

**COUNTY OF BREWSTER, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2013**

**COUNTY OF BREWSTER, TEXAS**  
**December 31, 2013**

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**December 31, 2013**

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**COUNTY OF BREWSTER, TEXAS**  
**December 31, 2013**

County Officials

Val Clark Beard (retired 12/31/2013)/Kathy Killingsworth (appointed 1/1/2014) ..... Judge  
Asa Stone ..... Commissioner  
Kathy Killingsworth (resigned 10/31/2013)/Tom Williams (appointed 10/31/2013) ..... Commissioner  
Ruben Ortega ..... Commissioner  
Mike Pallanez ..... Commissioner  
Carol Ofenstein (retired 12/31/2013)/Della Shackelford (appointed 1/1/2014) ..... Treasurer  
Bertha R. Martinez ..... Clerk  
Betty Jo Rooney ..... Tax Assessor  
Ronny Dodson ..... Sheriff  
Steve Houston ..... County Attorney

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge Kathy Killingsworth and  
Members of the Commissioners Court of  
The County of Brewster, Texas

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Brewster, Texas, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of County of Brewster, Texas, as of December 31, 2013, and the respective changes in modified cash basis financial position for the year then ended in conformity with the basis of accounting described in Note I.

**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 Matter***Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Brewster, Texas' basic financial statements. The combining general subfund financial statements and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The management discussion and analysis and budgetary comparison information on pages 59-65 and 67-74, which are the responsibility of management, are presented for purposes of additional analysis and are not required part of the basic financial statements. Such information has not been subjected to the auditing procedures in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2014, on our consideration of the County of Brewster, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Brewster, Texas' internal control over financial reporting and compliance.

*Gibson, Ruddock, Patterson LLC*  
El Paso, Texas  
August 27, 2014

## **BASIC FINANCIAL STATEMENTS**

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**County of Brewster, Texas**  
**Statement of Net Position - Modified Cash Basis**  
**December 31, 2013**

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 2,025,824
Government cash pool	1,560,141
Due from others	11,162
Capital assets:	
Land	604,329
Infrastructure	2,672,629
Buildings	7,663,455
Machinery and equipment	7,871,162
Work-in-progress	98,436
Accumulated depreciation	(7,914,631)
Total Assets	14,592,507
 <b>LIABILITIES</b>	
Payroll withholdings	53,637
Due to others	109,450
Long-term debt:	
Due within one year	370,798
Due in more than one year	3,026,559
Total Liabilities	3,560,444
 <b>NET POSITION</b>	
Net investment in capital assets	7,598,023
Restricted for:	
Debt service	268,190
Community and economic development projects	507,476
Other purposes	192,044
Committed:	
Courthouse preservation	7,393
Groundwater conservation	7,990
Jail infrastructure	88,885
Unrestricted	2,362,062
Total Net Position	\$ 11,032,063

The accompanying notes are an integral part of the financial statements.

**County of Brewster, Texas**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2013**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	\$ 2,260,043	\$ 96,925	\$ 18,285	\$ -
Justice system	679,909	-	241,965	-
Public safety	1,855,932	275,807	417,139	163,626
Corrections and rehabilitation	854,688	757,560	-	-
Health and human services	193,795	23,500	5,437	-
Community and economic development	674,214	-	255,248	-
Infrastructure and environmental services	749,542	-	-	-
Principal payments on capital leases	27,125	-	-	-
Interest on long-term debt	167,511	-	-	-
Total governmental activities	7,462,759	1,153,792	938,074	163,626
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 7,462,759</b>	<b>\$ 1,153,792</b>	<b>\$ 938,074</b>	<b>\$ 163,626</b>

General revenues:
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Payment in lieu of taxes
Sales and hotel tax
Investment earnings
Fines and fees
Miscellaneous
Total general revenues
Change in net position
Net position - beginning
Prior period adjustment
Net position - ending

The accompanying notes are an integral part of the financial statements.

Net (Expense)
Revenue and
Changes in
Net Position
<u>Primary</u>
<u>Government</u>
Governmental
Activities
\$ (2,144,833)
(437,944)
(999,360)
(97,128)
(164,858)
(418,966)
(749,542)
(27,125)
(167,511)
<u>(5,207,267)</u>
<u>\$ (5,207,267)</u>

1,808,512
535,236
1,120,816
1,148,651
7,417
548,106
73,369
<u>5,242,107</u>
34,840
11,166,363
(169,140)
<u>\$ 11,032,063</u>

**County of Brewster, Texas**  
**Balance Sheet - Modified Cash Basis**  
**Governmental Funds**  
**December 31, 2013**

	General Fund	Tourism Council	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,320,475	\$ 356,946	\$ 348,403	\$ 2,025,824
Government cash pool	1,409,611	150,530	-	1,560,141
Due from other funds	555	-	-	555
Due from others	11,162	-	-	11,162
Total Assets	<u>\$ 2,741,803</u>	<u>\$ 507,476</u>	<u>\$ 348,403</u>	<u>\$ 3,597,682</u>
<b>LIABILITIES</b>				
Payroll withholdings	\$ 36,628	\$ -	\$ 17,009	\$ 53,637
Due to other funds	-	-	555	555
Due to others	109,450	-	-	109,450
Total Liabilities	<u>146,078</u>	<u>-</u>	<u>17,564</u>	<u>163,642</u>
<b>FUND BALANCES</b>				
Restricted	-	507,476	460,234	967,710
Committed	96,278	-	7,990	104,268
Unassigned	2,499,447	-	(137,385)	2,362,062
Total Fund Balances	<u>2,595,725</u>	<u>507,476</u>	<u>330,839</u>	<u>3,434,040</u>
Total Liabilities and Fund Balances	<u>\$ 2,741,803</u>	<u>\$ 507,476</u>	<u>\$ 348,403</u>	<u>\$ 3,597,682</u>

The accompanying notes are an integral part of the financial statements.

**County of Brewster, Texas**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance - Modified Cash Basis**  
**Governmental Funds**  
**For the Year Ended December 31, 2013**

	General Fund	Tourism Council	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 1,808,512	\$ -	\$ 535,236	\$ 2,343,748
Payment in lieu of taxes	1,120,816	-	-	1,120,816
Sales and hotel tax	547,330	601,321	-	1,148,651
Intergovernmental	259,802	-	722,026	981,828
Seizures and sales	-	-	113,987	113,987
Charges for services	1,144,984	-	8,808	1,153,792
Fines and fees	492,156	-	55,950	548,106
Interest	2,342	-	5,075	7,417
Contributions	3,800	-	2,085	5,885
Other	73,070	-	299	73,369
<b>Total Revenues</b>	<b>5,452,812</b>	<b>601,321</b>	<b>1,443,466</b>	<b>7,497,599</b>
<b>EXPENDITURES:</b>				
Current:				
General government	2,131,582	-	25,733	2,157,315
Justice system	660,204	-	16,849	677,053
Public safety	731,081	-	462,599	1,193,680
Corrections and rehabilitation	825,009	-	11,939	836,948
Health and human services	193,342	-	-	193,342
Community and economic development	-	417,288	255,248	672,536
Infrastructure and environmental services	506,980	-	10,118	517,098
Debt service:				
Principal	-	-	410,404	410,404
Interest and other charges	-	-	167,511	167,511
Capital outlay	178,783	9,163	226,235	414,181
<b>Total Expenditures</b>	<b>5,226,981</b>	<b>426,451</b>	<b>1,586,636</b>	<b>7,240,068</b>
Excess (deficiency) of revenues over (under) expenditures	225,831	174,870	(143,170)	257,531
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	520,619	-	16,958	537,577
Transfers out	(439,147)	(98,430)	-	(537,577)
<b>Total other financing sources (uses)</b>	<b>81,472</b>	<b>(98,430)</b>	<b>16,958</b>	<b>-</b>
Net change in fund balances	307,303	76,440	(126,212)	257,531
Fund balance - beginning	2,288,422	431,036	457,051	3,176,509
Fund balance - ending	<b>\$ 2,595,725</b>	<b>\$ 507,476</b>	<b>\$ 330,839</b>	<b>\$ 3,434,040</b>

The accompanying notes are an integral part of the financial statements.

**County of Brewster, Texas**  
**Statement of Fiduciary Net Position - Modified Cash Basis**  
**Fiduciary Funds**  
**December 31, 2013**

	Agency Funds
<b>ASSETS</b>	
Cash	\$ 146,452
Total Assets	\$ 146,452
 <b>LIABILITIES</b>	
Due to others	\$ 146,452
Total Liabilities	\$ 146,452

The accompanying notes are an integral part of the financial statements.

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

The County's financial reporting entity comprises the following:

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

*Primary Government*

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

*Blended Component Unit*

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

*Discretely Presented Component Unit*

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

*Evaluation of Component Units*

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

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2013

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**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, 2013 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 moneys. 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. Tri County Juvenile Probation Department is considered a separate entity and its financial statements are not included with Brewster County's statements.

*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.

**B. 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 public safety, justice system, corrections and rehabilitation, health and human services, community and economic development, infrastructure and environmental services and general government, including road and bridge, are classified as governmental activities.

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, 2013 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.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

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.

**C. 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.

**D. 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, 2013, 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 (1) an additional budgetary fund, Road and bridge, (2) the Jail Infrastructure fund to track committed funds specific to jail infrastructure and (3) the Courthouse Preservation fund to track committed funds specific to courthouse and historical building preservation. These funds have been consolidated for financial reporting purposes.
2. **Tourism Council Fund** - The County accounts for receipts, primarily from hotel taxes, and disbursements related to the promotion of tourism to the County of Brewster, Texas.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

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 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.

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

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.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2013

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

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.

**E. 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.

*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:

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

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.
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.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

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, 2013, the County's investments in TexSTAR and TexPool investment pools were rated AAAM by Standard and Poor's.

***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.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

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.

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.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2013

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

6. The County does not inventory supplies. Supplies are expended 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 expended as incurred. Depreciation on all assets is provided on the straight line basis over the following estimated useful lives:

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

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

8. The County permits compensated absences for vacation and sick leave accumulated monthly based on years of service. An employee is to be paid for unused vacation time for a maximum of 336 hours upon separation from service, including death. An employee's estate is to be paid for one-half of unused sick leave for a maximum of 336 hours if the employee dies while employed by the county. An employee is not compensated for sick leave under any other separation from service. The total dollar amount of unpaid vacation benefits as of December 31, 2013 was \$102,090, which will be expended in the reporting period when paid in accordance with the modified cash basis of accounting.
9. The County provides post-retirement healthcare benefits to employees that retire after 15 years of service for employees hired subsequent to September 1, 2000 and 10 years of service for employees hired prior to that date. In 2013, thirteen County retirees received post-retirement healthcare benefits at a total cost of \$99,259, to the County for insurance premiums paid. Currently the County reports post-retirement healthcare benefits on a modified cash basis which records expense in the reporting period when paid.
10. Interfund activity is reported either as a loan, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

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.
  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.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

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 overdraft.

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 during 2013 was \$.38263 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.

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

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

14. Management made a review of subsequent events through the date of the auditor's report. The financial statements were available for distribution August 27, 2014.

