

BREWSTER COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2015

**BREWSTER COUNTY, TEXAS
DECEMBER 31, 2015**

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**BREWSTER COUNTY, TEXAS
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County Officials

Eleazar Cano Judge
Luc Novovitch (appointed April 2015) Commissioner, Pct 1
George Johnson (appointed December 2014, resigned 04/13/2015) Commissioner, Pct 1
Hugh Garrett Commissioner, Pct 2
Ruben Ortega Commissioner, Pct 3
Mike Pallanez Commissioner, Pct 4
Ruth Staton (elected 01/01/2015, resigned 01/31/2016) Treasurer
Babett Mann (appointed 03/15/2016) Treasurer
Bertha R. Martinez Clerk
Betty Jo Rooney Tax Assessor
Ronny Dodson Sheriff
Steve Houston Attorney
Treva Watson Auditor

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge Eleazar Cano and
Members of the Commissioners Court of the
Brewster County, 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 Brewster County, Texas, as of and for the year ended December 31, 2015, 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 fraud or error.

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 of the date of our audit report, management was still in the process of performing several account reconciliations and correcting the misstatements. 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 the 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 opinions on the financial statements that collectively comprise the Brewster County, Texas's basic financial statements. The combining and individual nonmajor fund financial statements, management's discussion and analysis and budgetary comparison information 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, 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 combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards.

The management's discussion and analysis and budgetary comparison information on pages 55-59 and 61, 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 August 5, 2016, on our consideration of the Brewster County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brewster County, Texas's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Ch Ruddock CPA LLC". The signature is fluid and cursive, with the initials "CPA" and "LLC" clearly visible at the end.

El Paso, Texas
August 5, 2016

BASIC FINANCIAL STATEMENTS

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BREWSTER COUNTY, TEXAS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2015

EXHIBIT 1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 4,192,262
Receivables (net of allowance for uncollectibles)	3,288
Due from Fiduciary Funds	253
Due from Component Unit	676
Capital Assets:	
Land	604,329
Infrastructure	2,904,201
Buildings	7,883,958
Machinery and Equipment	8,345,865
Accumulated Depreciation	(9,632,221)
Total Assets	14,302,611
LIABILITIES	
Payroll Withholdings	(30,244)
Intergovernmental Payable	143,544
Other Current Liabilities	91,389
Noncurrent Liabilities	
Due Within One Year	155,000
Due in More Than One Year	2,490,000
Total Liabilities	2,849,689
NET POSITION	
Net Investment in Capital Assets	7,461,132
Restricted for:	
Restricted for Federal & State Programs	17,163
Restricted for Debt Service	123,708
Restricted for Other Purposes	1,260,348
Unrestricted Net Position	2,590,571
Total Net Position	\$ 11,452,922

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

BREWSTER COUNTY, TEXAS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 1,828,209	\$ 212,391	\$ 7,436
Public Safety	2,767,578	883,124	642,990
Infrastructure and Environmental Services	463,285	382,742	-
Health and Welfare	125,172	22,578	-
Administration of Justice	802,585	417,143	31,934
Community and Economic Development	717,457	1,733	-
Bond Interest	130,286	-	-
Other Debt Interest	35	-	-
Capital Outlay	505,143	-	-
Intergovernmental	351,315	-	-
TOTAL PRIMARY GOVERNMENT:	\$ 7,691,065	\$ 1,919,711	\$ 682,360

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Hotel Occupancy Taxes

Franchise Taxes

Other 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
\$ -	\$ (1,608,382)
-	(1,241,464)
-	(80,543)
-	(102,594)
-	(353,508)
-	(715,724)
-	(130,286)
-	(35)
124,891	(380,252)
-	(351,315)
<u>\$ 124,891</u>	<u>(4,964,103)</u>

2,085,689
401,755
761,558
848,559
1,428
11,311
17,682
1,186,484
94,308
3,564
<u>5,412,338</u>
448,235
11,004,687
<u>\$ 11,452,922</u>

BREWSTER COUNTY, TEXAS
BALANCE SHEET-MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General Fund	Road & Bridge Fund	HIDTA All Initiatives
ASSETS			
Cash and Cash Equivalents	\$ 2,701,392	\$ 51,635	\$ 35,336
Intergovernmental Receivables	3,288	-	-
Due from Other Funds	110,919	-	-
Due from Component Unit	676	-	-
Total Assets	<u>\$ 2,816,275</u>	<u>\$ 51,635</u>	<u>\$ 35,336</u>
LIABILITIES			
Payroll Withholdings	\$ (33,230)	\$ (1,714)	\$ 2,020
Intergovernmental Payable	59,373	84,171	-
Due to Other Funds	-	-	100,605
Cash Overdrafts	80,139	-	-
Total Liabilities	<u>106,282</u>	<u>82,457</u>	<u>102,625</u>
FUND BALANCES			
Restricted Fund Balance:			
Federal or State Funds Grant Restriction	-	-	-
Retirement of Long-Term Debt	-	-	-
Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
Other Committed Fund Balance	85,404	-	-
Unassigned Fund Balance	2,624,589	(30,822)	(67,289)
Total Fund Balances	<u>2,709,993</u>	<u>(30,822)</u>	<u>(67,289)</u>
Total Liabilities and Fund Balances	<u>\$ 2,816,275</u>	<u>\$ 51,635</u>	<u>\$ 35,336</u>

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

Tourism Council	Other Funds	Total Governmental Funds
\$ 915,848	\$ 488,051	\$ 4,192,262
-	-	3,288
-	-	110,919
-	-	676
<u>\$ 915,848</u>	<u>\$ 488,051</u>	<u>\$ 4,307,145</u>
\$ -	\$ 2,680	\$ (30,244)
-	-	143,544
-	10,061	110,666
-	11,250	91,389
<u>-</u>	<u>23,991</u>	<u>315,355</u>
-	17,163	17,163
-	123,708	123,708
915,848	344,500	1,260,348
-	-	85,404
-	(21,311)	2,505,167
<u>915,848</u>	<u>464,060</u>	<u>3,991,790</u>
<u>\$ 915,848</u>	<u>\$ 488,051</u>	<u>\$ 4,307,145</u>

BREWSTER COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-MODIFIED CASH
BASIS-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Road & Bridge Fund	HIDTA All Initiatives
REVENUES:			
Taxes:			
Property Taxes	\$ 2,085,689	\$ -	\$ -
General Sales and Use Taxes	761,558	-	-
Hotel Occupancy Taxes	-	-	-
Franchise Tax	1,428	-	-
Other Taxes	11,311	-	-
Penalty and Interest on Taxes	14,290	-	-
Licenses and Permits	4,425	240,065	-
Intergovernmental Revenue and Grants	1,225,854	-	256,775
Charges for Services	1,335,102	-	-
Fines	14,573	-	-
Forfeits	1,500	-	-
Special Assessments	-	142,244	-
Investment Earnings	3,420	-	-
Rents and Royalties	24,850	-	-
Contributions & Donations from Private Sources	4,000	-	-
Other Revenue	57,182	-	-
Total Revenues	<u>5,545,182</u>	<u>382,309</u>	<u>256,775</u>
EXPENDITURES:			
Current:			
General Government	1,743,920	-	-
Public Safety	1,847,014	-	268,674
Infrastructure and Environmental Services	1,229	506,020	-
Health and Welfare	124,719	-	-
Administration of Justice	813,910	-	-
Community and Economic Development	129,532	-	-
Debt Service:			
Bond Principal	-	-	-
Other Debt Principal	-	-	-
Bond Interest	-	-	-
Other Debt Interest	-	-	-
Capital Outlay:			
Capital Outlay	70,932	153,668	-
Intergovernmental:			
Intergovernmental	351,315	-	-
Total Expenditures	<u>5,082,571</u>	<u>659,688</u>	<u>268,674</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>462,611</u>	<u>(277,379)</u>	<u>(11,899)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	13,489	-	-
Transfers Out (Use)	(19,000)	-	-
Total Other Financing Sources (Uses)	<u>(5,511)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	457,100	(277,379)	(11,899)
Fund Balance - January 1 (Beginning)	<u>2,252,893</u>	<u>246,557</u>	<u>(55,390)</u>
Fund Balance - December 31 (Ending)	<u>\$ 2,709,993</u>	<u>\$ (30,822)</u>	<u>\$ (67,289)</u>

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

Tourism Council	Other Funds	Total Governmental Funds
\$ -	\$ 401,755	\$ 2,487,444
-	-	761,558
848,559	-	848,559
-	-	1,428
-	-	11,311
-	3,392	17,682
-	433	244,923
-	506,106	1,988,735
-	63,030	1,398,132
-	615	15,188
-	115,465	116,965
-	6,685	148,929
-	144	3,564
-	-	24,850
-	1,000	5,000
1,243	6,607	65,032
<u>849,802</u>	<u>1,105,232</u>	<u>8,139,300</u>
-	19,478	1,763,398
-	344,242	2,459,930
-	-	507,249
-	-	124,719
-	139	814,049
569,091	31,459	730,082
-	365,000	365,000
-	17,260	17,260
-	130,286	130,286
-	35	35
-	280,543	505,143
-	-	351,315
<u>569,091</u>	<u>1,188,442</u>	<u>7,768,466</u>
<u>280,711</u>	<u>(83,210)</u>	<u>370,834</u>
-	32,506	45,995
(26,978)	(17)	(45,995)
(26,978)	32,489	-
253,733	(50,721)	370,834
662,115	514,781	3,620,956
<u>\$ 915,848</u>	<u>\$ 464,060</u>	<u>\$ 3,991,790</u>

