventory of capital assets purchased with federal funds is conducted every two years. Due to turnover in key positions, it is unknown as to when the last inventory was conducted. Although additions were properly tagged, they were not logged into the capital asset listing.

**Status:** The Sheriff's office has separate inventory procedures. The Sheriff's office conducted a rotating inventory on a continuous basis. Several capital assets are located at remote sites and individuals at those sites would report the physical inventory via a web-based system and the Sheriff's office agreed those to the Sheriff's office list. The County also contracted with vendor RCI to perform a complete inventory of all County-wide capital assets. The inventory was completed in May 2015. However, the County still needs to fully integrate and streamline capital asset policies and procedures to ensure capital assets purchased with federal funds are ultimately reflected in the master capital assets listing and financial books of records.

**2013-009 - Homeland Security Grant Program (CFDA 97.067) - Compliance - Equipment Management**

**Condition Found:** A physical inventory of capital assets has not been conducted. Due to turnover in key positions, it is unknown as to when the last inventory took place.

**Status:** The Sheriff's office conducted a rotating inventory on a continuous basis. Several capital assets are located at remote sites and individuals at those sites would report the physical inventory via a web-based system and the Sheriff's office agreed those to the Sheriff's office list. The County also contracted with vendor RCI to perform a complete inventory of all County-wide capital assets. The inventory was completed in May 2015.

**COUNTY OF BREWSTER, TEXAS**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**2014-001 - Internal Control over Financial Reporting - Inadequate Segregation of Duties**

Contact Person(s): County Treasurer – (vacant), County Auditor – Treva Watson and County Judge – Eleazar R. Cano

Response: The appointment of the County Auditor will facilitate and ensure the segregation of duties. Duties assigned to the Treasurer’s office by statute, will continue to be carried out by the Treasurer’s office. The County Auditor will serve as the internal compliance officer for the County. The County Auditor will assist in formulating policy and procedures to implement adequate segregation of duties.

Estimated Date of Completion: Spring, 2016

**2014-002 - Internal Control Over Financial Reporting Inadequate Documentation**

Contact Person(s): County Treasurer – (vacant), County Auditor – Treva Watson and County Judge – Eleazar R. Cano

Response: As of October 2015 the weakness in financial reporting and maintenance of records was noted and corrective action has been put in place.

Commissioners Court has addressed the issue of salary by position: Beginning, Position, Exempt, Elected and part time. The Jailers have position salaries beginning FY 2015.

Documentation and maintaining all disbursements accurately as well as proper filing of documents related. Employee files will be properly completed and salary, position, etc. will be recorded.

Estimated Date of Completion: – Jailers salaries, as well as deputies pay scale / overtime related adjustments, have been calculated and implemented as of January, 2016. Procedures are now in place to ensure compliance throughout 2016 and subsequent years.

**2014-003 - Internal Control over Financial Reporting - Capital Assets**

Contact Person(s): County Treasurer – (vacant), County Auditor – Treva Watson and County Judge – Eleazar R. Cano

Response: This problem has been addressed with the Commissioners and County Judge. The newly formed County Auditor's office has taken the responsibility to maintain the reports and records of the Capital Assets until such time the position can be created for a department or employee to manage the inventory.

Estimated Date of Completion: Procedures have been developed and full implementation is expected to be completed by Spring, 2016.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**2014-004 - Internal Control over Financial Reporting - Due to/from Other Funds and Interfund Transfers**

Contact Person(s): County Treasurer – (vacant), County Auditor – Treva Watson and County Judge – Eleazar R. Cano

Response: The County Auditor will provide training and support to the Treasurer’s office to consistently and routinely reconcile “due to / from” monies as well as accurately reconcile and record inter-fund transfers. The County Auditor will assist in formulating policy and procedures designed to implement adequate internal control of County finances. Supporting documentation will be created to ensure ongoing accountability and systematic compliance.

Estimated Date of Completion: Spring, 2016

**2014-005 - Internal Control over Financial Reporting - Budgetary Controls**

Contact Person(s): County Treasurer – (vacant), County Auditor – Treva Watson and County Judge – Eleazar R. Cano

Response: Implementation of controls to ensure budget amendments approved by commissioner’s court are being followed at this time (2016).

Estimated Date of Completion: Task completed; procedures are now in place.