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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**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**

<b>Total Fund Balances - Governmental Funds</b>	\$ 3,434,040
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$18,231,358 and the accumulated depreciation was \$7,948,899. 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.	7,989,854
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 2013 capital outlays and debt principal payments is to increase net position.	797,460
The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,020,151)
A prior period adjustment to remove bond issuance costs and a capital lease purchase was recorded, as it was inappropriate to account for these under the modified cash basis of accounting framework. A prior period adjustment has also been recorded for an asset purchased in 2012 and a note payable incurred in 2012 that was not recorded on the financial statements. The net effect is to decrease net position.	<u>(169,140)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 11,032,063</u></u>

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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**

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 257,531
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 2013 capital outlays and debt principal payments is to increase net position.	797,460
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.	<u>(1,020,151)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 34,840</u></u>

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

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**III. LEGAL COMPLIANCE - BUDGETS**

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

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

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

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

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

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At December 31, 2013, 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 \$2,172,276. Of the banks' balances, \$321,007 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, 2013, are reported as "Government cash pool" and are shown below.

<u>Temporary Investments</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Rating</u>
TexPool	\$ 1,312,301	\$ 1,312,301	AAAm
Texas Class	247,840	247,840	AAAm
Total	<u>\$ 1,560,141</u>	<u>\$ 1,560,141</u>	

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

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

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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, 2013:

General fund:	
General - fund 10	\$ 1,309,586
Road and Bridge - fund 11	(286,054)
Courthouse preservation - fund 32	968
Jail infrastructure - fund 33	(2,000)
Special revenue funds:	
Records management - fund 12	61,387
PTD fund - fund 13	3,800
LEOSE training - fund 16	10,490
HIDTA all initiatives - funds 20, 21, 24 & 25	(68,303)
Homeland security all initiatives - funds 18, 22, 23 & 27	(48,617)
Technology - fund 31	(2,900)
Border colonia access - fund 35	53
Fire Truck VFD - fund 36	4,773
Community Facilities - fund 38	1,085
Clerk technology - fund 44	500
	<u>500</u>
	<u><u>\$ 984,768</u></u>

**B. Property Taxes**

Property taxes receivable consisted of the following at December 31, 2013 which are recognized when received using the modified cash basis of accounting:

Current taxes receivable	\$ 1,266,356
Delinquent taxes receivable	<u>240,331</u>
Ad valorem taxes receivable	<u><u>\$ 1,506,687</u></u>
Delinquent taxes by year:	
2012	\$ 48,178
2011	30,651
2010	26,600
2009	21,570
2008	16,726
2007 and prior	<u>96,606</u>
	<u><u>\$ 240,331</u></u>

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

**C. Interfund Transfers**

During the year, the most significant transfers were to fund operations within the Road and Bridge fund, which is consolidated into the General Fund; a transfer out of the Courthouse Preservation fund and the General Fund to initially separate funds committed to Jail Infrastructure, another fund consolidated into the General Fund; and transfers of hotel taxes collected from the Tourism Fund designated for the General Fund and committed to the Courthouse Preservation fund, another fund consolidated into the General Fund.

Transfers out of:	Transfers into:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ 422,189	\$ 16,958	\$ 439,147
Major Governmental Funds:			
Tourism Council	98,430	-	98,430
<b>Total</b>	<b>\$ 520,619</b>	<b>\$ 16,958</b>	<b>\$ 537,577</b>

**D. Capital Assets**

Capital asset activity for the County for the year ended December 31, 2013 was as follows:

	Restated Balance 01/01/2013	Additions	Retirements & Transfers	Balance 12/31/2013
Land	\$ 604,329	\$ -	\$ -	\$ 604,329
Court house and buildings	5,412,643	-	24,187	5,436,830
Jail building	2,168,628	-	-	2,168,628
Machinery and Equipment	6,096,672	107,514	12,466	6,216,652
Emergency Equipment	1,494,084	160,426	-	1,654,510
Infrastructure streets	2,584,385	88,244	-	2,672,629
Work in progress:				
Buildings and renovations	122,623	57,997	(24,187)	156,433
Equipment not placed in service	12,466	-	(12,466)	-
Totals at historical cost	18,495,830	414,181	-	18,910,011
Accumulated Depreciation	(6,894,480)	(1,020,151)	-	(7,914,631)
	<b>\$ 11,601,350</b>	<b>\$ (605,970)</b>	<b>\$ -</b>	<b>\$ 10,995,380</b>

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

Depreciation expense for the year ended December 31, 2013 as reported in the government-wide financial statements follows:

General Government	\$ 102,728
Justice System	2,856
Public Safety	662,252
Corrections and Rehabilitation	17,740
Health and Human Services	453
Community and Economic Development	1,678
Infrastructure and Environmental Services	<u>232,444</u>
	<u>\$ 1,020,151</u>

**E. Due to Others**

Due to others 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. At December 31, 2013, the carrying amount due to other taxing entities reported in the due to others balance was \$45,640.

The Tax Assessors/Collectors office collects vehicle registration fees, a portion of which is remitted to the State Comptrollers office as their share. These fees are generally collected by the State the month after the Tax Assessors/Collectors office has collected the vehicle registration fees. At December 31, 2013, the carrying amount due to the State reported in the due to others balance was \$63,810.

**F. Long-term Debt**

Long-term liability activity for the year ended December 31, 2013, was as follows:

Description	Restated Amount Outstanding at 12/31/2012	Issued	Retired	Outstanding 12/31/2013	Due Within One Year
Certificates of Obligation, Series 2005	\$ 505,000	\$ -	\$ 160,000	\$ 345,000	\$ 170,000
Certificates of Obligation, Series 2008	2,820,000	-	55,000	2,765,000	60,000
Tax Notes, Series 2008	375,000	-	120,000	255,000	125,000
1998 Summit Rescue Truck Loan	33,211	-	33,211	-	-
2012 Pitts Roll Off Trailer Loan	47,425	-	15,068	32,357	15,798
	<u>\$ 3,780,636</u>	<u>\$ -</u>	<u>\$ 383,279</u>	<u>\$ 3,397,357</u>	<u>\$ 370,798</u>

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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, 2013 are as follows:

Year Ending	Principal	Interest	Total
2014	\$ 370,798	\$ 148,091	\$ 518,889
2015	381,559	131,052	512,611
2016	155,000	118,805	273,805
2017	160,000	112,425	272,425
2018	165,000	105,639	270,639
2019 - 2023	955,000	409,490	1,364,490
2024 - 2028	1,210,000	155,608	1,365,608
	<u>\$ 3,397,357</u>	<u>\$ 1,181,110</u>	<u>\$ 4,578,467</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.

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

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

*Loans Payable:* - In March 2010, the County took out a loan in the amount of \$95,000 to finance the purchase of a 1998 Summit Rescue Truck. The final payment, as scheduled, was made during 2013 and the loan has been fully repaid.

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%.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

**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, 2013:

	General Fund	Tourism Council	Other Funds	Total Governmental Funds
Restricted:				
Records Management	\$ -	\$ -	\$ 61,387	\$ 61,387
Emergency Management	-	-	3,800	3,800
Marathon EMS	-	-	72	72
LEOSE Training	-	-	10,490	10,490
Sheriff Seized Property	-	-	104,547	104,547
Sheriff Abandoned Vehicles	-	-	2,580	2,580
County Attorney Hot Checks	-	-	918	918
TX DOT Colonia Program	-	-	53	53
JAG	-	-	1,085	1,085
Fire Truck	-	-	4,773	4,773
Clerk Tec	-	-	500	500
Inmate Commissary Fund	-	-	1,839	1,839
Tourism Council	-	507,476	-	507,476
Debt Service	-	-	268,190	268,190
	<hr/>	<hr/>	<hr/>	<hr/>
Total restricted	-	507,476	460,234	967,710
Committed:				
Courthouse preservation	7,393	-	-	7,393
Groundwater conservation	-	-	7,990	7,990
Jail infrastructure	88,885	-	-	88,885
	<hr/>	<hr/>	<hr/>	<hr/>
Total committed	96,278	-	7,990	104,268
Unassigned:	2,499,447	-	-	2,499,447
Fund deficits				
Homeland Security	-	-	(57,590)	(57,590)
HIDTA	-	-	(76,878)	(76,878)
JAG	-	-	(17)	(17)
JP technology	-	-	(2,900)	(2,900)
	<hr/>	<hr/>	<hr/>	<hr/>
Total unassigned	2,499,447	-	(137,385)	2,362,062
Total fund balances	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 2,595,725	\$ 507,476	\$ 330,839	\$ 3,434,040

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

H. Retirement Plan Commitments

**Plan Description** - The County provides retirement, disability, and death benefits for all of its regular full-time and part-time employees through a nontraditional, agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 78768-2034.

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

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

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

The employer contribution rate was 10.46% for calendar year 2013. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**Annual Pension Cost** - For the employer's accounting year ending December 31, 2013, the estimated annual pension cost for the TCDRS plan was \$447,212, which also represents the amount paid during the year using the modified cash basis of accounting.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2013

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

**Actuarial Valuation Information**

Actuarial valuation date	12/31/2010	12/31/2011	12/31/2012
Actuarial cost method	Entry Age	Entry Age	Entry Age
	Level percentage of	Level percentage of	Level percentage of
Amortization method	payroll closed	payroll closed	payroll closed
Amortization period in years	20	20	20
	SAF: 10-yr smoothed value	SAF: 10-yr smoothed value	SAF: 10-yr smoothed value
Asset valuation method	ESF: Fund Value	ESF: Fund Value	ESF: Fund Value
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increase	5.40%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost of living adjustments	0.00%	0.00%	0.00%

**Trend Information**

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

Accounting Year Ending	Annual Pension Cost	Percentage of APC Pension Contributed	Net Obligation
12-31-2013	\$ 447,212	100%	\$ 1,103,870
12-31-2012	430,071	100%	1,104,369
12-31-2011	449,948	100%	1,104,868

**Funded Status** - The funded status of the plan as of December 31, 2012, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 6,662,946
Actuarial value of plan assets	5,408,119
Unfunded AAL	1,254,827
Funded ratio	81.17%
Annual covered payroll (actuarial)	2,506,217
UAAL as percentage of covered payroll	50.07%

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

(Continued)

**COUNTY OF BREWSTER, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

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

Actuarial valuation date	(1) Actuarial value of assets	(2) Actuarial accrued liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded ratio (1) (2)	(5) Annual covered payroll	(6) UAAL as a percentage of covered payroll (3) (5)
12-31-2012	\$ 5,408,119	\$ 6,662,946	\$ 1,254,827	81.17%	\$ 2,506,217	50.07%
12-31-2011*	5,263,033	6,473,141	1,210,108	81.31%	2,711,783	44.62%
12-31-2010	4,852,252	5,937,742	1,085,490	81.72%	2,661,970	40.78%

\*Funding information may differ from prior year compliance data due to plan changes effective 1/1/2013.

**I. Commitments and Contingencies**

*Litigation* - During the normal course of business, the County was subject to various legal claims. As of December 31, 2013, the County was the subject of litigation. However, no amounts are presented on these modified cash basis financial statements. Such litigation will be defended vigorously. Management believes that any amount incurred would be covered by insurance.

*Federal and State Funding* - The County receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the grantors for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the County management, such disallowances, if any, would not be significant.