BREWSTER COUNTY, TEXAS
 STATEMENT OF NET POSITION-MODIFIED CASH BASIS
 FIDUCIARY FUNDS
 DECEMBER 31, 2015

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 246,104
Due from Others	2,401
Total Assets	<u>\$ 248,505</u>
LIABILITIES	
Due to Other Funds	\$ 253
Due to Others	245,851
Cash Overdrafts	2,401
Total Liabilities	<u>\$ 248,505</u>

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

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 States 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:	Brewster County, 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 welfare, 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)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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, 2015 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 welfare, administration of justice, and community and economic development activities are classified as governmental activities.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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, 2015 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, 2015, 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)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 Brewster County, 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)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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, 2015, the County's investments in TexSTAR and TexPool investment pools were rated AAAM by Standard and Poor's.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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	3-15 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, 2015 was \$101,346, 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, on May 15, 2015, the policy was rescinded and the original policy was reinstated.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County's original policy provides post-retirement healthcare and life benefits to employees and elected officials that retire after 15 years of continuous creditable service for employees and elected officials hired subsequent to September 1, 2000 and 10 years of continuous creditable service for employees and elected officials hired prior to that date, subject to other restrictions detailed in the Employee Handbook adopted July 2013. In 2015, seventeen County retirees received post-retirement benefits at a total cost of \$39,890, to the County for insurance premiums paid. The County reports post-retirement benefits on a modified cash basis which records expense in the reporting period when paid. See subsequent event disclosure at Note IV. K.

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)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 adopted during 2015 was \$.372697 per \$100 valuation.

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)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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.

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 \$ 3,991,790

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 \$19,233,210 and the accumulated depreciation was \$8,822,219. 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.

7,383,731

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

**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 2015 capital outlays and debt principal payments is to increase net position. 887,403

The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (810,002)

Net Position of Governmental Activities \$ 11,452,922

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 \$ 370,834

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 2015 capital outlays and debt principal payments is to increase net position. 887,403

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. (810,002)

Change in Net Position of Governmental Activities \$ 448,235

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 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.

Commissioners Court must approve and adopt the budget by end of August. 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)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At December 31, 2015, 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 \$2,666,610. Of the banks' balances, \$329,174 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, 2015, are reported as "Cash equivalents" and are shown below.

<u>Temporary Investments</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Rating</u>
TexPool	\$ 1,363,926	\$ 1,363,926	AAAm
Texas Class	407,830	407,830	AAAm
Total	<u>\$ 1,771,756</u>	<u>\$ 1,771,756</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.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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, 2015:

General fund:		
General	\$	486,580
Road and Bridge		(99,582)
Jail infrastructure		(14,773)
Special revenue funds:		
Records management		104,752
PTD fund		11,134
LEOSE training		14,355
Homeland security all initiatives		5,435
HIDTA all initiatives		34,281
Technology		7,527
Courthouse preservation		31,692
Border colonia access		53
Fire Truck VFD		5,593
Community Facilities		3,810
Clerk technology		500
		<u>500</u>
	\$	<u>591,357</u>

Three of the County's deposit accounts resulted in overdrafts and have been reflected as such on the balance sheet.

B. Property Taxes

Property taxes receivable consisted of the following at December 31, 2015 which are recognized when received using the modified cash basis of accounting:

Current taxes receivable	\$	1,612,982
Delinquent taxes receivable		<u>281,253</u>
Ad valorem taxes receivable	\$	<u>1,894,235</u>
Delinquent taxes by year:		
2014	\$	60,569
2013		34,818
2012		26,537
2011		22,312
2010		19,153
2009 and prior		<u>117,864</u>
	\$	<u>281,253</u>

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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, 2015 consisted of the following individual amounts:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund		
HIDTA - All Initiatives	\$ 100,605	\$ -
Nonmajor Governmental Funds	10,061	-
Agency Funds	<u>253</u>	<u>-</u>
Total General Fund	<u>110,919</u>	<u>-</u>
HIDTA - All Initiatives		
General Fund	<u>-</u>	<u>100,605</u>
Nonmajor Governmental Funds		
General Fund	<u>-</u>	<u>10,061</u>
Agency Funds		
General Fund	<u>-</u>	<u>253</u>
Total	<u>\$ 110,919</u>	<u>\$ 110,919</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 hotel taxes collected from the Tourism Fund restricted for the Courthouse Preservation fund, and to the general fund to cover expenditures related to bookkeeping and audit expenses of tourism fund finances.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

Transfers out of:	Transfers into:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 19,000	\$ 19,000
Nonmajor Governmental Funds	-	17	17
Tourism Council	13,489	13,489	26,978
Total	\$ 13,489	\$ 32,506	\$ 45,995

D. Capital Assets

Capital asset activity for the County for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Retirements & Transfers	Ending Balance
Land	\$ 604,329	\$ -	\$ -	\$ 604,329
Court house and buildings	5,637,312	18,516	-	5,655,828
Jail building	2,213,856	14,274	-	2,228,130
Machinery and Equipment	6,253,036	244,491	-	6,497,527
Emergency Equipment	1,848,338	-	-	1,848,338
Infrastructure streets	2,676,339	227,862	-	2,904,201
Totals at historical cost	19,233,210	505,143	-	19,738,353
Accumulated Depreciation	(8,822,219)	(810,002)	-	(9,632,221)
	<u>\$ 10,410,991</u>	<u>\$ (304,859)</u>	<u>\$ -</u>	<u>\$ 10,106,132</u>

Depreciation expense for the year ended December 31, 2015 as reported in the government-wide financial statements follows:

General Government	\$ 94,671
Public Safety	476,400
Infrastructure and Environmental Services	234,715
Health and Welfare Services	453
Administration of Justice	2,085
Community and Economic Development	1,678
	<u>\$ 810,002</u>

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

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, vehicle registration fees, and vehicle sales tax 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. Vehicle registration fees are generally remitted to the State at the end of each week and vehicle sales tax are generally remitted to the State the month after the Tax Assessors/Collectors office has collected the fees.

At December 31, 2015, the carrying amount in the intergovernmental balance was as follows:

	General Fund	Road & Bridge Fund	Total
Due to Taxing Authorities	\$ 22,371	\$ -	\$ 22,371
Due to State of Texas	37,002	84,171	121,173
Total	\$ 59,373	\$ 84,171	\$ 143,544

F. Long-term Debt

Long-term liability activity for the year ended December 31, 2015, was as follows:

Description	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Certificates of Obligation, Series 2005	\$ 175,000	\$ -	\$ 175,000	\$ -	\$ -
Certificates of Obligation, Series 2008	2,705,000	-	60,000	2,645,000	155,000
Tax Notes, Series 2008	130,000	-	130,000	-	-
2012 Pitts Roll Off Trailer Loan	17,260	-	17,260	-	-
	\$ 3,027,260	\$ -	\$ 382,260	\$ 2,645,000	\$ 155,000

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

The annual debt service requirements to maturity, including principal and interest, as of December 31, 2015 are as follows:

Year Ending	Principal	Interest	Total
2016	\$ 155,000	\$ 118,805	\$ 273,805
2017	160,000	112,425	272,425
2018	165,000	105,639	270,639
2019	175,000	98,414	273,414
2020	180,000	90,690	270,690
2021 - 2025	1,050,000	317,864	1,367,864
2026 - 2028	760,000	58,130	818,130
	<u>\$ 2,645,000</u>	<u>\$ 901,967</u>	<u>\$ 3,546,967</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. The final payment, as scheduled, was made during 2015 and the debt has been fully repaid.

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. The Certificates maturing on February 15, 2019, February 15, 2021 and February 15, 2028 (term certificates) are also subject to mandatory sinking fund redemption prior to maturity.

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. The final payment, as scheduled, was made during 2015 and the debt has been fully repaid.

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%. The final payment, as scheduled, was made during 2015 and the loan has been fully repaid.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

G. Fund Balances

The following schedule discloses the details of fund balance classifications as of December 31, 2015:

	General Fund	Road & Bridge Fund	HIDTA - All Initiatives	Tourism Council	Other Funds	Total
Restricted:						
Records Management, Preservation and Courthouse Security	\$ -	\$ -	\$ -	\$ -	\$ 104,752	\$ 104,752
Pre-Trial Diversion Program	-	-	-	-	11,134	11,134
Marathon EMS	-	-	-	-	72	72
Groundwater Conservation	-	-	-	-	17,595	17,595
Sheriff Seized Property	-	-	-	-	95,622	95,622
Sheriff Abandoned Vehicles	-	-	-	-	45,115	45,115
County Attorney Hot Checks	-	-	-	-	6,153	6,153
JP Technology Fund	-	-	-	-	7,527	7,527
Courthouse Preservation	-	-	-	-	38,136	38,136
Fire Truck Stations	-	-	-	-	5,593	5,593
Community Facilities	-	-	-	-	3,810	3,810
Clerk's Technology	-	-	-	-	500	500
County Jail	-	-	-	-	8,491	8,491
Tourism Promotion	-	-	-	915,848	-	915,848
Debt Service	-	-	-	-	123,708	123,708
Total other restricted	-	-	-	915,848	468,208	1,384,056
Restricted for Grants:						
LEOSE Training	-	-	-	-	14,355	14,355
Homeland Security	-	-	-	-	2,755	2,755
TX DOT Colonia Program	-	-	-	-	53	53
Total restricted for grants	-	-	-	-	17,163	17,163
Total restricted	-	-	-	915,848	485,371	1,401,219
Committed:						
Jail infrastructure	85,404	-	-	-	-	85,404
Total committed	85,404	-	-	-	-	85,404
Unassigned:						
Fund deficits	2,624,589	-	-	-	-	2,624,589
Infrastructure	-	(30,822)	-	-	-	(30,822)
HIDTA	-	-	(67,289)	-	-	(67,289)
Borderstar	-	-	-	-	(10,061)	(10,061)
CDBG 713-049	-	-	-	-	(11,250)	(11,250)
Total unassigned	2,624,589	(30,822)	(67,289)	-	(21,311)	2,505,167
Total fund balances	\$ 2,709,993	\$ (30,822)	\$ (67,289)	\$ 915,848	\$ 464,060	\$ 3,991,790