**2014-006 - Internal Control over Financial Reporting - Account Reconciliations**

Contact Person(s): County Treasurer – (vacant) and County Auditor – Treva Watson

Response:

- 1) Bank reconciliations - FY 2015-2016-Reconciliations are completed for all accounts within 30 days of statement date.
- 2) Beginning fund balances - FY 2015-2016 will be reconciled to ensure their agreement to the prior year’s audited fund balances.
- 3) Withholdings - Each payroll is now audited prior to completion of the process. Corrections of manual additions will be made as well as reviewing new employee’s master file to ensure all benefits, deductions, and taxes are reconciled and reported for each pay period. Payables connected to payroll are being reconciled to the bill/statement to verify the accuracy of deduction per employee, verify the employee is active. Also for the county insurance with TAC, statements from January ’15 to December ’15 are being balanced to the billing.

Estimated Date of Completion:

- 1) Bank reconciliations were brought current as of January, 2016. Procedures were simultaneously developed during the Fall of 2015. Procedures are now in place to ensure compliance.
- 2) Beginning fund balances - Spring, 2016
- 3) Withholdings - Task completed; procedures are now in place.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**2014-007 - Internal Control over Financial Reporting - Schedule of Expenditures of Federal Awards**

Contact Person(s): County Treasurer – (vacant) and County Auditor – Treva Watson

Response: 941-X forms will be filed for the incorrect reports. The deadlines are noted on the Calendar in the Auditors Office. Also, Quarterly reports due the State Comptroller are now being reported accurately and timely.

Estimated Date of Completion: All 941 filings for 2014 will be completed by March 1, 2016. Policy and procedures have been developed and are being implemented and followed as of January 1, 2016.

**2014-008 - State Compliance - Procurement - Interlocal Agreements/Purchasing Cooperatives**

Contact Person(s): County Treasurer – (vacant), County Auditor – Treva Watson and County Judge – Eleazar R. Cano

Response: Texas Government Code 791.011(d)(1) will be followed as you recommend.

Estimated Date of Completion: Spring, 2016

**2014-009 State Compliance - Public Funds Investment Act**

Contact Person(s): County Treasurer – (vacant), County Auditor – Treva Watson and County Judge – Eleazar R. Cano

Response: The Public Funds Investment Act, Government Code 2256, will be reviewed by the County Auditor, County Judge and the County Treasurer. Upon completion of review, a consensus will be arrived at to determine who will be serving as the Investment Officer for the County. Typically the County Treasurer is the elected official designated to serve as the Investment Officer. However, due to the pending appointment of the new treasurer and the pending election of said position, it may be prudent to designate an alternate, interim Investment Officer.

Estimated Date of Completion: Spring, 2016

**2014-010 - State Compliance - Procedures for Setting Amounts for Elected Officers**

Contact Person(s): County Treasurer – (vacant), County Auditor – Treva Watson and County Judge – Eleazar R. Cano

Response: Procedure is in place and proper steps have been taken to correct errors and future errors for any salary increase and budgetary responsibility concerning Elected Officials.

Estimated Date of Completion: Task completed; procedures are now in place.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**2014-011 - Federal Compliance - Form 941 Filings**

Contact Person(s): County Treasurer – (vacant) and County Auditor – Treva Watson

Response: We will follow your recommendation for the tracking of expenses of the Federal Grants. The chart of accounts has been modified due to the software conversion. This has improved the accounts description and has reduced the number of accounts on the chart. During this current year, we (I) will be able to determine the need for others that still exist. Our mission is to streamline the chart of accounts to be less confusing and create a higher degree of accuracy.

Estimated Date of Completion: Task completed; procedures are now in place.

**2014-012 - Homeland Security Grant Program (CFDA 97.067) & High Intensity Drug Trafficking Area (CFDA 95.001) - Internal Control over Compliance - Inadequate Segregation of Duties**

Contact Person(s): County Treasurer – (vacant), County Auditor – Treva Watson and County Judge – Eleazar R. Cano

Response: The appointment of the County Auditor will facilitate and ensure the segregation of duties. Duties assigned to the Treasurer’s office by statute, will continue to be carried out by the Treasurer’s office. The County Auditor will serve as the internal compliance officer for the County. The County Auditor will assist in formulating policy and procedures to implement adequate segregation of duties.

Estimated Date of Completion: Spring, 2016

**2014-013 - Homeland Security Grant Program (CFDA 97.067) & High Intensity Drug Trafficking Area (CFDA 95.001) - Internal Control over Compliance - Inadequate Documentation**

Contact Person(s): County Treasurer – (vacant) and County Auditor – Treva Watson

Response: Maintaining information of employee files was implemented in early 2014. In reviewing the files there are some that have not been updated. These deficiencies will be corrected by adding required information to/in the files. The County Auditor will serve as the internal compliance officer for the County. The County Auditor will assist in formulating policy and procedures designed to implement adequate internal control of County finances. Supporting documentation will be maintained to ensure ongoing accountability and systematic compliance.