*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, 2013, 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. No claims are known to have been filed which could result in the recognition of a liability by the County at December 31, 2013. 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, 2013, the County had incurred expenditures totaling \$6,387 involving transactions with County Officials. These transactions related to payments made to a vendor which is partly owned by one of the County Commissioners and another vendor which employs another County Commissioner. County Officials abstained from voting when these expenditures were approved by Commissioners Court.

(Continued)

COUNTY OF BREWSTER, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

---

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

K. Prior Period Adjustment

A prior period adjustment to net position was made to remove bond issuance costs and a prior year capital lease purchase from the Statement of Net Position as it was inappropriate to account for these costs under the modified cash basis of accounting framework. A prior period adjustment was also recorded for an asset purchased in 2012 and a loan payable incurred in 2012 that was not recorded on the financial statements. These error corrections resulted in the following prior period adjustment to the net position of the governmental activities.

**Net position - beginning of the year:**

As originally presented	\$ 11,166,363
Effect of correction of error to remove bond issuance costs	(126,836)
Effect of correction of error to remove capital lease, and record 2012 asset purchase and related loan payable	<u>(42,304)</u>
As restated	<u>\$ 10,997,223</u>

**SUPPLEMENTARY INFORMATION**

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**County of Brewster, Texas**  
**Combining Balance Sheet - Modified Cash Basis**  
**General Fund**  
**December 31, 2013**

	General Government	Road and Bridge	Courthouse Preservation	Jail Infrastructure	Total General Fund
<b>ASSETS</b>					
Cash	\$ 1,089,967	\$ 231,540	\$ 968	\$ (2,000)	\$ 1,320,475
Government cash pool	1,312,301	-	6,425	90,885	1,409,611
Due from other funds	555	-	-	-	555
Due from others	11,162	-	-	-	11,162
<b>Total Assets</b>	<b>\$ 2,413,985</b>	<b>\$ 231,540</b>	<b>\$ 7,393</b>	<b>\$ 88,885</b>	<b>\$ 2,741,803</b>
<b>LIABILITIES</b>					
Payroll withholdings	\$ 26,319	\$ 10,309	\$ -	\$ -	\$ 36,628
Due to others	45,960	63,490	-	-	109,450
<b>Total Liabilities</b>	<b>72,279</b>	<b>73,799</b>	<b>-</b>	<b>-</b>	<b>146,078</b>
<b>FUND BALANCES</b>					
Committed	-	-	7,393	88,885	96,278
Unassigned	2,341,706	157,741	-	-	2,499,447
<b>Total Fund Balances</b>	<b>2,341,706</b>	<b>157,741</b>	<b>-</b>	<b>-</b>	<b>2,595,725</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,413,985</b>	<b>\$ 231,540</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,741,803</b>

**County of Brewster, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Modified Cash Basis**  
**General Fund**  
**For the Year Ended December 31, 2013**

	General Government	Road and Bridge	Courthouse Preservation	Jail Infrastructure	Total General Fund
<b>REVENUES:</b>					
<b>Taxes:</b>					
Current taxes	\$ 1,741,418	\$ -	\$ -	\$ -	\$ 1,741,418
Delinquent taxes	38,789	-	-	-	38,789
Penalties and interest	27,543	-	-	-	27,543
Tax suits	762	-	-	-	762
Total property taxes	1,808,512	-	-	-	1,808,512
Payment in lieu of taxes	1,120,816	-	-	-	1,120,816
Mixed beverages tax	21,365	-	-	-	21,365
State sales tax	525,965	-	-	-	525,965
Total sales tax	547,330	-	-	-	547,330
<b>Intergovernmental:</b>					
SCAAP awards	863	-	-	-	863
Indigent defense award funds	2,431	-	-	-	2,431
State court costs	190,992	-	-	-	190,992
State salary supplement	38,720	-	-	-	38,720
FEMA reimbursements	14,485	-	-	-	14,485
Tobacco grant reimbursement	5,437	-	-	-	5,437
394th District Court	6,174	-	-	-	6,174
8th Court of Appeals	700	-	-	-	700
Total intergovernmental	259,802	-	-	-	259,802
<b>Charges for services:</b>					
Licenses and permits	3,282	272,525	-	-	275,807
Tax collection contracts	72,425	-	-	-	72,425
Federal prisoners	726,529	-	-	-	726,529
Other prisoner fees	2,551	-	-	-	2,551
Inmate phone system	19,672	-	-	-	19,672
MHMR - deputy services	23,500	-	-	-	23,500
Rent	24,500	-	-	-	24,500
Total charges for services	872,459	272,525	-	-	1,144,984
<b>Fines and fees:</b>					
Gross weight fee	-	99,996	-	-	99,996
Fines - county court	18,502	-	-	-	18,502
Fines - district court	6,856	-	-	-	6,856
Fines - justice of the peace	91,417	-	-	-	91,417
Park and wildlife 85% fine	463	-	-	-	463
State lateral roads	-	40,296	-	-	40,296
Constitutional exc fees	13,799	-	-	-	13,799
Fees - administrative	528	-	-	-	528
Fees - county clerk	97,838	-	-	-	97,838
Fees - district clerk	29,467	-	-	-	29,467
Fees - judge	399	-	-	-	399
Fees - sheriff	15,456	-	-	-	15,456
Fees - tax office	9,345	-	-	-	9,345

	General Government	Road and Bridge	Courthouse Preservation	Jail Infrastructure	Total General Fund
Fees - trial and jury	60	-	-	-	60
Fiscal payment Tri-Co	4,000	-	-	-	4,000
Civil and small claims court	108	-	-	-	108
Law library	5,214	-	-	-	5,214
PTD administrative fees	35,628	-	-	-	35,628
Constables	4,310	-	-	-	4,310
Deferred adjudication	8,681	-	-	-	8,681
Community center user's fees	1,275	-	-	-	1,275
Estray fees	678	-	-	-	678
Septic tank inspection	7,840	-	-	-	7,840
Total fines and fees	351,864	140,292	-	-	492,156
Interest	2,203	-	42	97	2,342
Donations:					
C.A.S.I annual donation	3,800	-	-	-	3,800
Other:					
Insurance settlements	43,534	-	-	-	43,534
Other misc. reimbursements	7,243	165	-	-	7,408
Refund on election expense	12,206	-	-	-	12,206
Bond forfeitures	4,750	-	-	-	4,750
Reimbursements records	10	-	-	-	10
Reimb retiree insurance	5,162	-	-	-	5,162
Total other	72,905	165	-	-	73,070
<b>Total Revenues</b>	<b>\$ 5,039,691</b>	<b>\$ 412,982</b>	<b>\$ 42</b>	<b>\$ 97</b>	<b>\$ 5,452,812</b>

## EXPENDITURES:

## Current:

Salaries and benefits	2,685,447	383,354	-	-	3,068,801
Advertising and legal notices	1,571	-	-	-	1,571
Alpine public library	39,000	-	-	-	39,000
Ambulance service	107,367	-	-	-	107,367
Appraisal district	88,707	-	-	-	88,707
Autopsies	29,250	-	-	-	29,250
Brewster County ESD # 1	29,000	-	-	-	29,000
CASA	1,000	-	-	-	1,000
Code red	3,750	-	-	-	3,750
Communications and postage	71,808	2,461	-	-	74,269
Contingency fund	994	-	-	-	994
Contracted services	4,970	-	-	-	4,970
County inspection fees	6,960	-	-	-	6,960
Dues	21,387	-	-	-	21,387
Election expense	6,332	-	-	-	6,332
ESS program	3,947	-	-	-	3,947
FEMA fire reimbursement	13,220	-	-	-	13,220
Groundwater district	1,542	-	-	-	1,542
HAZMAT disposal	1,000	-	-	-	1,000
In lieu taxes	138,102	-	-	-	138,102
Indigent relief	36,500	-	-	-	36,500

**County of Brewster, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Modified Cash Basis**  
**General Fund**  
**For the Year Ended December 31, 2013**

	General Government	Road and Bridge	Courthouse Preservation	Jail Infrastructure	Total General Fund
Insurance - other	74,632	-	-	-	74,632
Insurance - retirees and surveyor's	106,965	-	-	-	106,965
Insurance - TCDRS supplemental	6,658	1,151	-	-	7,809
Insurance - unemployment comp	2,004	-	-	-	2,004
Insurance - workers' compensation	26,253	8,133	-	-	34,386
Law library	10,542	-	-	-	10,542
Leased equipment	28,615	-	-	-	28,615
Maintenance and repair - equipment	66,265	88,337	-	14,401	169,003
Marathon fire and ambulance	1,874	-	-	-	1,874
MHMR	5,000	-	-	-	5,000
Office supplies	28,772	138	-	-	28,910
Operating supplies	137,591	5,809	-	-	143,400
Other	12,351	2,806	1,721	-	16,878
Parks and wildlife fines	1,424	-	-	-	1,424
Prisoner board and medical	79,157	-	-	-	79,157
Professional services	226,606	-	-	-	226,606
Published notices - juries	9,910	-	-	-	9,910
Recreational services	8,000	-	-	-	8,000
State quarterly fees	163,542	-	-	-	163,542
Sunshine house	14,500	-	-	-	14,500
Transportation - conferences	42,827	-	-	-	42,827
Tri-County juvenile probation	50,339	-	-	-	50,339
Uniforms	5,137	12,306	-	-	17,443
Utilities	122,185	2,485	-	-	124,670
Visiting judges	2,093	-	-	-	2,093
Capital outlay	10,605	113,469	54,709	-	178,783
<b>Total Expenditures</b>	<b>4,535,701</b>	<b>620,449</b>	<b>56,430</b>	<b>14,401</b>	<b>5,226,981</b>
Excess (deficiency) of revenues over expenditures	503,990	(207,467)	(56,388)	(14,304)	225,831
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	72,724	300,000	44,706	103,189	520,619
Transfers out	(329,549)	-	(109,598)	-	(439,147)
<b>Total other financing sources (uses)</b>	<b>(256,825)</b>	<b>300,000</b>	<b>(64,892)</b>	<b>103,189</b>	<b>81,472</b>
<b>Net Change in Fund Balance</b>	<b>247,165</b>	<b>92,533</b>	<b>(121,280)</b>	<b>88,885</b>	<b>307,303</b>
<b>Fund Balance - beginning</b>	<b>2,094,541</b>	<b>65,208</b>	<b>128,673</b>	<b>-</b>	<b>2,288,422</b>
<b>Fund Balance - ending</b>	<b>\$ 2,341,706</b>	<b>\$ 157,741</b>	<b>\$ 7,393</b>	<b>\$ 88,885</b>	<b>\$ 2,595,725</b>
<b>Expenditures by function:</b>					
General government	\$ 2,129,861	\$ -	\$ 1,721	\$ -	\$ 2,131,582
Justice system	660,204	-	-	-	660,204
Public safety	731,081	-	-	-	731,081
Corrections and rehabilitation	810,608	-	-	14,401	825,009
Health and human services	193,342	-	-	-	193,342
Community and economic development	-	-	-	-	-
Infrastructure and environmental services	-	506,980	-	-	506,980
Capital outlay	10,605	113,469	54,709	-	178,783
<b>Total expenditures by function</b>	<b>\$ 4,535,701</b>	<b>\$ 620,449</b>	<b>\$ 56,430</b>	<b>\$ 14,401</b>	<b>\$ 5,226,981</b>

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**County of Brewster, Texas**  
**Combining Balance Sheet - Modified Cash Basis**  
**Non-Major Governmental Funds**  
**December 31, 2013**