Typically, the County also transfers a significant amount annually from the General Fund to fund operations within the Road and Bridge fund. The transfer was not made timely during 2015 and as a result the Road and Bridge fund has reported a deficit fund balance at December 31, 2015. The other deficits are expected to be liquidated upon receipt of outstanding reimbursements.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

H. Retirement Plan Commitments

Plan Description: The County provides a pension benefit for all of its full-time and part-time employees through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the State of Texas and administered in accordance with the TCDRS Act, Title 8, Subtitle F, Texas Government Code (the TCDRS Act). The Board of Trustees of the TCDRS is responsible for the administration of the statewide agent multiple-employer public retirement system consisting of 677 employers. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or online at <https://www.tcdrs.org/Employer/EmployerServices/Pages/Publications.aspx>.

Benefits Provided: TCDRS provides retirement, disability, and death benefits. The Plan provisions are adopted by the governing body of Brewster County, Texas, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that resulting benefits are expected to be adequately financed by the County's commitment to contribute. The employee's savings grow, by law, at a rate of seven percent (7%), compounded annually. 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.

The employees and beneficiaries covered by the benefit terms at the December 31, 2015 valuation and measurement date were as follows:

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	95
Active employees	<u>84</u>
Total covered employees and beneficiaries	<u><u>222</u></u>

Members can retire at age sixty (60) and above with ten (10) or more years of services, with thirty (30) years of service regardless of age, or when the sum of their age and years of service equals eighty (80) years or more. Members are vested after ten (10) years of service but must leave their accumulated contributions 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. There are no automatic post-employment benefit changes, including automatic COLAs.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

Contributions: The contribution rates for employees are 7% of compensation, as adopted by the County's governing body and deposited monthly with TCDRS. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Under the TCDRS Act, the employer is legally required to make 100% of the contribution specified in the funding policy on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

The contribution rate payable by the employee members for the plan's calendar year 2015 and the County's fiscal year ending December 31, 2015 was seven percent (7%) as adopted by the governing body of the County. The County contributed using the actuarially determined rate of 10.76% for the fiscal year ending December 31, 2015. The employee contribution rate and the employer contribution rate may be amended by the governing body of the employer within the options available under the TCDRS Act. Based upon reporting to TCDRS, the County's contributions to TCDRS for the year ended December 31, 2015 were \$314,756 and were more than the required contributions of \$313,374. As of the report date, management is working with TCDRS to determine the accuracy of amounts reported.

The County has included applicable disclosures as a result of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date* within the limitations of modified cash basis of accounting.

I. Other 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, 2015, 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.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

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. In November 2015, the County's federal Homeland Security Grant Program funds were temporarily suspended for failure to comply with the A-133 reporting requirements. In 2015, the County's Texas Department of Agriculture (TDA) CDBG funds were automatically suspended for failure to comply with TDA and A-133 reporting requirements. See subsequent event disclosure at Note IV. K.

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, 2015, 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.

J. Related Party Transactions

As of December 31, 2015, the County had paid expenditures totaling \$47,979 involving transactions with County Officials. These transactions related to payments made to a vendor which is owned by the Chief Deputy of the Sheriff's Office, another vendor owned by a relative of the Chief Deputy of the Sheriff's office, another vendor which is owned by the Sheriff's spouse, another vendor which employs one of the County Commissioners and another vendor in which is owned by one of the County Commissioners who resigned April 2015. County Officials abstained from voting when these expenditures were approved by Commissioners Court.

K. Subsequent Events

The County has made significant catch up contributions subsequent to year-end for contributions that should have been paid in 2015 for certain employee and retiree health, life and retirement benefits.

Subsequent to year end, the County received written notification from the Texas Homeland Security State Administrative Agency that the temporary suspension had been lifted. Upon submission of the Texas Department of Agriculture (TDA) Single Audit package subsequent to year end, the automatic suspension had been lifted on the TDA CDBG funds.

SUPPLEMENTARY INFORMATION

BREWSTER COUNTY, TEXAS
 COMBINING BALANCE SHEET-MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2015

	Records Management	County Attorney PTD Fund	Marathon EMS	LEOSE Training
ASSETS				
Cash and Cash Equivalents	\$ 104,752	\$ 11,134	\$ 72	\$ 14,355
Total Assets	<u>\$ 104,752</u>	<u>\$ 11,134</u>	<u>\$ 72</u>	<u>\$ 14,355</u>
LIABILITIES				
Payroll Withholdings	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Cash Overdrafts	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	-	-	14,355
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	104,752	11,134	72	-
Unassigned Fund Balance	-	-	-	-
Total Fund Balances	<u>104,752</u>	<u>11,134</u>	<u>72</u>	<u>14,355</u>
Total Liabilities and Fund Balances	<u>\$ 104,752</u>	<u>\$ 11,134</u>	<u>\$ 72</u>	<u>\$ 14,355</u>

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

Brewster Cty Groundwater Conserv. Dist	Homeland Security All Initiatives	Sheriff Awarded Account	Sheriff Abandoned Vehicles	Borderstar 2817301	JAG 1979705	County Attorney Special	JP Technology Fund
\$ 17,595	\$ 5,435	\$ 95,622	\$ 45,115	\$ -	\$ -	\$ 6,153	\$ 7,527
<u>\$ 17,595</u>	<u>\$ 5,435</u>	<u>\$ 95,622</u>	<u>\$ 45,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,153</u>	<u>\$ 7,527</u>
\$ -	\$ 2,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	10,061	-	-	-
-	-	-	-	-	-	-	-
-	2,680	-	-	10,061	-	-	-
-	2,755	-	-	-	-	-	-
-	-	-	-	-	-	-	-
17,595	-	95,622	45,115	-	-	6,153	7,527
-	-	-	-	(10,061)	-	-	-
<u>17,595</u>	<u>2,755</u>	<u>95,622</u>	<u>45,115</u>	<u>(10,061)</u>	<u>-</u>	<u>6,153</u>	<u>7,527</u>
<u>\$ 17,595</u>	<u>\$ 5,435</u>	<u>\$ 95,622</u>	<u>\$ 45,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,153</u>	<u>\$ 7,527</u>

BREWSTER COUNTY, TEXAS
 COMBINING BALANCE SHEET-MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2015

	Courthouse Preservation	TX DOT Colonia Program	Fire Truck Fund	Community Facilities
ASSETS				
Cash and Cash Equivalents	\$ 38,136	\$ 53	\$ 5,593	\$ 3,810
Total Assets	<u>\$ 38,136</u>	<u>\$ 53</u>	<u>\$ 5,593</u>	<u>\$ 3,810</u>
LIABILITIES				
Payroll Withholdings	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Cash Overdrafts	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	53	-	-
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	38,136	-	5,593	3,810
Unassigned Fund Balance	-	-	-	-
Total Fund Balances	<u>38,136</u>	<u>53</u>	<u>5,593</u>	<u>3,810</u>
Total Liabilities and Fund Balances	<u>\$ 38,136</u>	<u>\$ 53</u>	<u>\$ 5,593</u>	<u>\$ 3,810</u>

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

Technology Fee for Clerks	CDBG 713-049	Inmate Commissary Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 500	\$ -	\$ 8,491	\$ 364,343	\$ 123,708	\$ 488,051
<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 8,491</u>	<u>\$ 364,343</u>	<u>\$ 123,708</u>	<u>\$ 488,051</u>
\$ -	\$ -	\$ -	\$ 2,680	\$ -	\$ 2,680
-	-	-	10,061	-	10,061
-	11,250	-	11,250	-	11,250
<u>-</u>	<u>11,250</u>	<u>-</u>	<u>23,991</u>	<u>-</u>	<u>23,991</u>
-	-	-	17,163	-	17,163
-	-	-	-	123,708	123,708
500	-	8,491	344,500	-	344,500
-	(11,250)	-	(21,311)	-	(21,311)
<u>500</u>	<u>(11,250)</u>	<u>8,491</u>	<u>340,352</u>	<u>123,708</u>	<u>464,060</u>
<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 8,491</u>	<u>\$ 364,343</u>	<u>\$ 123,708</u>	<u>\$ 488,051</u>

BREWSTER COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Records Management	County Attorney PTD Fund	Marathon EMS	LEOSE Training
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	3,626
Charges for Services	47,777	3,334	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Special Assessments	-	-	-	-
Investment Earnings	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>47,777</u>	<u>3,334</u>	<u>-</u>	<u>3,626</u>
EXPENDITURES:				
Current:				
General Government	19,478	-	-	-
Public Safety	-	-	-	40
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>19,478</u>	<u>-</u>	<u>-</u>	<u>40</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,299</u>	<u>3,334</u>	<u>-</u>	<u>3,586</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	28,299	3,334	-	3,586
Fund Balance - January 1 (Beginning)	<u>76,453</u>	<u>7,800</u>	<u>72</u>	<u>10,769</u>
Fund Balance - December 31 (Ending)	<u>\$ 104,752</u>	<u>\$ 11,134</u>	<u>\$ 72</u>	<u>\$ 14,355</u>

