

**BREWSTER COUNTY, TEXAS**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

BREWSTER COUNTY, TEXAS

DECEMBER 31, 2017

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**BREWSTER COUNTY, TEXAS**

**DECEMBER 31, 2017**

County Officials

Eleazar R. Cano ..... Judge  
Betse Esparza ..... Commissioner, Pct 1  
Hugh Garrett ..... Commissioner, Pct 2  
Ruben Ortega ..... Commissioner, Pct 3  
Mike Pallanez ..... Commissioner, Pct 4  
Treva Watson ..... County Auditor  
Babett Mann ..... Treasurer  
Berta Rios-Martinez ..... Clerk  
Betty Jo Rooney ..... Tax Assessor/Collector  
Ronny Dodson ..... Sheriff  
Steve Houston ..... Attorney  
Gilbert E. Valenzuela ..... Justice of the Peace, Precinct #1  
Jim Burr ..... Justice of the Peace, Precinct #2  
Susana Gonzales ..... Justice of the Peace, Precinct #3  
Henry Ogletree ..... Constable, Precinct #1

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brewster County, Texas, as of and for the year ended December 31, 2017, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental 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 purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Brewster County, Texas as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison, and pension information on pages 7 through 14 and 65 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brewster County, Texas's basic financial statements. 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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, 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 financial statements as a whole.

We were not engaged to report on the Budgetary Comparison Schedule for CDBG as listed in the table of contents under Other Information, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied 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 September 24, 2018, on our consideration of the Brewster County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brewster County, Texas's internal control over financial reporting and compliance.

*Gibson, Ruddock, Patterson LLC*  
El Paso, Texas  
September 24, 2018

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

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**COUNTY OF BREWSTER, TEXAS  
MANGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2017**

**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, 2017. We encourage readers to consider the information presented herein with the County's financial statements, which follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position (in Exhibit 1) and the Statement of Activities (in Exhibit 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Governmental fund financial statements (in Exhibits 3 through 6) 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 (Exhibit 7) provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

The notes to the financial statements (starting on page 27) provides narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

**FINANCIAL HIGHLIGHTS**

As of December 31, 2017, the general fund reported a fund balance of \$4,826,039 as compared to \$4,317,040 at December 31, 2016. The net change in fund balance in 2017, \$508,999, was mainly due to conservative budgeting during the 2017 budget compilation process, an increase in property tax collections, an increase in sales tax collections and receipt of a substantial restricted donation largely unspent at December 31, 2017.

**REPORTING THE COUNTY AS A WHOLE**

The analysis of the County's overall financial condition and operations begins in Exhibit 1. Its primary purpose is to show whether the accounts accounted for by the County are better off or worse off as a result of the year's activities. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. The County's financial statements have been presented in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. This reflects a change from the prior year, when the financial statements were presented on a modified cash basis of accounting.

These two statements report the County's net position and changes in it. One can think of the County's net position as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in the County's

property tax base and the condition of the County's roads and bridges and facilities, must be considered to assess the overall financial health of the County.

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

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

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

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

- Governmental funds – Most of the County's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual basis of accounting. 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 reconciliations provided at Exhibit 4 and Exhibit 6.

#### *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 a separate Statement of Fiduciary Net Position in Exhibit 7. 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, appearance bonds, and Tri-County Juvenile Probation.

#### **THE COUNTY AS A WHOLE**

The County's combined net position increased by \$671,111. The increase is the result of conservative budgeting during the 2017 budget compilation process, an increase in property tax collections, an increase in sales tax collections and receipt of a substantial restricted donation largely unspent at December 31, 2017.

As described in Note I, the County converted its accounting basis from modified cash to accrual for the government wide statements and from modified cash to modified accrual for the fund financial statements. Because the conversion in accounting basis changes significantly both the recording and presentation of financial data, the County has not restated prior fiscal years for the purposes of providing comparative information for the MD&A. In future years when prior year information is available a comparative analysis of government-wide data will be included in this report.