	12 Records Manage- ment	13 Emergency Manage- ment	15 Marathon EMS	16 LEOSE Training	18,22,23,37 Homeland Security All Initiatives
<b>ASSETS</b>					
Cash	\$ 61,387	\$ 3,800	\$ 72	\$ 10,490	\$ (48,617)
Government cash pool	-	-	-	-	-
Total Assets	<u>61,387</u>	<u>3,800</u>	<u>72</u>	<u>10,490</u>	<u>(48,617)</u>
<b>LIABILITIES</b>					
Payroll withholdings	-	-	-	-	8,418
Due to other funds	-	-	-	-	555
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,973</u>
<b>FUND BALANCES</b>					
Restricted	61,387	3,800	72	10,490	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	(57,590)
Total Fund Balance	<u>61,387</u>	<u>3,800</u>	<u>72</u>	<u>10,490</u>	<u>(57,590)</u>
Total Liabilities and Fund Balances	<u>\$ 61,387</u>	<u>\$ 3,800</u>	<u>\$ 72</u>	<u>\$ 10,490</u>	<u>\$ (48,617)</u>

	20,21,24,25	26	27	29	30
	HIDTA	Sheriff	Sheriff	JAG	County
	All Initiatives	Awarded	Abandoned	1979705	Attorney
		Account	Vehicles		Special
<b>ASSETS</b>					
Cash	\$ (68,304)	\$ 104,547	\$ 2,580	\$ -	\$ 918
Government cash pool	-	-	-	-	-
Total Assets	(68,304)	104,547	2,580	-	918
<b>LIABILITIES</b>					
Payroll withholdings	8,574	-	-	17	-
Due to other funds	-	-	-	-	-
Total Liabilities	8,574	-	-	17	-
<b>FUND BALANCES</b>					
Restricted	-	104,547	2,580	-	918
Committed	-	-	-	-	-
Unassigned	(76,878)	-	-	(17)	-
Total Fund Balance	(76,878)	104,547	2,580	(17)	918
Total Liabilities and Fund Balances	\$ (68,304)	\$ 104,547	\$ 2,580	\$ -	\$ 918

**County of Brewster, Texas**  
**Combining Balance Sheet - Modified Cash Basis**  
**Non-Major Governmental Funds**  
**December 31, 2013**

	31 JP Technology Fund	34 TX Dot Colonia Program	36 Fire Truck Fund	38 JAG Fund	44 Technology Fee for Clerks
<b>ASSETS</b>					
Cash	\$ (2,900)	\$ 53	\$ 4,773	\$ 1,085	\$ 500
Government cash pool	-	-	-	-	-
Total Assets	<u>(2,900)</u>	<u>53</u>	<u>4,773</u>	<u>1,085</u>	<u>500</u>
<b>LIABILITIES</b>					
Payroll withholdings	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	-	53	4,773	1,085	500
Committed	-	-	-	-	-
Unassigned	(2,900)	-	-	-	-
Total Fund Balance	<u>(2,900)</u>	<u>53</u>	<u>4,773</u>	<u>1,085</u>	<u>500</u>
Total Liabilities and Fund Balances	<u>\$ (2,900)</u>	<u>\$ 53</u>	<u>\$ 4,773</u>	<u>\$ 1,085</u>	<u>\$ 500</u>

	57 Block Grant 729-081	58 Block Grant 729-025	59 Block Grant 711-060	76 Inmate Commissary Fund	Brewster County Groundwater Conservation District
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ 1,839	\$ 7,990
Government cash pool	-	-	-	-	-
<b>Total Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,839</b>	<b>7,990</b>
<b>LIABILITIES</b>					
Payroll withholdings	-	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>					
Restricted	-	-	-	1,839	-
Committed	-	-	-	-	7,990
Unassigned	-	-	-	-	-
<b>Total Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,839</b>	<b>7,990</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,839</b>	<b>\$ 7,990</b>

**County of Brewster, Texas**  
**Combining Balance Sheet - Modified Cash Basis**  
**Non-Major Governmental Funds**  
**December 31, 2013**

	Total Nonmajor Special Revenue Funds	60 Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash	\$ 80,213	\$ 268,190	\$ 348,403
Government cash pool	-	-	-
Total Assets	80,213	268,190	348,403
<b>LIABILITIES</b>			
Payroll withholdings	17,009	-	17,009
Due to other funds	555	-	555
Total Liabilities	17,564	-	17,564
<b>FUND BALANCES</b>			
Restricted	192,044	268,190	460,234
Committed	7,990	-	7,990
Unassigned	(137,385)	-	(137,385)
Total Fund Balance	62,649	268,190	330,839
Total Liabilities and Fund Balances	\$ 80,213	\$ 268,190	\$ 348,403

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**County of Brewster, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis**  
**Non-Major Governmental Funds**  
**December 31, 2013**

	12 Records Manage- ment	13 Emergency Manage- ment	15 Marathon EMS	16 LEOSE Training
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and hotel tax	-	-	-	-
Intergovernmental	-	3,200	-	-
Seizures and sales	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	37,649	-	-	-
Interest	-	-	-	-
Donations	-	-	-	-
Other	-	-	-	-
Total Revenue	37,649	3,200	-	-
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	-	-	-	-
Advertising and promotion	-	-	-	-
Contract services	-	-	-	-
Engineering and consulting	-	-	-	-
Grant administration	-	-	-	-
Law enforcement expenses	-	-	-	-
Office supplies	-	-	-	-
Operating supplies	96	-	-	-
Professional services	25,150	-	-	-
Other	487	-	-	-
Rent	-	-	-	-
Repair and maintenance	-	-	-	-
Training, dues and memberships	-	-	-	630
Vehicle expense	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	3,400	-	-
Total Expenditures	25,733	3,400	-	630
Excess (deficiency) of revenues over (under) expenditures	11,916	(200)	-	(630)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	11,916	(200)	-	(630)
Fund balance - beginning	49,471	4,000	72	11,120
Fund balance - ending	\$ 61,387	\$ 3,800	\$ 72	\$ 10,490
Expenditures by function				
General government	\$ 25,733	\$ -	\$ -	-
Justice system	-	-	-	-
Public safety	-	-	-	630
Corrections and rehabilitation	-	-	-	-
Health and human services	-	-	-	-
Community and economic development	-	-	-	-
Infrastructure and environmental services	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlay	-	3,400	-	-
Total expenditures by function	\$ 25,733	\$ 3,400	\$ -	\$ 630

	18,22,23,37 Homeland Security All Initiatives	20,21,24,25 HIDTA All Initiatives	26 Sheriff Awarded Account	27 Sheriff Abandoned Vehicles
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and hotel tax	-	-	-	-
Intergovernmental	215,643	247,935	-	-
Seizures and sales	-	-	105,922	8,065
Charges for services	-	-	-	-
Fines and fees	-	-	-	9,613
Interest	-	-	-	-
Donations	-	-	-	-
Other	-	-	99	-
Total Revenue	215,643	247,935	106,021	17,678
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	12,524	115,495	-	-
Advertising and promotion	-	-	-	-
Contract services	3,600	194	-	-
Engineering and consulting	-	-	-	-
Grant administration	-	-	-	-
Law enforcement expenses	66,582	146,409	-	-
Office supplies	-	-	-	-
Operating supplies	-	8,851	9,289	1,325
Professional services	-	-	-	-
Other	29,546	-	12,227	3,995
Rent	-	20,592	-	-
Repair and maintenance	-	-	-	11,738
Training, dues and memberships	-	801	-	-
Vehicle expense	-	18,001	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	160,426	-	49,474	12,935
Total Expenditures	272,678	310,343	70,990	29,993
Excess (deficiency) of revenues over (under) expenditures	(57,035)	(62,408)	35,031	(12,315)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(57,035)	(62,408)	35,031	(12,315)
Fund balance - beginning	(555)	(14,470)	69,516	14,895
Fund balance - ending	\$ (57,590)	\$ (76,878)	\$ 104,547	\$ 2,580
Expenditures by function				
General government	\$ -	\$ -	\$ -	\$ -
Justice system	-	-	-	-
Public safety	112,252	310,343	21,516	17,058
Corrections and rehabilitation	-	-	-	-
Health and human services	-	-	-	-
Community and economic development	-	-	-	-
Infrastructure and environmental services	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlay	160,426	-	49,474	12,935
Total expenditures by function	\$ 272,678	\$ 310,343	\$ 70,990	\$ 29,993

**County of Brewster, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis**  
**Non-Major Governmental Funds**  
**December 31, 2013**

	29	30	31	34
	JAG	County	JP	TX Dot
	1979705	Attorney	Technology	Colonia
		Special	Fund	Program
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and hotel tax	-	-	-	-
Intergovernmental	-	-	-	-
Seizures and sales	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	1,216	6,197	-
Interest	-	2	-	-
Donations	-	-	-	-
Other	-	200	-	-
Total Revenue	-	1,418	6,197	-
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	-	-	-	-
Advertising and promotion	-	-	-	-
Contract services	-	-	-	-
Engineering and consulting	-	-	-	-
Grant administration	-	-	-	-
Law enforcement expenses	-	-	-	-
Office supplies	-	-	-	-
Operating supplies	-	-	-	-
Professional services	-	-	9,000	-
Other	-	2,319	2,036	-
Rent	-	-	-	-
Repair and maintenance	-	-	-	-
Training, dues and memberships	-	-	3,494	-
Vehicle expense	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay				
Total Expenditures	-	2,319	14,530	-
Excess (deficiency) of revenues over (under) expenditures	-	(901)	(8,333)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	(901)	(8,333)	-
Fund balance - beginning	(17)	1,819	5,433	53
Fund balance - ending	\$ (17)	\$ 918	\$ (2,900)	\$ 53
<b>Expenditures by function</b>				
General government	\$ -	\$ -	\$ -	\$ -
Justice system	-	2,319	14,530	-
Public safety	-	-	-	-
Corrections and rehabilitation	-	-	-	-
Health and human services	-	-	-	-
Community and economic development	-	-	-	-
Infrastructure and environmental services	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures by function	\$ -	\$ 2,319	\$ 14,530	\$ -

	36 Fire Truck Fund	38 JAG Fund	44 Technology Fee for Clerks	57 Block Grant 729-081
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and hotel tax	-	-	-	-
Intergovernmental	-	-	-	3,490
Seizures and sales	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	125	-
Interest	-	-	-	-
Donations	1,000	1,085	-	-
Other	-	-	-	-
Total Revenue	1,000	1,085	125	3,490
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	-	-	-	-
Advertising and promotion	-	-	-	-
Contract services	-	-	-	-
Engineering and consulting	-	-	-	-
Grant administration	-	-	-	3,490
Law enforcement expenses	-	-	-	-
Office supplies	-	-	-	-
Operating supplies	-	-	-	-
Professional services	-	-	-	-
Other	800	-	-	-
Rent	-	-	-	-
Repair and maintenance	-	-	-	-
Training, dues and memberships	-	-	-	-
Vehicle expense	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay				
Total Expenditures	800	-	-	3,490
Excess (deficiency) of revenues over (under) expenditures	200	1,085	125	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	200	1,085	125	-
Fund balance - beginning	4,573	-	375	-
Fund balance - ending	\$ 4,773	\$ 1,085	\$ 500	\$ -
Expenditures by function				
General government	\$ -	\$ -	\$ -	\$ -
Justice system	-	-	-	-
Public safety	800	-	-	-
Corrections and rehabilitation	-	-	-	-
Health and human services	-	-	-	-
Community and economic development	-	-	-	3,490
Infrastructure and environmental services	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures by function	\$ 800	\$ -	\$ -	\$ 3,490