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

Brewster Cty Groundwater Conserv. Dist	Homeland Security All Initiatives	Sheriff Awarded Account	Sheriff Abandoned Vehicles	Borderstar 2817301	JAG 1979705	County Attorney Special	JP Technology Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
433	-	-	-	-	-	-	-
-	336,795	-	-	40,794	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	615	-
-	-	56,008	59,457	-	-	-	-
-	-	-	-	-	-	-	6,685
-	-	-	-	-	-	6	-
-	-	-	-	-	-	-	-
-	-	-	2,440	-	-	4,167	-
<u>433</u>	<u>336,795</u>	<u>56,008</u>	<u>61,897</u>	<u>40,794</u>	<u>-</u>	<u>4,788</u>	<u>6,685</u>
-	-	-	-	-	-	-	-
-	230,112	24,776	19,743	45,907	-	-	-
-	-	-	-	-	-	139	-
20,329	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>114,260</u>	<u>24,643</u>	<u>12,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>20,329</u>	<u>344,372</u>	<u>49,419</u>	<u>31,879</u>	<u>45,907</u>	<u>-</u>	<u>139</u>	<u>-</u>
<u>(19,896)</u>	<u>(7,577)</u>	<u>6,589</u>	<u>30,018</u>	<u>(5,113)</u>	<u>-</u>	<u>4,649</u>	<u>6,685</u>
19,000	-	-	-	-	17	-	-
-	-	-	-	-	(17)	-	-
<u>19,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(896)	(7,577)	6,589	30,018	(5,113)	-	4,649	6,685
<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>\$ 17,595</u>	<u>\$ 2,755</u>	<u>\$ 95,622</u>	<u>\$ 45,115</u>	<u>\$ (10,061)</u>	<u>\$ -</u>	<u>\$ 6,153</u>	<u>\$ 7,527</u>

BREWSTER COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Courthouse Preservation	TX DOT Colonia Program	Fire Truck Fund	Community Facilities
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	-	-	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Special Assessments	-	-	-	-
Investment Earnings	11	-	-	-
Contributions & Donations from Private Sources	-	-	1,000	-
Other Revenue	-	-	-	-
Total Revenues	<u>11</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Administration of Justice	-	-	-	-
Community and Economic Development	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Other Debt Principal	-	-	-	-
Bond Interest	-	-	-	-
Other Debt Interest	-	-	-	-
Capital Outlay:				
Capital Outlay	4,493	-	-	-
Total Expenditures	<u>4,493</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,482)</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	13,489	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>13,489</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	9,007	-	1,000	-
Fund Balance - January 1 (Beginning)	<u>29,129</u>	<u>53</u>	<u>4,593</u>	<u>3,810</u>
Fund Balance - December 31 (Ending)	<u>\$ 38,136</u>	<u>\$ 53</u>	<u>\$ 5,593</u>	<u>\$ 3,810</u>

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

Technology Fee for Clerks	CDBG 713-049	Inmate Commissary Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 401,755	\$ 401,755
-	-	-	-	3,392	3,392
-	-	-	433	-	433
-	124,891	-	506,106	-	506,106
-	-	11,919	63,030	-	63,030
-	-	-	615	-	615
-	-	-	115,465	-	115,465
-	-	-	6,685	-	6,685
-	-	-	17	127	144
-	-	-	1,000	-	1,000
-	-	-	6,607	-	6,607
-	124,891	11,919	699,958	405,274	1,105,232
-	-	-	19,478	-	19,478
-	-	23,664	344,242	-	344,242
-	-	-	139	-	139
-	11,130	-	31,459	-	31,459
-	-	-	-	365,000	365,000
-	-	-	-	17,260	17,260
-	-	-	-	130,286	130,286
-	-	-	-	35	35
-	125,011	-	280,543	-	280,543
-	136,141	23,664	675,861	512,581	1,188,442
-	(11,250)	(11,745)	24,097	(107,307)	(83,210)
-	-	-	32,506	-	32,506
-	-	-	(17)	-	(17)
-	-	-	32,489	-	32,489
-	(11,250)	(11,745)	56,586	(107,307)	(50,721)
500	-	20,236	283,766	231,015	514,781
<u>\$ 500</u>	<u>\$ (11,250)</u>	<u>\$ 8,491</u>	<u>\$ 340,352</u>	<u>\$ 123,708</u>	<u>\$ 464,060</u>

BREWSTER COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-MODIFIED CASH BASIS
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	BALANCE JANUARY 1 2015	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31 2015
HISTORICAL COMMISSION				
Assets:				
Cash and Cash Equivalents	\$ 4,241	\$ 7	\$ 2,400	\$ 1,848
Liabilities:				
Due to Others	\$ 4,241	\$ 7	\$ 2,400	\$ 1,848
COUNTY ATTORNEY				
Assets:				
Cash and Cash Equivalents	\$ 6,454	\$ 8,904	\$ 8,005	\$ 7,353
Liabilities:				
Due to Others	\$ 6,454	\$ 8,904	\$ 8,005	\$ 7,353
INMATE TRUST FUND				
Assets:				
Cash and Cash Equivalents	\$ 2,096	\$ 57,992	\$ 60,088	\$ -
Due from Others	-	2,401	-	2,401
Total Assets	\$ 2,096	\$ 60,393	\$ 60,088	\$ 2,401
Liabilities:				
Due to Others	\$ 2,096	\$ 57,992	\$ 60,088	\$ -
Cash Overdrafts	-	2,401	-	2,401
Total Liabilities	\$ 2,096	\$ 60,393	\$ 60,088	\$ 2,401
DISTRICT CLERK CHILD SUPPORT				
Assets:				
Cash and Cash Equivalents	\$ 3,179	\$ 10	\$ -	\$ 3,189
Liabilities:				
Due to Others	\$ 3,179	\$ 10	\$ -	\$ 3,189
DISTRICT CLERK BONDS				
Assets:				
Cash and Cash Equivalents	\$ 28,350	\$ 8,400	\$ 4,000	\$ 32,750
Liabilities:				
Due to Others	\$ 28,350	\$ 8,400	\$ 4,000	\$ 32,750
DISTRICT CLERK OTHER				
Assets:				
Cash and Cash Equivalents	\$ 10,044	\$ 16	\$ -	\$ 10,060
Liabilities:				
Due to Others	\$ 10,044	\$ 16	\$ -	\$ 10,060

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

BREWSTER COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - MODIFIED CASH BASIS
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	BALANCE JANUARY 1 2015	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31 2015
COUNTY CLERK BONDS				
Assets:				
Cash and Cash Equivalents	\$ 62,275	\$ 16,338	\$ 8,032	\$ 70,581
Liabilities:				
Due to Others	\$ 62,275	\$ 16,338	\$ 8,032	\$ 70,581
TRI COUNTY JUVENILE PROBATION				
Assets:				
Cash and Cash Equivalents	\$ 75,471	\$ 314,769	\$ 269,917	\$ 120,323
Liabilities:				
Due to Other Governments	\$ 1,157	\$ -	\$ 904	\$ 253
Due to Others	74,314	314,769	269,013	120,070
Total Liabilities	\$ 75,471	\$ 314,769	\$ 269,917	\$ 120,323
TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 192,110	\$ 406,436	\$ 352,442	\$ 246,104
Due From Others	-	2,401	-	2,401
Total Assets	\$ 192,110	\$ 408,837	\$ 352,442	\$ 248,505
Liabilities:				
Due to Other Governments	\$ 1,157	\$ -	\$ 904	\$ 253
Due to Others	190,953	406,436	351,538	245,851
Cash Overdrafts	-	2,401	-	2,401
Total Liabilities	\$ 192,110	\$ 408,837	\$ 352,442	\$ 248,505

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

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OTHER INFORMATION

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

**COUNTY OF BREWSTER, TEXAS
MANGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2015**

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, 2015. 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 modified cash basis of accounting which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). Management budgets on a cash basis and records receipts and disbursements on a modified 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 17) 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, 2015, the general fund reported a fund balance of \$2,709,993, as compared to \$2,252,893 at December 31, 2014. The net change in excess of revenue over expenses in 2015, \$457,100, resulted in the increase in fund balance mainly due to conservative budgeting during the 2015 budget compilation process and a transfer to the road and bridge fund to cover the fund's operating deficit was not made timely.

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 a 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 or 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 increased by \$448,235. The increase is the result of increased hotel tax receipts because of tourism to Big Bend and the area, as well as conservative budgeting during the 2015 budget compilation process.