Estimated Date of Completion: Summer, 2016

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

**2014-014 -Homeland Security Grant Program (CFDA 97.067) - Internal Control over Compliance - Equipment and Real Property Management**

Contact Person(s): County Treasurer – (vacant), County Auditor – Treva Watson, County Judge – Eleazar R. Cano and Sheriff – Ronny Dodson

Response: Your recommendation for both the Sheriff’s office and Treasurer’s office work together to fully integrate and streamline capital asset policies and procedures to ensure capital assets purchased with federal funds are ultimately reflected in the master capital asset listing and financial books of record. The County inventory conducted by RCI will be reviewed for accuracy and thoroughness. If it is determined that RCI did not capture and record all available data resulting from the inventory, a follow-up inventory will be requested. Elected officials and department heads will be tasked with the responsibility of accounting for all capital assets, both current and archived, within their respective area of control. The County will fully integrate and streamline capital asset policies and procedures to ensure capital assets purchased with federal funds are reflected in the master capital assets listing and financial books of records.

Estimated Date of Completion: Spring, 2016

**2014-015 - All Federal Programs - Compliance - Data Collection Form**

Contact Person(s): County Treasurer – (vacant), County Auditor – Treva Watson and County Judge – Eleazar R. Cano

Response: Upon presentation and delivery of the 2014 audit report by GRP, the County will submit the Data Collection Form to the Federal Audit Clearing house. Steps have been taken to document, track and prompt future submission of subsequent reports needing to be submitted to ensure compliance with OMB Circular A-133.

Estimated Date of Completion: Spring, 2016

**2014-016 - Homeland Security Grant Program (CFDA 97.067) - Internal Control over Compliance and Compliance - Special Tests and Provisions**

Contact Person(s): County Treasurer – (vacant), County Auditor – Treva Watson and County Judge – Eleazar R. Cano

Response: The County Judge, County Auditor, Treasurer and the Commissioners Court will ensure complete compliance with granting agency requirements. Compliance with all granting agencies will be reviewed and documented as part of the grant fiduciary accountability plan. An internal audit of all grant awards will be conducted as part of the grant compliance process.

Estimated Date of Completion: Spring, 2016

COUNTY OF BREWSTER, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>EXECUTIVE OFFICE OF THE PRESIDENT</u></b>			
<u>Passed Thru Office of National Drug Control Policy</u>			
HIDTA - Operation Lone Star	95.001	G12SW0004A	\$ 21,240
HIDTA - Operation Lone Star	95.001	G13SW0004A	49,370
HIDTA - Alpine Multi-Agency Task Force	95.001	G13SW0004A	135,024
HIDTA - Alpine Multi-Agency Task Force	95.001	G14SW0004A	79,722
Total CFDA Number 95.001			<u>285,356</u>
Total Passed Thru Office of National Drug Control Policy			<u>285,356</u>
<b>TOTAL EXECUTIVE OFFICE OF THE PRESIDENT</b>			<u>285,356</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<u>Passed Through Texas Department of Public Safety</u>			
Homeland Security Grant Program (OPSG)	97.067	12-GA-48043-04	257,552
Homeland Security Grant Program (OPSG)	97.067	13-SR-48043-03	211,350
Homeland Security Grant Program (SHSP)	97.067	13-GA-48043-02	21,894
Total CFDA Number 97.067			<u>490,796</u>
Total Passed Through Texas Department of Public Safety			<u>490,796</u>
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>490,796</u>
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>			
<u>Passed Through Texas Department of Agriculture</u>			
CDBG - Water Facilities	14.228	713-049	8,210
CDBG - Water Improvements	14.228	711-060	3,100
Total CFDA Number 14.228			<u>11,310</u>
Total Passed Through Texas Department of Agriculture			<u>11,310</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			<u>11,310</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 787,462</u>

**COUNTY OF BREWSTER, TEXAS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL**

**DECEMBER 31, 2014**

---

**1. GENERAL**

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards of the County of Brewster, Texas' federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards for the year ended December 31, 2014.

**2. BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on the modified cash basis of accounting. Expenditures are recognized when paid. Federal and state grants are considered to be earned when received. Advance funding(s) are recorded as deferred revenue until the related expenditures are paid. Capital expenditures are expended in the Schedule of Federal Awards in the period when the purchase is paid; however, for government-wide financial reporting purposes such expenditures are capitalized and depreciated over the period of economic benefit.

The format for the Schedule of Expenditures of Federal Awards has been prescribed by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Such format includes revenue recognized in the County's basic financial statements.

**3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION**

OMB Circular A-133 prescribes a risk-based approach to determining which federal programs are major programs. The approach includes consideration of current and prior audit experience, oversight by federal or state agencies and pass-through entities, and the inherent risk of the program.