**County of Brewster, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis**  
**Non-Major Governmental Funds**  
**December 31, 2013**

	58 Block Grant 729-025	59 Block Grant 711-060	76 Inmate Commissary Fund	Brewster County Groundwater Conservation District
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and hotel tax	-	-	-	-
Intergovernmental	4,400	247,358	-	-
Seizures and sales	-	-	-	-
Charges for services	-	-	8,808	-
Fines and fees	-	-	-	1,150
Interest	-	-	-	-
Donations	-	-	-	-
Other	-	-	-	-
Total Revenue	4,400	247,358	8,808	1,150
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	-	-	-	5,728
Advertising and promotion	-	-	-	231
Contract services	-	236,083	-	-
Engineering and consulting	-	3,525	-	-
Grant administration	4,400	7,750	-	-
Law enforcement expenses	-	-	-	-
Office supplies	-	-	-	139
Operating supplies	-	-	11,939	362
Professional services	-	-	-	364
Other	-	-	-	2,284
Rent	-	-	-	-
Repair and maintenance	-	-	-	-
Training, dues and memberships	-	-	-	1,010
Vehicle expense	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay				
Total Expenditures	4,400	247,358	11,939	10,118
Excess (deficiency) of revenues over (under) expenditures	-	-	(3,131)	(8,968)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	16,958
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	16,958
Net change in fund balances	-	-	(3,131)	7,990
Fund balance - beginning	-	-	4,970	-
Fund balance - ending	\$ -	\$ -	\$ 1,839	\$ 7,990
Expenditures by function				
General government	\$ -	\$ -	\$ -	\$ -
Justice system	-	-	-	-
Public safety	-	-	-	-
Corrections and rehabilitation	-	-	11,939	-
Health and human services	-	-	-	-
Community and economic development	4,400	247,358	-	-
Infrastructure and environmental services	-	-	-	10,118
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures by function	\$ 4,400	\$ 247,358	\$ 11,939	\$ 10,118

	Total Nonmajor Special Revenue Funds	60 Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ -	\$ 535,236	\$ 535,236
Sales and hotel tax	-	-	-
Intergovernmental	722,026	-	722,026
Seizures and sales	113,987	-	113,987
Charges for services	8,808	-	8,808
Fines and fees	55,950	-	55,950
Interest	2	5,073	5,075
Donations	2,085	-	2,085
Other	299	-	299
Total Revenue	903,157	540,309	1,443,466
<b>EXPENDITURES</b>			
Current:			
Salaries and benefits	133,747	-	133,747
Advertising and promotion	231	-	231
Contract services	239,877	-	239,877
Engineering and consulting	3,525	-	3,525
Grant administration	15,640	-	15,640
Law enforcement expenses	212,991	-	212,991
Office supplies	139	-	139
Operating supplies	31,862	-	31,862
Professional services	34,514	-	34,514
Other	53,694	-	53,694
Rent	20,592	-	20,592
Repair and maintenance	11,738	-	11,738
Training, dues and memberships	5,935	-	5,935
Vehicle expense	18,001	-	18,001
Debt Service:			
Principal	-	410,404	410,404
Interest	-	167,511	167,511
Capital outlay	226,235	-	226,235
Total Expenditures	1,008,721	577,915	1,586,636
Excess (deficiency) of revenues over (under) expenditures	(105,564)	(37,606)	(143,170)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	16,958	-	16,958
Transfer out	-	-	-
Total other financing sources (uses)	(88,606)	-	(88,606)
Net change in fund balances	(88,606)	(37,606)	(126,212)
Fund balance - beginning	151,255	305,796	457,051
Fund balance - ending	\$ 62,649	\$ 268,190	\$ 330,839
Expenditures by function			
General government	\$ 25,733	\$ -	\$ 25,733
Justice system	16,849	-	16,849
Public safety	462,599	-	462,599
Corrections and rehabilitation	11,939	-	11,939
Health and human services	-	-	-
Community and economic development	255,248	-	255,248
Infrastructure and environmental services	10,118	-	10,118
Debt service - principal	-	410,404	410,404
Debt service - interest	-	167,511	167,511
Capital outlay	226,235	-	226,235
Total expenditures by function	\$ 1,008,721	\$ 577,915	\$ 1,586,636

**County of Brewster, Texas**  
**Combining Statement of Changes in Assets and Liabilities - Modified Cash Basis**  
**All Agency Funds**  
**For the Year Ended December 31, 2013**

	BALANCE JANUARY 1, 2013	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31, 2013
<b>Historical Commission</b>				
Assets:				
Cash	\$ 5,523	\$ 508	\$ 3,450	\$ 2,581
Liabilities:				
Due to Others	\$ 5,523	\$ 508	\$ 3,450	\$ 2,581
<b>County Attorney</b>				
Assets:				
Cash	\$ 3,008	\$ 18,303	\$ 15,547	\$ 5,764
Liabilities:				
Due to Others	\$ 3,008	\$ 18,303	\$ 15,547	\$ 5,764
<b>District Clerk Bonds</b>				
Assets:				
Cash	\$ 17,600	\$ 14,500	\$ 1,750	\$ 30,350
Liabilities:				
Due to Others	\$ 17,600	\$ 14,500	\$ 1,750	\$ 30,350
<b>District Clerk Other</b>				
Assets:				
Cash	\$ 10,014	\$ 15	\$ -	\$ 10,029
Liabilities:				
Due to Others	\$ 10,014	\$ 15	\$ -	\$ 10,029
<b>District Clerk Child Support</b>				
Assets:				
Cash	\$ 3,050	\$ 1,680	\$ 1,551	\$ 3,179
Liabilities:				
Due to Others	\$ 3,050	\$ 1,680	\$ 1,551	\$ 3,179

**County Clerk bonds**

## Assets:

Cash	<u>\$ 60,641</u>	<u>\$ 16,916</u>	<u>\$ 15,810</u>	<u>\$ 61,747</u>
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## Liabilities:

Due to Others	<u>\$ 60,641</u>	<u>\$ 16,916</u>	<u>\$ 15,810</u>	<u>\$ 61,747</u>
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**Inmate Trust Fund**

## Assets:

Cash	<u>\$ 30,363</u>	<u>\$ 79,253</u>	<u>\$ 76,814</u>	<u>\$ 32,802</u>
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## Liabilities:

Due to Others	<u>\$ 30,363</u>	<u>\$ 79,253</u>	<u>\$ 76,814</u>	<u>\$ 32,802</u>
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**Total Agency Funds**

## Assets:

Cash	<u>\$ 130,199</u>	<u>\$ 131,175</u>	<u>\$ 114,922</u>	<u>\$ 146,452</u>
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## Liabilities:

Due to Others	<u>\$ 130,199</u>	<u>\$ 131,175</u>	<u>\$ 114,922</u>	<u>\$ 146,452</u>
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## **OTHER INFORMATION**

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

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# COUNTY OF BREWSTER

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Kathy Killingsworth, County Judge  
P.O. Drawer 1630 • Alpine, Texas 79831 • 432-837-2412

August 27, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the County's financial statements, which begin on page 5.

## FINANCIAL HIGHLIGHTS

Beginning in 2010 the County changed its basis of accounting to the modified cash basis of accounting for purposes of simplifying the financial reporting purposes and also to report on a basis similar to that used throughout the year by management.

### *General Activities:*

As of December 31, 2013, the general fund reported a fund balance of \$2,595,725 as compared to \$2,159,749 at December 31, 2012. The net excess of revenues over expenditures in 2013, \$307,303 resulted in the increase in fund balance. During 2013, it was determined that the Courthouse Preservation fund should be reported as part of the general fund versus a special revenue fund as reported in 2012.

## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 7 and 8-9) 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 start on page 10. 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.

### *Reporting the County as a Whole*

Our analysis of the County as a whole begins on page 7. One of the most important questions asked about the County's finances is, "Is the County as a whole 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 divide the County into two kinds of activities:

- 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.
- Component units –Brewster County Groundwater Conservation District is presented as a non-major fund blended component unit.

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

Our analysis of the County's major funds begins on page 10. 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 of disbursement of cash (or cash equivalents) except for modifications described in the notes to the financial statements (Note I – E). 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 on page 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 \$34,840. This increase is more impressive when considering that the change in net position also includes \$1,020,151 in depreciation.

(See Table 1 and 2)

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..

During the past year Road and Bridge Department expenditures exceeded revenues. Brewster County is the largest County in Texas, and its population is widely dispersed. Therefore, the County must maintain over 150 miles of County Roads for a relatively low population. Road & Bridge revenues have not historically been sufficient to maintain the County Road System and the General Government Fund has made up this difference. Commissioners Court has already set the County Road & Bridge Fee at the highest amount the State allows.

A substantial portion of Brewster County's yearly budget does not derive from ad valorem taxes. In the case of Brewster County, a payment from the U.S. Government is particularly notable. In 2013, Brewster County received \$1,115,018 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. In 2008, the payment increased for the first time after an eight year long lobbying effort led by the National Association of Counties. PILT payments have been funded basically at the same level through 2013. 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. Marshall's Service. The County received \$726,529 in 2013 for providing this 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 large 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 on page 5) reported a combined fund balance of \$3,434,040 as compared with \$3,176,509 at the end of 2012. The increase is the result of increased hotel tax receipts because of tourism to Big Ben and the area and also an increase in the County's debt service tax rate which yielded an additional \$202,000 in tax collections.

### *General Fund Budgetary Highlights*

Over the course of the year, the County Commissioners Court made revisions to the County budget as needed

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### *Capital Assets*

At the end of 2013, the County had approximately \$11 million investment in capital assets including the jail facility, courthouse, Alpine Emergency Response Center, South Brewster Emergency Response Center and Marathon Justice Center. The addition of the three new public safety infrastructure facilities significantly enhanced the County's emergency response capability. Infrastructure assets consist primarily of paved and unpaved roads, and a bridge acquired prior to the County's retroactive adoption of a plan to capitalize infrastructure assets.

### *Debt*

At year-end, the County had outstanding \$3,397,357 in certificates of obligations, tax notes, and loans payable compared to \$3,788,328 in 2012. All payments were made in accordance with the terms of the financial instruments.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates, and fees. Unemployment in the County is 4.9% as compared to 4.7% a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 6.7% at year-end. Property taxes increased slightly due to new properties coming onto the tax rolls, a slightly up trending real estate market and tax collection efforts. 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 increase slightly by the close of 2014. More importantly, however, this will have been accomplished without selling capital assets or restructuring long-term debt to alleviate cash flow pressures.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show 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.