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 \$3,991,790 as compared with \$3,620,956 at the end of 2014. The increase is the result of increased hotel tax receipts because of tourism to Big Bend and the area, as well as conservative budgeting during the 2015 budget compilation process.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the County had approximately \$10.1 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 \$2,645,000 in certificates of obligations, tax notes, and loans payable compared to \$3,027,260 in 2014. 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 2015 budget, tax rates, and fees. Unemployment in the County is 3.7% compared to 3.8% a year ago, this is due to the upswing in the oil and gas business. This compares with the State's unemployment rate of 4.2% and the national rate of 5.5% 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

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BREWSTER COUNTY, TEXAS

**BUDGETARY COMPARISON SCHEDULE - TEXAS DEPARTMENT OF AGRICULTURE
COMMUNITY DEVELOPMENT BLOCK GRANT
WATER FACILITIES IMPROVEMENTS**

DECEMBER 31, 2015

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

	FEDERAL					
	Budget	Prior Years	Current Year	Local	Total	Variance
REVENUE						
Federal and State	\$ 168,637	\$ 8,210	\$ 124,891	\$ -	\$ 133,101	\$ (35,536)
Local-Brewster County	23,113	-	-	24,893	24,893	1,780
Total Revenue	191,750	8,210	124,891	24,893	157,994	(33,756)
EXPENDITURES						
Federal and State						
Administration	18,550	3,710	11,130	-	14,840	(3,710)
Water facilities	127,587	-	107,011	-	107,011	(20,576)
Engineering	22,500	4,500	18,000	-	22,500	-
Local						
Administration	-	-	-	-	-	-
Water facilities	23,113	-	-	24,893	24,893	1,780
Engineering	-	-	-	-	-	-
Total Expenditures	191,750	8,210	136,141	24,893	169,244	(22,506)
Excess Revenue Over (Under) Expenditures	\$ -	\$ -	\$ (11,250)	\$ -	\$ (11,250)	\$ (11,250)

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FEDERAL FINANCIAL ASSISTANCE SECTION

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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
Brewster County, 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 Brewster County, Texas, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Brewster County, Texas's basic financial statements and have issued our report thereon dated August 5, 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 of the date of our audit report, management was still in the process of performing several account reconciliations and correcting the misstatements. 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 Brewster County, Texas, we considered Brewster County, 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 Brewster County, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of Brewster County, Texas's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs that we consider to be material weaknesses as items 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-007 and 2015-008.

Compliance and Other Matters

In connection with our engagement to audit the modified cash basis financial statements of Brewster County, 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 questioned costs as items 2015-005, 2015-009, 2015-010, 2015-011, 2015-012 and 2015-013. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Brewster County, Texas's Response to Findings

Brewster County, Texas's response to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. Brewster County, Texas's response was not subjected to the auditing procedures applied in the engagement to audit 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 engagement to perform an audit 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.

A handwritten signature in black ink, appearing to read "C. R. Riddock". The signature is written in a cursive style with a large initial "C" and "R".

El Paso, Texas
August 5, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Brewster County, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Brewster County, Texas's major federal programs for the year ended December 31, 2015. Brewster County, 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Brewster County, 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Brewster County, 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 Brewster County, Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, Brewster County, 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 major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

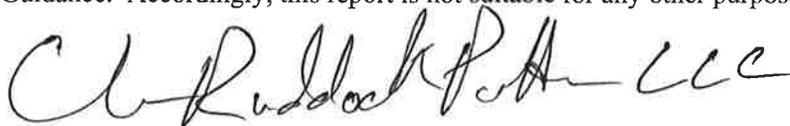
Management of Brewster County, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Brewster County, Texas's internal control over 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 the Uniform Guidance, 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 Brewster County, Texas's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-014, and 2015-015, that we consider to be significant deficiencies.

Brewster County, Texas's 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. Brewster County, Texas's 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



El Paso, Texas
August 5, 2016

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued:	Modified
Internal control over financial reporting:	
Material weaknesses identified?	Yes, findings 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-007 and 2015-008.
Significant deficiencies identified that are not considered to be material weaknesses?	None reported.
Noncompliance material to the financial statements:	Yes, findings 2015-005, 2015-009, 2015-010, 2015-011, 2015-012 and 2015-013.

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	None reported.
Significant deficiencies identified that are not considered to be material weaknesses?	Yes, findings 2015-014, and 2015-015.
Type of auditor's report issued on compliance for major programs:	Unmodified - Homeland Security Grant Program (CFDA 97.067) Unmodified - High Intensity Drug Trafficking Area (CFDA 95.001)
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes, findings 2015-014 and 2015-015.
Major Federal Programs:	<u>Homeland Security Grant Program:</u> CFDA 97.067 <u>High Intensity Drug Trafficking Area:</u> CFDA 95.001
Dollar Threshold Considered Between Type A and Type B Federal Programs:	\$750,000
Auditee qualified as low-risk auditee?	No

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS

2015-001 - 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: Segregation of duties over payroll, journal entries and cash receipts were inadequate. The County Auditor has attempted to segregate duties over payroll; however with the turnover that occurred in 2015; implementation for the entire period was not possible. In addition, it appears new hire information and payroll are not reviewed consistently for accuracy. The Treasurer can prepare, enter and post journal entries without any oversight. During our documentation of the journal entries approval process, we noted that there is no evidence of approval by the appropriate personnel. Each clerk in the county clerk department is not assigned a specific function as the three clerks can process receipts and make bank deposits. Similarly, in the district clerk department, the district clerk can process cash receipts, reconcile the money, and make the deposit. In addition, neither department maintains a mail log.

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: Due to a newly elected Treasurer in 2015 and turnover in the Treasurer's office, progress that had begun to take shape in 2014 was derailed during 2015.

Recommendation: In June 2015, Commissioner's Court filed an order to appoint a County Auditor to address this finding and others. The County Auditor was hired Fall of 2015 and is working to setup necessary segregation of duties going forward. We recommend management properly segregate duties for payroll, journal entries and cash receipts; ensure duties are performed consistently as segregated; and document all reviews and approvals. Due to the smaller size of the County, appropriate monitoring controls should be implemented to reduce the risk of fraud and errors which include reviewing the general ledger and journal entry report on a periodic basis. Lastly, mail logs should be maintained by departments who receive collections by mail.

Repeat Finding: Yes. A similar finding has been reported during the last two years as 2014-001 and 2013-001.

Management Response: See corrective action plan.

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-002 - Internal Control Over Financial Reporting - Inadequate Documentation and Internal Controls over Credit Cards

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 -Individual personnel files still need to be updated to reflect changes in compensation and employee information. 2) Cash Disbursements - The County implemented a purchase order process during 2015; however, the process is being refined and improvements are needed. During our documentation of the cash disbursements cycle, it was noted that duplicate payments for the same invoice would often be made. 3) Credit Cards - Based upon our walkthrough of cash disbursements, it appears credit cards are no longer checked out but instead various elected officials either have their own or share a credit card. Several of these elected officials have not signed and acknowledged the credit card usage policy. These practices differ from the credit card policies and procedures found in the July 2013 Employee Handbook. In addition, credit card limits have not been set in accordance with the needs of the individual elected official. Also, the current County Treasurer believed the use of the credit cards prohibit cash advances but was not 100% certain. Monitoring rights with the credit card issuer to allow for online review and notification of any unusual activity have not been setup. 4) In addition, several entries posted from March 24th through November 3rd had no support on file.

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: Due to a newly elected Treasurer in 2015 and turnover in the Treasurer's office, the state of the Treasurer's office was in disarray throughout 2015. The County does not have an adequate filing system in place. There has also been very limited oversight over many of the accounting functions.

Recommendation: We recommend management implement procedures to ensure adequate documentation is maintained to support the amounts paid and journal entries posted, including payroll, and ensure that all disbursements and journal entries are approved prior to being incurred or posted to the general ledger. 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. Use of credit cards pose higher risk of misappropriation of assets, therefore, if the County can manage without credit cards, the County should do so. However, if continued use of credit cards are necessary additional appropriate controls over the custody and monitoring of credit cards should be implemented. Credit card limits should be set dependent on need and credit cards should not be shared so that it eliminates the opportunity for credit card holders to blame one another for an unsupported charge. The County Treasurer should also ensure cash advances are prohibited and online access is set up. Lastly, the Employee Handbook should be reviewed and updated periodically to ensure risks are addressed appropriately.

Repeat Finding: Yes. A similar finding has been reported during the last two years as 2014-002 and 2013-002.

Management Response: See Corrective Action Plan

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-003 - 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: A physical inventory was not taken at December 31, 2015 and additions and disposals were not consistently maintained in the accounting software, Hill Country. An inventory was taken by a third party during the first half of 2015; however, the results of the inventory were not merged and updated with the financial system records. The depreciation schedule continues to 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 constraints and repeated 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.

Repeat Finding: Yes. A similar finding has been reported during the last two years as 2014-003 and 2013-003.

Management Response: See Corrective Action Plan

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-004 - 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 amounts recorded as Due To/From Other Funds did not net out 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.

Repeat Finding: Yes. A similar finding has been reported during the last two years as 2014-004 and 2013-004.

Management Response: See Corrective Action Plan

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-005 - Internal Control over Financial Reporting & State Compliance - 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. The legal level of budgetary control requires that all expenditures shall be made in strict compliance with the budget, except in an emergency in accordance with Local Government Code, Section 111.010(b). The legal level of 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 is at the fund level.

Condition Found: The Budget Analysis Usage Report indicated several expenditure categories in the general fund that were over budget. However, the total expenditures for the general fund were less than the total budget. Budgeted amounts were not on the report for several special revenue funds and the debt service fund.

Effect: Material misstatement of the County's financial statements could exist and the County is not in compliance with State statute.

Cause: Due to a newly elected Treasurer in 2015 and turnover in the Treasurer's office, the state of the Treasurer's office was in disarray throughout 2015. Financial information was not being presented to commissioners court in an accurate and timely manner; therefore, Commissioners court could not monitor the budget effectively. In addition, the cycle of paying bills was taken off track with the turnover in the Treasurers office causing certain budgets to go over. A tax rollback also occurred in 2015 adding to the overages.