Kathy Killingsworth  
County Judge  
Brewster County, Texas

**COUNTY OF BREWSTER, TEXAS**  
**Statement of Net Position**  
**December 31, 2013 and 2012**

	PRIMARY GOVERNMENT		
	2013	Increase (Decrease)	2012
	Governmental Activities		Governmental Activities
<b>ASSETS:</b>			
Cash	\$ 2,025,824	\$ 626,757	\$ 1,399,067
Government cash pool	1,560,141	(327,713)	1,887,854
Other assets	11,162	10,728	434
Capitalized bond issue costs	-	(126,836)	126,836
Capital assets	10,995,380	(655,967)	11,651,347
Total Assets	14,592,507	(473,031)	15,065,538
<b>LIABILITIES:</b>			
Payroll withholdings	53,637	29,129	24,508
Due to others	109,450	23,112	86,338
Long-term liabilities	3,397,357	(390,972)	3,788,329
Total Liabilities	3,560,444	(338,731)	3,899,175
<b>NET POSITION:</b>			
Net investment in capital assets	7,598,023	(264,995)	7,863,018
Restricted for:			
Debt service	268,190	(37,606)	305,796
Community development projects	507,476	(89,857)	597,333
Other purposes	192,044	(173,287)	365,331
Committed for:			
Courthouse preservation	7,393	7,393	-
Groundwater conservation	7,990	7,990	-
Jail infrastructure	88,885	88,885	-
Unrestricted	2,362,062	327,177	2,034,885
Total Net Position	\$ 11,032,063	\$ (134,300)	\$ 11,166,363

**COUNTY OF BREWSTER, TEXAS**  
**Statement of Activities**  
**For the Year Ended December 31, 2013 and 2012**

	PRIMARY GOVERNMENT		
	2013		2012
	Governmental Activities	Increase (Decrease)	Governmental Activities
<b>REVENUES:</b>			
Program:			
Operating grants and contributions	\$ 938,074	(13,641)	\$ 951,715
Capital grants and contributions	163,626	(1,736,497)	1,900,123
Charges for services	1,153,792	357,498	796,294
General:			
Property taxes	2,343,748	144,486	2,199,262
Payment in lieu of taxes	1,120,816	(26,123)	1,146,939
Sales and hotel tax	1,148,651	88,909	1,059,742
Fines and fees	548,106	(335,957)	884,063
Investment income	7,417	(3,000)	10,417
Miscellaneous	73,369	(26,437)	99,806
Total Revenues	<u>7,497,599</u>	<u>(1,550,762)</u>	<u>9,048,361</u>
<b>EXPENSES</b>			
General government	2,260,043	62,462	2,197,581
Justice system	679,909	81,549	598,360
Public safety	1,855,932	21,866	1,834,066
Corrections and rehabilitation	854,688	45,129	809,559
Health and human services	193,795	(49,559)	243,354
Community and economic development	674,214	(101,051)	775,265
Infrastructure and environmental services	749,542	35,856	713,686
Interest and other charges	194,636	5,220	189,416
Total Expenses	<u>7,462,759</u>	<u>101,472</u>	<u>7,361,287</u>
Change in net position	<u>34,840</u>	<u>(1,652,234)</u>	<u>1,687,074</u>
Net Position - beginning	<u>11,166,363</u>	<u>1,687,074</u>	<u>9,479,289</u>
Prior period adjustment	<u>(169,140)</u>	<u>(169,140)</u>	<u>-</u>
Net Position - ending	<u>\$ 11,032,063</u>	<u>\$ (134,300)</u>	<u>\$ 11,166,363</u>

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**BUDGETARY COMPARISON SCHEDULES**

**County of Brewster, Texas**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
**General Government**  
**For the Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
<b>Taxes:</b>				
Current taxes	\$ 1,674,937	\$ 1,674,937	\$ 1,741,418	\$ 66,481
Delinquent taxes	50,000	50,000	38,789	(11,211)
Penalties and interest	40,000	40,000	27,543	(12,457)
Tax suits	1,000	1,000	762	(238)
Total property taxes	1,765,937	1,765,937	1,808,512	42,575
				-
Payment in lieu of taxes	1,142,567	1,142,567	1,120,816	(21,751)
				-
Mixed beverages tax	25,000	25,000	21,365	(3,635)
State sales tax	482,000	482,000	525,965	43,965
Total sales tax	507,000	507,000	547,330	40,330
				-
<b>Intergovernmental:</b>				
SCAAP awards	2,000	2,000	863	(1,137)
Indigent defense award funds	9,000	9,000	2,431	(6,569)
State court costs	265,000	265,000	190,992	(74,008)
Salary supplement	36,833	36,833	38,720	1,887
FEMA reimbursements	-	-	14,485	14,485
Tobacco grant reimbursement	-	-	5,437	5,437
394th District Court	6,000	6,000	6,174	174
8th Court of Appeals	-	-	700	700
Total intergovernmental	318,833	318,833	259,802	(59,031)
				-
<b>Charges for services:</b>				
Licenses and permits	5,000	5,000	3,282	(1,718)
Tax collection contracts	74,550	74,550	72,425	(2,125)
Federal prisoners	626,000	626,000	726,529	100,529
Other prisoner fees	-	-	2,551	2,551
Inmate phone system	25,000	25,000	19,672	(5,328)
MHMR - deputy services	23,000	23,000	23,500	500
Rent	27,550	27,550	24,500	(3,050)
Total charges for services	781,100	781,100	872,459	91,359
				-
<b>Fines and fees:</b>				
Gross weight fee	-	-	-	-
Fines - county court	30,000	30,000	18,502	(11,498)
Fines - district court	10,000	10,000	6,856	(3,144)
Fines - justice of the peace	129,000	129,000	91,417	(37,583)
Park and wildlife 85% fine	-	-	463	463
State lateral roads	-	-	-	-
Bail bond fees	6,500	6,500	13,799	7,299
Fees - administrative	1,500	1,500	528	(972)
Fees - county clerk	90,000	90,000	97,838	7,838
Fees - district clerk	30,000	30,000	29,467	(533)
Fees - judge	350	350	399	49
Fees - sheriff	16,000	16,000	15,456	(544)
Fees - tax office	2,700	2,700	9,345	6,645
Fees - trial and jury	300	300	60	(240)
Fiscal payment Tri-Co	4,000	4,000	4,000	-
Civil and small claims court	200	200	108	(92)
Law library	6,000	6,000	5,214	(786)
PTD administrative fees	40,000	40,000	35,628	(4,372)
Constables	3,000	3,000	4,310	1,310
Deferred adjudication	8,500	8,500	8,681	181
Community center user's fees	1,500	1,500	1,275	(225)
Estray fees	-	-	678	678
Septic tank inspection	6,500	6,500	7,840	1,340
Courthouse Security Fees	12,000	12,000	-	(12,000)
Total fines and fees	398,050	398,050	351,864	(46,186)

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Interest	3,500	3,500	2,203	(1,297)
Donations:				-
C.A.S.I annual donation	3,500	3,500	3,800	300
Other:				-
Insurance settlements	-	-	43,534	43,534
Other misc. reimbursements	7,000	7,000	7,243	243
Refund on election expense	20,000	20,000	12,206	(7,794)
Bond forfeitures	9,000	9,000	4,750	(4,250)
Reimbursements records	-	-	10	10
Reimb retiree insurance	5,000	5,000	5,162	162
Miscellaneous	2,000	2,000	-	(2,000)
Total other	43,000	41,000	72,905	31,905
Total Revenues	\$ 4,963,487	\$ 4,961,487	\$ 5,039,691	\$ 78,204

## EXPENDITURES:

Current:				-
Salaries and benefits	2,674,872	2,715,103	2,685,447	29,656
Alpine and Marathon cemeteries	3,000	3,000	-	3,000
Advertising and legal notices	4,850	4,850	1,571	3,279
Alpine public library	39,000	39,000	39,000	-
Ambulance service	107,000	107,000	107,367	(367)
Appraisal district	84,381	84,381	88,707	(4,326)
Autopsies	18,500	18,500	29,250	(10,750)
Brewster County ESD # 1	29,000	29,000	29,000	-
CASA	1,000	1,000	1,000	-
Child advocacy center	1,500	1,500	-	1,500
Child welfare Board	2,500	2,500	-	2,500
Code red	3,750	3,750	3,750	-
Communications and postage	62,525	63,883	71,808	(7,925)
Contingency fund	3,000	3,000	994	2,006
Contracted services	5,300	5,300	4,970	330
County inspection fees	6,250	6,250	6,960	(710)
Dues	12,063	12,063	21,387	(9,324)
Election expense	2,000	2,000	6,332	(4,332)
ESS program	6,000	6,000	3,947	2,053
Family crisis center	3,000	3,000	-	3,000
FEMA fire reimbursement	-	-	13,220	(13,220)
Groundwater district	18,500	18,500	1,542	16,958
HAZMAT disposal	1,750	1,750	1,000	750
In lieu taxes	136,948	136,948	138,102	(1,154)
Indigent relief	16,000	16,000	36,500	(20,500)
Insurance - other	95,250	95,250	74,632	20,618
Insurance - retirees and surveyor's	90,107	90,107	106,965	(16,858)
Insurance - TCDRS supplemental	7,000	7,000	6,658	342
Insurance - unemployment comp	14,000	14,000	2,004	11,996
Insurance - workers' compensation	44,000	44,000	26,253	17,747
Law library	19,000	18,950	10,542	8,408
Leased equipment	23,990	24,990	28,615	(3,625)
Maintenance and repair - equipment	78,050	83,566	66,265	17,301
Marathon fire and ambulance	4,500	4,500	1,874	2,626
MHMR	5,000	5,000	5,000	-
Office supplies	35,500	35,500	28,772	6,728
Operating supplies	109,450	114,450	137,591	(23,141)
Other	84,300	50,055	12,351	37,704
Parks and wildlife fines	-	-	1,424	(1,424)
Prisoner board and medical	88,000	85,856	79,157	6,699
Professional services	235,900	237,126	226,606	10,520
Published notices - juries	14,250	14,250	9,910	4,340

**County of Brewster, Texas**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
**General Government**  
**For the Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Recreational services	8,000	8,000	8,000	-
State quarterly fees	200,000	200,000	163,542	36,458
Sunshine house	14,500	14,500	14,500	-
Transportation - conferences	62,800	58,883	42,827	16,056
Tri-County juvenile probation	39,971	39,971	50,339	(10,368)
Uniforms	4,800	4,800	5,137	(337)
Utilities	115,760	115,760	122,185	(6,425)
Visiting judges	2,700	2,700	2,093	607
Capital outlay	27,550	18,556	10,605	7,951
Total Expenditures	<u>4,667,067</u>	<u>4,672,048</u>	<u>4,535,701</u>	<u>136,347</u>
Excess (deficiency) of revenues over expenditures	<u>296,420</u>	<u>289,439</u>	<u>503,990</u>	<u>214,551</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	40,000	40,000	72,724	32,724
Transfers out	-	-	(329,549)	(329,549)
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>(256,825)</u>	<u>(296,825)</u>
Net Change in Fund Balance	336,420	329,439	247,165	(82,274)
Fund Balance - beginning	<u>2,094,541</u>	<u>2,094,541</u>	<u>2,094,541</u>	<u>-</u>
Fund Balance - ending	<u>\$ 2,430,961</u>	<u>\$ 2,423,980</u>	<u>\$ 2,341,706</u>	<u>\$ (82,274)</u>
 Expenditures by function:				
General government	\$ 2,166,624	\$ 2,175,618	\$ 2,129,861	\$ 45,757
Justice system	682,739	682,739	660,204	22,535
Public safety	739,079	744,060	731,081	12,979
Corrections and rehabilitation	839,608	839,608	810,608	29,000
Health and human services	211,467	211,467	193,342	18,125
Community and economic development	-	-	-	-
Infrastructure and environmental services	-	-	-	-
Capital outlay	27,550	18,556	10,605	7,951
Total expenditures by function	<u>\$ 4,667,067</u>	<u>\$ 4,672,048</u>	<u>\$ 4,535,701</u>	<u>\$ 136,347</u>