Recommendation: The County has implemented a purchase order process during 2015 that we believe should assist in properly monitoring the budget and presenting amendments for approval when necessary. Additional controls should be implemented to ensure budget amendments approved by commissioner's court are entered into the financial system and reflected in the budget and analysis report as well as having responsible department heads and officials monitor their individual department budgets.

Repeat Finding: Yes. A similar finding has been reported last year as 2014-005.

Management Response: See Corrective Action Plan

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-006 -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 for the Treasurer-General Fund Combined Checking; Payroll Clearing and Ad Valorem Tax Clearing for the month of December 2015 were not fully reconciled. The County went eight months (March through October) without performing bank reconciliations for most of their cash accounts. In addition, we noted several reconciliations included outstanding checks, deposits in transit and ACH deposits that were older than one year. 2) Beginning fund balance did not agree to the prior year ending audited fund balances. 3) Employer and 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 and required deposits were not remitted to the IRS timely, resulting in unrecorded liabilities at year-end.

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, several balance sheet accounts could not be reconciled and properly adjusted leading to an opinion other than modified on the financial statements.

Cause: 1) Workload constraints, turnover in the Treasurer official position and the Assistant Treasurer's position delayed the completion of bank reconciliations. The Treasurer and County Auditor have had difficulty with the financial system which has ultimately led the County to convert to a different financial system. Most bank reconciliations are prepared within the financial system. 2) The adjusting journal entries from FYE 2014 were not posted correctly. 3) The County does not have routine procedures in place to reconcile withholding accounts and employer and employee benefit accounts. In addition, improper use of the payroll process within the financial system appears to have complicated the reconciliations for both cash and payroll withholding accounts.

Recommendation: We recommend the County designate an individual responsible for ensuring that bank accounts are fully and timely reconciled (i.e. within 30 days of receiving the bank statement). Full reconciliation is when the book and bank balances have been reconciled to one another versus only reconciling the bank balance side. 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 and cleared up on the bank reconciliations. 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. Given the amount of tasks that need to be executed, a calendar can be used to preplan and prepare for activities and periodic status meeting with responsible staff will ensure tasks stay on track.

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-006 -Internal Control over Financial Reporting - Account Reconciliations (Continued)

Repeat Finding: Yes. A similar finding has been reported last year as 2014-006.

Management Response: See Corrective Action Plan

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-007 - 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 could result.

Cause: The account structure is not being used to its full potential and reconciliation between individual grant tracking spreadsheets and the general ledger are not performed periodically.

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. The County Treasurer or the Grant Administrator should periodically reconcile the individual tracking spreadsheet maintained by grant and grant year with the general ledger and any variances should be investigated and addressed. At a minimum, the reconciliation should be performed at the end of the fiscal year and at the end of the grant year; however, a more frequent reconciliation, such as monthly, is recommended to facilitate timely recognition and resolution of differences.

Repeat Finding: Yes. A similar finding had been reported last year as 2014-007.

Management Response: See Corrective Action Plan

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-008 - Internal Control over Financial Reporting - IT General Computer Controls

Criteria: The County is required to properly design IT general controls as a means for information systems to provide complete and accurate information consistent with financial reporting objectives and current needs.

Condition Found: IT general controls are not properly designed. During our documentation of general computer controls, we noted that the Country does not have appropriate back up procedures and proper ventilation, cooling and power supply for its server. In addition, passwords are required but not changed periodically and there are no written backup and retention policies for the County or between the Tax Office and Appraisal District.

Effect: The County's information system is more susceptible for failure and loss of data which would have a pervasive effect on County operations and reporting.

Cause: The County may not be aware of the potential risks as IT services have been contracted to a third party vendor. According to the third party vendor, the County used to have a cloud backup service that also replicated data locally. The vendor mentioned that the credit card on file expired and the County does not have this service anymore. In addition, the County does not have formal written policies and procedures related to IT general computer and application control.

Recommendation: To strengthen computer controls and avoid the loss of data, management should ensure servers are properly backed up and have proper ventilation, cooling and power supply. In addition, passwords should be changed periodically and formal written backup and retention policies should be developed. With the newly implemented accounting system in 2016, the County can use that as an opportunity to review and ensure access and user rights are properly segregated and monitored, including those vendors who have access to the source code.

Repeat Finding: No.

Management Response: See Corrective Action Plan

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-009 - State Compliance - Public Funds Investment Act

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

Condition Found: The County does not have procedures in place to monitor rating changes in investments acquired with public funds and the liquidation of such investments. The investment policy was not reviewed and adopted during 2015. 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, a list of qualified brokers authorized to engage in investment transactions with the County was not reviewed, revised or adopted during 2015. Finally, quarterly investment reports were not presented to the Commissioners Court.

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

Cause: Repeated turnover has occurred within the investment officer position and the County has been unable to remedy the noncompliance.

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.

Repeat Finding: Yes. A similar finding has been reported during the last two years as 2014-009 and 2013-005.

Management Response: See Corrective Action Plan

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-010 - State Compliance - Procurement

Criteria: Before a County may purchase one or more items under a contract that will require an expenditure exceeding \$50,000, the commissioner's court must comply with certain competitive requirements in accordance with Local Government Code 262.023. Commissioners court is provided discretionary exemptions to the competitive requirements established by Section 262.023 if commissioners court by order grants the exemption. Sole source is one of the discretionary exemptions. If the County is claiming sole source, in accordance with Local Government Code 262.024(a)(7) and 262.024(c), after accepting a signed statement from the County Official who makes purchases for the County as to the existence of only one source, that County Official must enter in its minutes a statement to that effect.

Condition Found: Three sole-source vendors were contracted within 2015, but the required documentation was not recorded in the minutes.

Effect: The County has not complied with the Local Government Code, Section 262.

Cause: The County does not have formal written policies and procedures related to procurement and County Officials are not aware of the legal procurement requirements.

Recommendation: We recommend the responsible County Official(s) enter in the minutes a statement recognizing all source vendors related to the purchase of MS2 oil, electric power and fuel for immediate remedy of noncompliance. In an effort to reduce future noncompliance and to project a position of fair competition, transparency, and public accountability, we recommend that management implement formal policies and guidelines for procurement practices.

Repeat Finding: No.

Management Response: See Corrective Action Plan

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-011 - Federal Compliance - Form 941 Filings and Deposits to IRS

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. Accurate information should be filed and if errors are noted an amended 941-X form should be filed. Federal law also requires semi-weekly deposits of Social Security, Medicare and withheld income taxes from Brewster County employees with the Internal Revenue Service (IRS).

Condition Found: The County Treasurer failed to file Form 941 for the first quarter for 2015. Soon after Commissioners court hired the County Auditor, the County Auditor filed the first quarter Form 941 for 2015 in October 2015, approximately five months past the due date. The County Treasurer filed the second quarter Form 941 for 2015 in October 2015; approximately 3 months past the due date. The County Treasurer failed to timely deposit withholdings, Social Security and Medicare taxes for several payroll periods in 2015. At the time of our review, deposits for the October 30, 2015 payroll still needed to be deposited as we could not trace the deposit on any of the bank statements from October 2015 through January 2016.

Effect: The County Treasurer is in violation of Local Government Code Section 113.041 and IRS Code. The County incurs penalties and interest on late filings and in turn diverts money away from other County's needs. In addition, the County is required to certify as part its Homeland Grant - OPSG terms that it is not delinquent on any federal debt which includes delinquent payroll and other taxes. The County is not complying with the terms of the grant and could put external funding in jeporidy.

Cause: A newly elected Treasurer took office January 1, 2015 and did not timely file the required quarterly Form 941 and make the required deposits to the IRS. In addition, as noted within the Account Reconciliation finding, bank reconciliations had not been reconciled timely.

Recommendation: The County should file an amended Form 941-X with accurate quarterly information and deposits should be caught up to date with the IRS.

Repeat Finding: Yes. A similar finding had been reported last year as 2014-011.

Management Response: See Corrective Action Plan

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-012 - State Compliance - Apportionment of Taxes

Criteria: The County is required to allocate property tax collected to the maintenance and operations (M&O) and debt service funds according to the rates approved by the Commissioner's Court.

Condition Found: Total revenue recorded for M&O taxes collected does not agree to the amount per the tax office. In addition, the property tax general ledger accounts were not reconciled.

Effect: The County is in violation with state regulations.

Cause: Due to a newly elected Treasurer in 2015 and turnover in the Treasurer's office, the state of the Treasurer's office was in disarray throughout 2015. Due to changes in personnel during the year, the accounts were not reconciled.

Recommendation: We recommend reconciliation of property tax general ledger accounts to tax office records to ensure proper recording and allocation.

Repeat Finding: No.

Management Response: See corrective action plan.

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS (Continued)

2015-013 - Compliance - Newly Elected Treasurer

Criteria: The County Treasurer must perform duties in accordance with state statute for successful management of County government.

Condition Found: We noted numerous violations of law and local policy. We also noted mismanagement by the County Treasurer related to financial matters and accounting matters.

Effect: County business could not be conducted in a timely fashion, departments were held up by the Treasurer's office and noncompliance with various laws occurred.

Cause: A new Treasurer took office, effective January 1, 2015, and either did not know how to perform duties or chose not to perform duties.