**County of Brewster, Texas**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
**Road and Bridge**  
**For the Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Charges for services:				
Licenses and permits	340,000	340,000	272,525	(67,475)
Total charges for services	340,000	340,000	272,525	(67,475)
Fines and fees:				
Gross weight fee	105,000	105,000	99,996	(5,004)
State lateral roads	40,000	40,000	40,296	296
Total fines and fees	145,000	145,000	140,292	(4,708)
Other:				
Insurance settlements	-	-	-	-
Other misc. reimbursements	-	-	165	165
Total other	-	-	165	165
 Total Revenues	 \$ 485,000	 \$ 485,000	 \$ 412,982	 \$ (72,018)
<b>EXPENDITURES:</b>				
Current:				
Salaries and benefits	447,183	447,183	383,354	63,829
Communications and postage	2,200	2,200	2,461	(261)
Insurance - TCDRS supplemental	1,076	1,076	1,151	(75)
Insurance - unemployment comp	2,000	2,000	-	2,000
Insurance - workers' compensation	15,500	15,500	8,133	7,367
Maintenance and repair - equipment	95,000	93,550	88,337	5,213
Office supplies	400	400	138	262
Operating supplies	14,900	14,250	5,809	8,441
Other	7,500	4,200	2,806	1,394
Transportation - conferences	5,000	5,000	-	5,000
Uniforms	9,500	11,800	12,306	(506)
Utilities	3,000	3,000	2,485	515
Capital outlay	110,625	113,725	113,469	256
Total Expenditures	713,884	713,884	620,449	93,435
 Excess (deficiency) of revenues over expenditures	 (228,884)	 (228,884)	 (207,467)	 (21,417)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	229,000	229,000	300,000	(71,000)
Transfers out	-	-	-	-
Total other financing sources (uses)	229,000	229,000	300,000	(71,000)
 Net Change in Fund Balance	 116	 116	 92,533	 (92,417)
 Fund Balance - beginning	 65,208	 65,208	 65,208	 -
 Fund Balance - ending	 \$ 65,324	 \$ 65,324	 \$ 157,741	 \$ (92,417)
<b>Expenditures by function:</b>				
General government	\$ -	\$ -	\$ -	\$ -
Justice system	-	-	-	-
Public safety	-	-	-	-
Corrections and rehabilitation	-	-	-	-
Health and human services	-	-	-	-
Community and economic development	-	-	-	-
Infrastructure and environmental services	603,259	600,159	506,980	93,179
Capital outlay	110,625	113,725	113,469	256
Total expenditures by function	\$ 713,884	\$ 713,884	\$ 620,449	\$ 93,435

**County of Brewster, Texas**  
**Budgetary Comparison Schedule- Texas Department of Agriculture**  
**Community Development Block Grant**  
**Water Facilities Improvements**  
**December 31, 2013**

Federal Financial Assistance

Federal Grantor: U.S. Department of Housing and Urban Development (HUD)

Pass Through Grantor: Texas Department of Agriculture

Community Development Block Grant

CFDA Number: 14.228

Contract Number: 711-060

Contract Period: 10/1/11 to 9/30/13

	BUDGET	FEDERAL		LOCAL	TOTAL	VARIANCE
		PRIOR YEARS	CURRENT YEAR			
<b>REVENUE</b>						
Federal and state	\$ 291,368	\$ 40,125	\$ 247,358	\$ -	\$ 287,483	\$ (3,885)
Local - Brewster County	11,700	-	12,557	-	12,557	857
<b>Total Revenue</b>	<b>303,068</b>	<b>40,125</b>	<b>259,915</b>	<b>-</b>	<b>300,040</b>	<b>(3,028)</b>
<b>EXPENDITURES</b>						
Federal and state						
Administration	31,000	20,150	7,750	-	27,900	3,100
Water facilities	236,868	-	236,083	-	236,083	785
Engineering	23,500	19,975	3,525	-	23,500	-
Local						
Administration	-	-	-	-	-	-
Water facilities	11,700	-	12,557	-	12,557	(857)
Engineering	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>303,068</b>	<b>40,125</b>	<b>259,915</b>	<b>-</b>	<b>300,040</b>	<b>3,028</b>
Excess Revenue Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**County of Brewster, Texas**  
**Budgetary Comparison Schedule- Texas Department of Agriculture**  
**Community Development Block Grant**  
**Water Facilities Improvements**  
**December 31, 2013**

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

	BUDGET	FEDERAL		LOCAL	TOTAL	VARIANCE
		PRIOR YEARS	CURRENT YEAR			
<b>REVENUE</b>						
Federal/State	\$ 325,401	\$ 321,912	\$ 3,490	\$ -	\$ 325,402	\$ 1
Local: Brewster County	11,743	-	-	-	-	(11,743)
Total Revenue	<u>337,144</u>	<u>321,912</u>	<u>3,490</u>	<u>-</u>	<u>325,402</u>	<u>(11,742)</u>
<b>EXPENDITURES</b>						
Federal/State:						
Administration	34,900	31,410	3,490	-	34,900	-
Street improvements	-	-	-	-	-	-
Water facilities	255,499	255,499	-	-	255,499	-
Engineering	35,002	35,003	-	-	35,003	(1)
Local:						
Administration	-	-	-	-	-	-
Street improvements	11,743	-	-	-	-	11,743
Engineering	-	-	-	-	-	-
Total Expenditures	<u>337,144</u>	<u>321,912</u>	<u>3,490</u>	<u>-</u>	<u>325,402</u>	<u>11,742</u>
Excess Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**County of Brewster, Texas**  
**Budgetary Comparison Schedule- Texas Department of Agriculture**  
**Community Development Block Grant**  
**Water Facilities Improvements**  
**December 31, 2013**

Federal Financial Assistance

Federal Grantor: U.S. Department of Housing and Urban Development (HUD)

Pass Through Grantor: Texas Department of Agriculture

Community Development Block Grant

CFDA Number: 14.228

Contract Number: 729-025

Contract Period: 11/21/09 to 7/19/2012

	BUDGET	FEDERAL		LOCAL	TOTAL	VARIANCE
		PRIOR YEARS	CURRENT YEAR			
<b>REVENUE</b>						
Federal/State	\$ 454,000	\$ 448,800	\$ 4,400	\$ -	\$ 453,200	\$ (800)
Local: Brewster County	-	23,972	-	-	23,972	23,972
Total Revenue	454,000	472,772	4,400	-	477,172	23,172
<b>EXPENDITURES</b>						
Federal/State:						
Administration	44,000	39,600	4,400	-	44,000	-
Rehap sewer	360,000	379,200	-	-	379,200	(19,200)
Engineering	50,000	30,000	-	-	30,000	20,000
Local:						
Administration	-	-	-	-	-	-
Rehap sewer	-	23,972	-	-	23,972	(23,972)
Engineering	-	-	-	-	-	-
Total Expenditures	454,000	472,772	4,400	-	477,172	(23,172)
Excess Revenue Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**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 Kathy Killingsworth and  
Members of the Commissioners Court of the  
County of Brewster, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Brewster, Texas, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise County of Brewster, Texas' basic modified cash basis financial statements, and have issued our report thereon dated August 27, 2014.

**Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questions costs to be material weaknesses: 2013-001, 2013-002 and 2013-003.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. See 2013-004.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether County of Brewster, Texas' modified cash basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questions costs as item 2013-005.

We noted certain matters that we reported to management of County of Brewster, Texas, in a separate letter dated August 27, 2014.

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

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

### **Purpose of this Report**

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

*Gibson, Ruddock, Patterson LLC*  
El Paso, Texas  
August 27, 2014

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

To the Honorable Judge Kathy Killingsworth and  
Members of the Commissioners Court of the  
County of Brewster, Texas

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

We have audited County of Brewster, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Brewster, Texas' major federal programs for the year ended December 31, 2013. County of Brewster, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

As described in the accompanying schedule of findings and questioned costs, County of Brewster, Texas did not comply with requirements regarding CFDA 97.067 Homeland Security Grant Program, finding 2013-009 for Equipment Management. Compliance with such requirements is necessary, in our opinion, for County of Brewster, Texas to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, County of Brewster, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2013.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-006, 2013-007 and 2013-008. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control Over Compliance**

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-006, 2013-007 and 2013-008 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Gibson, Ruddock, Patterson LLC*  
El Paso, Texas  
August 27, 2014

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

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

**SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

<b>Type of Auditor's Report Issued:</b>	Unqualified
<b>Internal control over financial reporting:</b>	
<b>Material weaknesses identified?</b>	Yes, findings 2013-001, 2013-002 and 2013-003.
<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>	Yes, finding 2013-004.
<b>Noncompliance material to the financial statements:</b>	Yes, findings 2013-005.

**FEDERAL AWARDS**

<b>Internal control over major programs:</b>	
<b>Material weaknesses identified?</b>	Yes, findings 2013-006, 2013-007 and 2013-008.
<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>	No
<b>Type of auditor's report issued on compliance for major programs:</b>	Modified
<b>Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?</b>	Yes, findings 2013-006, 2013-007, 2013-008 and 2013-009
<b>Major Federal Programs:</b>	<b><u>Homeland Security Grant Program:</u></b> CFDA 97.067
	<b><u>High Intensity Drug Trafficking Area:</u></b> CFDA 95.001
<b>Dollar Threshold Considered Between Type A and Type B Federal Programs:</b>	\$300,000
<b>Auditee qualified as low-risk auditee?</b>	No

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

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

**FINANCIAL STATEMENT FINDING**

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

Criteria: Segregation of duties is an element of internal control that should be implemented by every governmental entity to reduce the risk of error or fraud.

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

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

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

Recommendation: We recommend management segregate duties for the payroll, journal entries and cash receipts processes, and document all reviews and approvals.

Management Response: See Corrective Action Plan.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

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

**FINANCIAL STATEMENT FINDING (Continued)**

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

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

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

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

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

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

Management Response: See Corrective Action Plan.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

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

**FINANCIAL STATEMENT FINDING (Continued)**

**2013-003 - 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: We found several conditions related to capital assets. 1) A physical inventory of capital assets has not been conducted. Due to turnover in key positions, it is unknown as to when the last inventory took place. 2) A listing of additions was not maintained throughout 2013. We also noted additions were tagged but not logged into the capital asset listing. 3) The capital asset nor the related debt for the 2012 acquisition of equipment was not properly recorded 4) Upon review of the capital assets additions report, we noted four items did not meet the County's disclosed capitalization policy. 5) Because capital asset additions were not capitalized in a timely and accurate manner and because new management did not know how to re-run depreciation for the new additions, depreciation expense had not been recorded for 2013.

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. The conditions noted also led to additional time incurred during the audit process and delaying the preparation of the financial statements.

Cause: Procedures over capital assets, including procedures related to the financial closing and reporting process, are not thoroughly documented. In addition, the County experienced turnover in key personnel which caused for capital assets to not be properly recorded, tracked and depreciated.

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

Management Response: See Corrective Action Plan.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

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

**FINANCIAL STATEMENT FINDING (Continued)**

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

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

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

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

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

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

Management Response: See Corrective Action Plan.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

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

**FINANCIAL STATEMENT FINDING (Continued)**

**2013-005 - 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's investment policy does not include various elements required by the Public Funds Investment Act, Government Code 2256. Furthermore, it appears that there has not been an annual approval of the investment policy or qualified brokers nor is there evidence of brokers acknowledging receipt and review of the County's investment policy, approval of independent training sources, or required training of investment officer. In addition, the investment reports presented to the Commissioners Court do not include all required elements.

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

Cause: The County of Brewster, Texas has experienced turnover in key positions and therefore it is not known if the prior administration was unaware of the extensive requirements of the Public Funds Investment Act.

Recommendation: We recommend that the County's investment policy be updated to include all required elements and ensure compliance with the Public Funds Investment Act.

Management Response: See Corrective Action Plan.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

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

**FEDERAL AWARD FINDINGS**

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

Criteria: Segregation of duties is an element of internal control that should be implemented by every governmental entity to reduce the risk of error or fraud.

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

Questioned Costs/Basis: N/A

Instances/Universe: N/A

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

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

Recommendation: We recommend management segregate duties for the payroll, and journal entries, and document all reviews and approvals.

Management Response: See Corrective Action Plan.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

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

**FEDERAL AWARD FINDINGS (Continued)**

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

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

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

Questioned Costs/Basis: N/A

Instances/Universe: N/A

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

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

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

Management Response: See Corrective Action Plan

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

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

**FEDERAL AWARD FINDINGS (Continued)**

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

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

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

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. The conditions noted also led to additional time incurred during the audit process and delaying the preparation of the financial statements.

Cause: Procedures over capital assets, including procedures related to the financial closing and reporting process, are not thoroughly documented. In addition, the County experienced turnover in key personnel which caused for capital assets to not be properly tracked and safeguarded.

Recommendation: We recommend management implement procedures to ensure equipment purchased with federal funds are properly tracked and safeguarded.

Management Response: See Corrective Action Plan

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

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

**FEDERAL AWARD FINDINGS (Continued)**

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

Criteria: The County is required to conduct a physical inventory of capital assets purchased with federal funds every two years.

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

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. In addition, the County experienced turnover in key personnel which caused for capital assets to not be properly recorded and tracked.

Recommendation: We recommend management conduct a complete inventory of capital assets and update the capital asset listing on a regular basis to ensure compliance with federal requirements.

Management Response: See Corrective Action Plan

**COUNTY OF BREWSTER, TEXAS**

**SCHEDULE OF STATUS OF PRIOR FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**2012-1 - Significant Deficiency - Procurement Procedures - Suspension and Debarment  
Stonegarden (CFDA 97.067)**

Condition: The County did not comply with procurement procedures for one of four equipment purchases exceeding \$50,000 with a transaction cost of \$66,888. Also the County's performance of vendor approval procedures relative to suspension and debarment was not documented. Additional audit procedures were performed by searching the Government System for Award Management data base to verify the approved status for the four subject vendors tested for suspension and debarment compliance. No questioned costs were reported relative to the County's documentation of suspension and debarment procedures.

Status: Additional internal controls have been implemented to ensure proper procedures and notifications are followed throughout the entire bidding process. On July 9, 2013, a training session was held to discuss the statutory procurement process and all attendees were provided with copies of statutes related to competitive bidding. During this training session, management emphasized that if a proposed purchase required bidding, specifications must be developed. Then the proposed purchase should be taken to the County Judge's office for conduct of the formal bid process.

**COUNTY OF BREWSTER, TEXAS**

**CORRECTIVE ACTION PLAN**

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

**FINANCIAL STATEMENT FINDINGS**

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

Corrective Action Plan: In 2013, the Treasurer's office was faced with many obstacles. There was turnover in employees as well as the Treasurer was very ill and not able to attend to the critical functions of the office. A new Treasurer was appointed in January 2014. She has hired two new employees with accounting experience. Duties have been segregated to the extent possible. Internal control procedures have been implemented relating to cash receipts, payroll, accounts payable, bank reconciliations, and journal voucher preparation and entry.

Responsible Party: County Treasurer

Anticipated Completion Date: Task Completed; procedures are in place.

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

Corrective Action Plan: Commissioners Court was aware of many deficiencies in the Treasurer's Office. The Court does not have authority to direct the functions of any other elected official's office. The Court was never aware that credit card charges were paid without valid documentation. With the cooperation of the newly appointed Treasurer, Commissioners Court enacted changes to financial procedures in January 2014. These include: coding of bills, purchasing procedures, travel voucher/meal receipts, time sheets, charge account procedures and county credit card use procedures. Court minutes will include all documentation relating to the meeting.

Responsible Party: Commissioners Court, County Treasurer, County Clerk

Anticipated Completion Date: Task completed; procedures are in place.

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

Corrective Action Plan: The County is deficient in maintaining a current and complete inventory listing. It has been a concern of the Court for a lengthy period of time. Commissioners Court recognizes the need and urgency of conducting a complete inventory of the County and keeping it up to date. The Court has added a new position for the Treasurer's Office for the purpose of maintaining inventory and serving as the County's purchasing agent.

Responsible Party: Commissioners Court and County Treasurer's Office

Anticipated Completion Date: Fall 2014

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**CORRECTIVE ACTION PLAN**

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

**FINANCIAL STATEMENT FINDINGS (Continued)**

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

Corrective Action Plan: Due to/due froms and inter-fund transfers were not recorded properly. Governmental accounting is quite complicated and not understood by all. The Treasurer will post audit adjustments for prior year transactions in those accounts. She will then maintain those accounts and make sure they have zero balances. The Court will approve all transfers.

Responsible Party: County Treasurer and Commissioners Court

Anticipated Completion Date: Fall 2014 and ongoing

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

Corrective Action Plan: Commissioners Court has already taken many steps in regards to the non-compliance of the Public Funds Investment Act. In July 2014, the Court reviewed the County's Investment Policy, approved a list of brokers, approved a list of providers of investment officer training, and reviewed the County's investments. It has been brought to the Court's attention that the current County Investment Policy does not meet all of the requirements as set out in the PFIA. A new policy has been written that contains all of the required elements and is scheduled to be considered by the Court at the September 8, 2014 Commissioners Court meeting. The County Treasurer completed all of her required training in April, 2014. The Court recognized her accomplishment but failed to approve her as the County's Investment Officer. The Court will discuss this on September 8, 2014.

Responsible Party: Commissioners Court and County Treasurer

Anticipated Completion Date: The majority of the deficiencies have been remedied. The remaining deficiencies will be completed in September 2014.

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**CORRECTIVE ACTION PLAN**

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

**FEDERAL AWARD FINDINGS**

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

Corrective Action Plan: In 2013, the Treasurer's office was faced with many obstacles. There was turnover in employees as well as the Treasurer was very ill and not able to attend to the critical functions of the office. A new Treasurer was appointed in January 2014. She has hired two new employees with accounting experience. Duties have been segregated to the extent possible. Internal control procedures have been implemented relating to cash receipts, payroll, accounts payable, bank reconciliations, and journal voucher preparation and entry.

Responsible Party: County Treasurer

Anticipated Completion Date: Task Completed; procedures are in place.

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

Corrective Action Plan: Commissioners Court was aware of many deficiencies in the Treasurer's Office. The Court does not have authority to direct the functions of any other elected official's office. With the cooperation of the newly appointed Treasurer, Commissioners Court enacted changes to financial procedures in January 2014. These include: coding of bills, purchasing procedures, travel voucher/meal receipts, time sheets and charge account procedures. Court minutes will include all documentation relating to the meeting.

Responsible Party: Commissioners Court, County Treasurer, County Clerk

Anticipated Completion Date: Task completed; procedures are in place.

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

Corrective Action Plan: The County is deficient in maintaining a current and complete inventory listing. It has been a concern of the Court for a lengthy period of time. Commissioners Court recognizes the need and urgency of conducting a complete inventory of the County and keeping it up to date. The Court has added a new position for the Treasurer's Office for the purpose of maintaining inventory and serving as the County's purchasing agent.

Responsible Party: Commissioners Court and County Treasurer's Office

Anticipated Completion Date: Fall 2014

(Continued)

**COUNTY OF BREWSTER, TEXAS**

**CORRECTIVE ACTION PLAN**

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

**FEDERAL AWARD FINDINGS (Continued)**

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

Corrective Action Plan: The County is deficient in maintaining a current and complete inventory listing. It has been a concern of the Court for a lengthy period of time. Commissioners Court recognizes the need and urgency of conducting a complete inventory of the County and keeping it up to date. The Court has added a new position for the Treasurer's Office for the purpose of maintaining inventory and serving as the County's purchasing agent.

Responsible Party: Commissioners Court and County Treasurer's Office

Anticipated Completion Date: Fall 2014

**County of Brewster, Texas**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2013**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
<u>Passed through Texas Department of Agriculture:</u>			
Community Development Block Grant:			
Water facilities	14.228	729-081	\$ 3,490
Rehab, sewer services	14.228	729-025	4,400
Water improvements	14.228	711-060	<u>247,358</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ <u>255,248</u></b>
<b>U.S. Department of Homeland Security</b>			
<u>Passed Through Texas Department of Public Safety</u>			
FEMA Public Assistance Grant	97.046	FEMA 2906	\$ 14,485
Homeland Security Grant Program (SHSP LETPA)	97.067	11-SR 48043-02	32,057
Homeland Security Grant Program (SHSP)	97.067	11-GA 48043-08F	44,641
Homeland Security Grant Program (OPSG)	97.067	11-SR-48043-03	138,944
Homeland Security Grant Program (OPSG)	97.067	12-GA-48043-03	<u>57,035</u>
Total CFDA Number 97.067			<u>272,677</u>
<b>Total U.S. Department of Homeland Security</b>			<b>\$ <u>287,162</u></b>
<b>U.S. Department of Justice</b>			
State Criminal Alien Assistance Program (SCAAP)	16.xx	n/a	\$ <u>863</u>
<b>Total U.S. Department of Justice</b>			<b>\$ <u>863</u></b>
<b>Executive Office of the President</b>			
<u>Passed Through Office of National Drug Control Policy</u>			
High Intensity Drug Trafficking Area (Operation Lone Star)	95.001	G11SW0004A	\$ 57,000
High Intensity Drug Trafficking Area (Operation Lone Star)	95.001	G12SW0004A	35,601
High Intensity Drug Trafficking Area (Alpine Multi-Agency Task Force)	95.001	G12SW0004A	165,037
High Intensity Drug Trafficking Area (Alpine Multi-Agency Task Force)	95.001	G13SW0004A	52,705
High Intensity Drug Trafficking Area (Operation Lone Star)	95.001	G13SW0004A	<u>-</u>
<b>Total Executive Office of the President</b>			<b>\$ <u>310,343</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>853,616</u></b>

Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

# COUNTY OF BREWSTER, TEXAS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL

DECEMBER 31, 2013

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### **1. GENERAL**

The Schedule of Expenditures of Federal and Awards presents the activity of all applicable federal awards of the County of Brewster, Texas' federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards for the year ended December 31, 2013.

### **2. BASIS OF ACCOUNTING**

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

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

### **3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION**

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