Recommendation: At the May 26, 2015 Commissioners Court meeting, the Court filed an order for the 394th District Judge to consider appointing a County Auditor for the County to be able to carry out county business. The County Auditor was hired Fall of 2015. The County Auditor has general oversight of all the books and records of all County Officials and is charged with strictly enforcing laws governing county finances. Although by law the County Auditor had access to financial records, the Treasurer in office at the time was uncooperative. However the Treasurer's voluntary resignation was given subsequent to year-end and the County Auditor has now been able to perform their duties. In light of these facts, we believe hiring the County Auditor was the most effective response to addressing this finding and several others and do not have further recommendations.

Repeat Finding: No.

Management Response: See Corrective Action Plan

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL AWARD FINDINGS

2015-014 - 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: Segregation of duties over payroll and journal entries were inadequate. The County Auditor has attempted to segregate duties over payroll; however with the turnover that occurred in 2015; implementation for the entire period was not possible. In addition, it appears new hire information and payroll are not reviewed consistently for accuracy. However, personnel funded with Homeland and HIDTA grant monies are reviewed by the Grant Administrator in accordance with positions and overtime approved by the granting award agency prior to requesting reimbursement. The Treasurer can prepare, enter and post journal entries without any oversight. During our documentation of the journal entries approval process, we noted that there is no evidence of approval by the appropriate personnel. However, the Grant Administrator only requests approved transactions properly supported for reimbursement. If an erroneous payroll run or journal entry were to be posted to federal funds; the transaction and/or journal entry would require the Grant Administrator's review to request reimbursement.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: Federal funds are monitored by additional employees and/or contracted administrators; therefore, there are mitigating controls to reduce the risk of non-compliance; however, if turnover were to occur these mitigating controls would likely be ineffective since the general controls are inadequate. Thereby, increasing the risk of misappropriation of assets and potential misreporting of financial statement amounts due to error or fraud.

Cause: Due to a newly elected Treasurer in 2015 and turnover in the Treasurer's office, progress that had begun to take shape in 2014 was derailed during 2015.

Recommendation: In June 2015, Commissioners Court filed an order to appoint a County Auditor to address this finding and others. The County Auditor was hired Fall of 2015 and is working to setup necessary segregation of duties going forward. We recommend management properly segregate duties for payroll and journal entries; ensure duties are performed consistently as segregated; and document all reviews and approvals. Due to the smaller size of the County, appropriate monitoring controls should be implemented to reduce the risk of fraud and errors which include reviewing the general ledger and journal entry report on a periodic basis.

Repeat Finding: Yes. A similar finding has been reported during the last two years as 2014-012 and 2013-006.

Management Response: See Corrective Action Plan

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL AWARD FINDINGS (Continued)

2015-015 - 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 constraints and turnover in key personnel contributed to capital assets not being ultimately reflected in the master capital assets listing and financial books of record.

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.

Repeat Finding: Yes. A similar finding has been reported during the last two years as 2014-014 and 2013-008.

Management Response: See Corrective Action Plan

BREWSTER COUNTY, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2014-001/2013-001 - Internal Control over Financial Reporting - Inadequate Segregation of Duties

Condition Found: There are no segregation of duties over payroll. 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.

Status: The finding has been repeated and additional cycles have been reintroduced into the finding. Due to a newly elected Treasurer in 2015 and turnover in the Treasurer's office, progress that had begun to take shape in 2014 was derailed during 2015. At 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. See current year finding 2015-001.

2014-002/2013-002 - Internal Control over Financial Reporting - 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 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.

Status: Although some progress has been made, the finding has been repeated in the current year. The schedule of all compensation was approved by Commissioner's Court and is now retained and maintained as part of the minutes. Individual personnel files still need to be updated to reflect changes in compensation and employee information. The County implemented a purchase order process during 2015; however, the process is being refined and improvements are needed. Due to a newly elected Treasurer in 2015 and turnover in the Treasurer's office, the state of the Treasurer's office was in disarray throughout 2015. At the June 12, 2015 Commissioners Court meeting, the Court filed an order to appoint a County Auditor to assist getting the County's records and finances back in order. The County Auditor was hired Fall of 2015; however, was limited in her actions by the Treasurer in office at that time. That Treasurer resigned subsequent to year-end and the County Auditor and newly appointed Treasurer are working towards addressing the finding in 2016. See current year finding 2015-002.

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2014-003/2013-003 - Internal Control over Financial Reporting - Capital Assets

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

Status: 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; however, these records were not integrated with the financial system. The capital asset records were not maintained for several months in 2014 and throughout 2015. The County converted to a new financial system in 2016 and will use this an opportunity to clear the slate and clean up capital assets. As the inventory was not conducted for the period ending December 31, 2015, lacking documentation and controls not fully implemented, the finding has been repeated in the current year. See current year finding 2015-003.

2014-004/2013-004 - Internal Control over 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, 2015.

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

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.

Status: The County Auditor has conducted training and support sessions with the Assistant Auditor and Assistant Treasurer to budget amendments approved by commissioner's court are entered into the financial system and reflected in the budget and analysis report.

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

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.

Status: The finding has been repeated, see current year finding 2015-006.

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

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.

Status: The finding has been repeated, see current year finding 2015-007.

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

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.

Status: The County is a member of two purchasing cooperatives and the County was able to obtain a copy of the resolutions from the cooperatives.

2014-009/2013-005 - State Compliance - Public Funds Investment Act

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.

Status: Due to a newly elected Treasurer in 2015 and turnover in the Treasurer's office, progress that had begun to take shape in 2014 was derailed during 2015 and not all non-compliance has been addressed. The finding has been repeated for the period ending December 31, 2015. See current year finding 2015-009.

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2015

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

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 to provide notice, as required by state law. The same occurred in 2013 for pay raises for 2014.

Status: Commissioner's court rescinded the 2015 pay raises but was unable to take any action on the 2014 pay raises. A manual is being developed to outline the statutes and 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.

2014-011 - Federal Compliance - Form 941 Filings

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.

Status: The County Auditor has filed the amended 941 for the 2014 4th quarter; however a similar finding has been reported for 2015 filings, see current year finding 2015-011. At 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 correct the 2015 filings and deposits. The County Auditor has also developed a calendar of deadlines for all required filings to avoid future late filing and penalties.

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

Status: The finding has been repeated and journal entries has been reintroduced into the finding. Due to a newly elected Treasurer in 2015 and turnover in the Treasurer's office, progress that had begun to take shape in 2014 was derailed during 2015. At 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. See current year finding 2015-014.

2014-013/2013-007 - 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 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.

Status: The schedule of all compensation was approved by Commissioner's Court and is now retained and maintained as part of the minutes; however, individual personnel files still need to be updated to reflect changes in compensation and employee information. Expenditures to be paid with Homeland and HIDTA grant funds are approved by the appropriate officials knowledgeable with the grant.

2014-014/2013-008 - Homeland Security Grant Program (CFDA 97.067) - Internal Control over Compliance - Equipment and Real Property Management

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 record.

Status: The finding has been repeated in the current year, see finding 2015-015.

(Continued)

BREWSTER COUNTY, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL AWARD FINDINGS

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

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.

Status: The data collection form will be filed timely for the year-ended December 31, 2015. Due to a newly elected Treasurer in 2015 and turnover in the Treasurer's office, the state of the Treasurer's office was in disarray throughout 2015 which contributed to the delay of the audit and filing of the data collection form for the year-ended December 31, 2014. At the June 12, 2015 Commissioners Court meeting, the Court filed an order to appoint a County Auditor to assist getting the County's records and finances back in order. The County Auditor was hired Fall of 2015; however, was limited in her actions by the Treasurer in office at that time. That Treasurer resigned subsequent to year-end and the County Auditor and newly appointed Treasurer have worked together to have the audit for the year-ended December 31, 2015 and data collection form issued and submitted by the required deadline.

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

Condition Found: In testing compliance for the Homeland Security Grant Program, we noted two instances of improper payments. At the 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.

Status: The charge was reclassified to the general fund from the federal program and reimbursement was not requested by the County due to the circumstances surrounding the purchase. The County is seeking reimbursement of general fund monies based on bankruptcy proceedings.

BREWSTER COUNTY, TEXAS

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2015

2015-001 - Internal Control over Financial Reporting - Inadequate Segregation of Duties

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

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

2015-002 - Internal Control Over Financial Reporting Inadequate Documentation

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

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.

2015-003 - Internal Control over Financial Reporting - Capital Assets

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

Response: Inventory of capital assets belonging to Brewster County shall be properly reported and maintained in the Inventory and Capital Assets Listing program by the Emergency Management Coordinator (EMC). Information on new equipment or other capital assets valued at over \$1,000 shall be provided to the EMC to update the capital asset listing. Immediately following approval of capital assets, the Accounts Payable Clerk shall provide all necessary information needed to the EMC for updating the Capital Asset listing. Reconciliation and review procedures will also be implemented which will consist of reconciliations between the listing and the general ledger and reviewing specific general ledger accounts susceptible to misclassification to ensure all additions are captured timely.

Estimated Date of Completion: Spring, 2017

(Continued)

BREWSTER COUNTY, TEXAS

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2015

2015-004 - Internal Control over Financial Reporting - Due to/from Other Funds and Interfund Transfers

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

Response: The County has converted to a new financial system, effective January 2016, which is expected to simplify the reconciliation process. The County Auditor has provided training and support sessions with the Assistant Auditor and Assistant Treasurer. The Assistant Auditor is routinely reconciling “due to / from” monies and is reconciling and recording inter-fund transfers. Office of the County Treasurer has implemented adequate internal controls of County Finances has currently verified they net to zero and are properly classified. The County Auditor is overseeing the process.

Estimated Date of Completion: Task Completed (Spring, 2016)

2015-005 - Internal Control over Financial Reporting - Budgetary Controls

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

Response: The County Auditor has conducted training and support sessions with the Assistant Auditor and Assistant Treasurer to ensure the implementation of controls for budget amendments being entered into the financial system and is currently being reflected in the budget and analysis report. Anytime that there is a need identified requiring budget amendments, the item is presented in Commissioners Court for approval and is reflected in the minutes. Subsequent to year-end, the County Auditor created and implemented a form to track amendments for control purposes.

Estimated Date of Completion: Task Completed Spring 2016.

(Continued)

BREWSTER COUNTY, TEXAS

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2015

2015-006 -Internal Control over Financial Reporting - Account Reconciliations

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

Response:

- 1) Bank Reconciliations are being done within 30 days of receipt of bank statement. Bank accounts not fully reconciled will be researched, investigated and adjusted as necessary. A list of outstanding checks is being compiled to report to the state before years end.
- 2) Research and work is being done to correct these fund balances. We have enlisted the help of the part time Assistant Auditor on the 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 2015 to December 2015 are being balanced to the billing.

Estimated Date of Completion:

- 1) Bank Reconciliations - December 2016
- 2) Beginning fund balances - December 2016
- 3) Withholdings - December 2016

2015-007 - Internal Control over Financial Reporting - Schedule of Expenditures of Federal Awards

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

Response: 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. The County Treasurer will provide a transaction ledger periodically to those in charge of grants to ensure transactions have been posted properly and grant records will be reconciled against the general ledger. The Assistant to the Judge will maintain a list of all County grants to ensure all grants are identified properly for preparation of the Schedule of Expenditures of Federal Awards.

Estimated Date of Completion: Fall, 2016

(Continued)

BREWSTER COUNTY, TEXAS

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2015

2015-008 - Internal Control over Financial Reporting - IT General Computer Controls

Contact Person(s): County Judge - Eleazar Cano and Assistant to Judge - Julie Morton

Response: The County has taken measures to properly design IT general controls to provide complete and accurate information consistent with the County's financial reporting objectives, computer controls, back up procedures, and technicalities.

Brewster County Commissioners Court voted to enter into a Network Services Management Agreement with Big Bend Telephone on March 22nd, 2016. The scope of the network managing includes firewalls and managed switches, network design will keep defined user groups on separate networks, implementing change request process that requires approval of all policy and enforcement rules on firewalls and switches, defined process for adding devices to the network, nightly backup, monthly audit of BBT provided firewalls and managed switches, and documented network design and IP Configuration.

Commissioners Court voted to enter into a contract with Big Bend Telephone on July 12th, 2016. Procedures and policies are now being implemented to avoid loss of data, servers will be properly backed up with proper ventilation, cooling and power supply. The County is now in the process of ensuring access and user rights are properly segregated and monitored including vendors. New IT policies are currently being written and implemented.

Estimated Date of Completion: Summer 2016

2015-009 State Compliance - Public Funds Investment Act

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

Response: Babett Mann was appointed County Treasurer and has been designated to serve as the investment officer. The Public Funds Investment Act, Government Code 2256, will be reviewed by the County Auditor, County Judge and the County Treasurer. At the July 12, 2016 commissioner court meeting, the current County Treasurer was designated to serve as the investment officer and the investment policy was reviewed and approved. The current County Treasurer also received investment training in June 2016.

Estimated Date of Completion: Summer, 2016

(Continued)

BREWSTER COUNTY, TEXAS

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2015

2015-010 - State Compliance - Procurement

Contact Person(s): County Judge - Eleazar Cano

Response: In order for immediate remedy of noncompliance, there will be an agenda item for Commissioners Court on August 9th, 2016 to establish discretionary exemptions, sole source to the competitive requirements established by Section 262.023 by order of the Commissioners Court. Commissioners Court will accept a signed statement from the Road & Bridge Superintendent who makes purchases for the County as to the existence of only one source related to the purchase of MS2 oil, electric power and fuel for immediate remedy of noncompliance. Policies and procedures are currently being written to project a position of fair competition, transparency, and public accountability which will be written by the County Judge and County Auditor.

Estimated Date of Completion: October 1, 2016

2015-011 - Federal Compliance - Form 941 Filings

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

Response: For 2016 filings and forward, the current County Treasurer is filing the 941 form before or on the due date. The 1st quarter 2016 Form 941 was filed timely on April 2nd and the 2nd quarter 941 form will be filed timely the week July 18-22. The October 2015 withholdings were paid on July 15, 2016 and all 2016 withholdings are deposited the day of payroll; however, there were two payrolls that were not deposited timely.

Estimated Date of Completion: Task Completed, Summer 2016

2015-012 - State Compliance - Apportionment of Taxes

Contact Person(s): County Auditor - Treva Watson and County Tax Collector - Betty Jo Rooney

Response: Regular monthly audits of tax collections to the general ledger are being done by the County Auditor.

Estimated Date of Completion: December 2016

(Continued)

BREWSTER COUNTY, TEXAS

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2015

2015-013 - Compliance - Newly Elected Treasurer

Contact Person(s): County Treasurer - Babet Mann, County Auditor - Treva Watson, and County Judge - Eleazar Cano

Response: A County Auditor was appointed in October 2015. The prior Treasurer resigned January 31, 2016 and a new Treasurer was appointed March 15, 2016. The County Auditor has general oversight of all the books and records of all County Officials and is charged with strictly enforcing laws governing County finances. The current Treasurer is carrying out the duties required by statute.

Estimated Date of Completion: Spring 2016

2015-014 - 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 – Babet Mann, 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. Policies for internal control have been written and are being implemented.

Estimated Date of Completion: Task Completed, Spring, 2016

2015-015 - Homeland Security Grant Program (CFDA 97.067) - Internal Control over Compliance - Equipment and Real Property Management

Contact Person(s): County Treasurer – Babet Mann, 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, 2017

BREWSTER COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>			
<u>Passed Thru Office of National Drug Control Policy</u>			
HIDTA - Operation Lone Star	95.001	G13SW0004A	\$ 7,630
HIDTA - Operation Lone Star	95.001	G14SW0004A	52,286
HIDTA - Alpine Multi-Agency Task Force	95.001	G14SW0004A	130,532
HIDTA - Alpine Multi-Agency Task Force	95.001	G15SW0004A	78,226
Total CFDA Number 95.001			<u>268,674</u>
Total Passed Thru Office of National Drug Control Policy			<u>268,674</u>
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT			<u>268,674</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<u>Passed Through Office of the Governor - CJD</u>			
E. Byrne Memorial Justice Assist - Op. Borderstar	16.738	2817301	35,846
E. Byrne Memorial Justice Assist - Op. Borderstar	16.738	2817302	10,061
Total CFDA Number 16.738			<u>45,907</u>
Total Passed Through Office of the Governor - CJD			<u>45,907</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>45,907</u>
<u>HOMELAND SECURITY</u>			
<u>Passed Through Texas Department of Public Safety</u>			
Homeland Security Grant Program (OPSG)	97.067	14-GA 48043-02	165,071
Homeland Security Grant Program (SHSP)	97.067	13-SR-48043-03	179,301
Total CFDA Number 97.067			<u>344,372</u>
Total Passed Through Texas Department of Public Safety			<u>344,372</u>
TOTAL HOMELAND SECURITY			<u>344,372</u>
<u>DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
<u>Passed Through Texas Department of Agriculture</u>			
CDBG - Water Facilities	14.228	713-049	136,141
Total Passed Through Texas Department of Agriculture			<u>136,141</u>
TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			<u>136,141</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 795,094</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

BREWSTER COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2015

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards of the Brewster County, 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, 2015.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared based upon when expenditures are paid in accordance with the modified cash basis of accounting. 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION

The Uniform Guidance 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.

4. MATCHING REQUIREMENTS

Certain Federal programs require the Government to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Government has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

5. DE MINIMIS RATE ELECTION

The County did not elect to use the 10% de minimis indirect cost rate.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2015

6. RECONCILIATION

A reconciliation of intergovernmental revenue and grants to federal expenditures of federal awards is presented below.

Intergovernmental Revenue and Grants reported at Exhibit 4	\$ 1,988,735
Less Payment in Lieu of Taxes (PILOT)	1,186,484
Less State Supplements and Other	42,996
Plus Timing Difference and Other	<u>35,839</u>
Federal expenditures of federal awards reported at Exhibit 10	<u><u>\$ 795,094</u></u>

7. FUNDS PASSED THROUGH TO SUBRECIPIENTS

The County passed funds through to subrecipients from Federal programs as follows:

<u>Program Name</u>	<u>CFDA#</u>	<u>Amount Provided</u>
Homeland Security Grant Program (SHSP)	97.067	\$ 8,694

8. SUBSEQUENT EVENT

In November 2015, the County's federal Homeland Security Grant Program funds were temporarily suspended for failure to comply with the A-133 reporting requirements. In 2015, the County's Texas Department of Agriculture (TDA) CDBG funds were automatically suspended for failure to comply with TDA and A-133 reporting requirements. Subsequent to year end, the County received written notification from the Texas Homeland Security State Administrative Agency that the temporary suspension had been lifted. Upon submission of the TDA Single Audit package subsequent to year end, the automatic suspension had been lifted on the TDA CDBG funds.