**BREWSTER COUNTY, TEXAS NET POSITION**

	Governmental Activities
	2017
Current and other assets	\$ 8,035,624
Capital assets	5,681,957
<b>Total Assets</b>	<b>13,717,581</b>
Deferred outflows of resources	55,088
<b>Total Deferred Outflows of resources</b>	<b>55,088</b>
Current liabilities	498,907
Due in more than one year	3,195,071
Net pension liability	464,041
<b>Total Liabilities</b>	<b>4,158,019</b>
Deferred inflows of resources	203,737
<b>Total Deferred Inflows of resources</b>	<b>203,737</b>
<b>Net position:</b>	
Investment in capital assets	3,025,540
Restricted	2,330,543
Unrestricted	4,054,830
<b>Total Net Position</b>	<b>\$ 9,410,913</b>

BREWSTER COUNTY, TEXAS CHANGES IN NET POSITION

	Governmental Activities
	<u>2017</u>
Revenue:	
Program Revenues:	
Charges for services	\$ 1,846,161
Operating grants and Contributions	1,381,565
General revenues:	
Property Taxes	3,276,551
Other Taxes	1,771,048
Other	<u>1,461,072</u>
Total revenues	<u>9,736,397</u>
Expenses:	
General government	2,208,242
Public Safety	3,316,959
Infrastructure and Environmental Services	747,406
Health and Welfare	248,105
Administration of Justice	972,106
Community and Economic Development	1,134,438
Interest on Debt	112,842
Intergovernmental	325,188
Total expenses	<u>9,065,286</u>
Increase(decrease) in net position	<u>671,111</u>
Net position, beginning	11,501,788
Prior period adjustment	<u>(2,761,986)</u>
Net position, ending	<u><u>\$ 9,410,913</u></u>

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

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

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

## **THE COUNTY'S FUNDS**

As the County completed the year, its governmental funds (as presented in the balance sheet in Exhibit 3) reported a combined fund balance of \$7,156,582 as compared with \$5,908,222 at the end of 2016. The increase is the result of conservative budgeting during the 2017 budget compilation process, an increase in property tax collections, an increase in sales tax collections and receipt of a substantial restricted donation largely unspent at December 31, 2017.

Commissioner's Court approved transfers/amendments to reduce expenditures within Information Technology equal to \$44,633 and Facilities and Management equal to \$31,106 in order to increase budgeted expenditures within Other General Government equal to \$79,144. The amendment was to cover rising costs of insurance, including the County paid premiums for retiree health, and contracted professional services.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### *Capital Assets*

At the end of 2017, the County had approximately \$5.7 million investment in capital assets including the jail facility, courthouse, Alpine Emergency Response Center, South Brewster Emergency Response Center and Marathon Justice Center. Infrastructure assets consist primarily of paved and unpaved roads. Additional information about the County's capital assets can be found in Note IV E. The County posted a prior period adjustment to correct its capital asset account balances.

### *Debt*

At the year-end, the County had outstanding \$2,330,000 in certificates of obligations compared to \$2,490,000 in 2016. All payments were made in accordance with the terms of the financial instruments. In accordance with the County's accounting basis conversion from modified cash to modified accrual, debt related to capital leases, compensated absences, pension and other post-employment benefits were recognized. Detailed information about the County's long-term liabilities is presented in Notes IV G-K.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2018 budget, tax rates, and fees. As of June 2018, Brewster County's unemployment rate was at 3.2%, compared to 3.7% in 2017. This is due in part to continued growth in the tourism industry as well as the added presence of the oil and gas industry. This compares with the State's unemployment rate of 3.7% and the national rate of 3.8% at year-end. Total property tax rate remained constant at .38640. Never the less, the pipeline and reappraised values did increase tax collections overall for 2017. 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 realize a slight increase over the current year.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Treasurer's Office at 107 West Ave E #4, Alpine, Texas 79831.

Babett Martin  
County Treasurer  
Brewster County, Texas

## **BASIC FINANCIAL STATEMENTS**

BREWSTER COUNTY, TEXAS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017

EXHIBIT 1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 5,889,341
Taxes Receivable, Net	1,883,522
Hotel & Motel Occupancy Taxes Receivable	69,804
Due from Other Governments	192,957
Capital Assets:	
Land	601,198
Infrastructure, Net	511,587
Buildings, Net	3,391,626
Machinery and Equipment, Net	670,542
Equipment Under Capital Leases, Net	383,647
Construction in Progress	123,357
Total Assets	13,717,581
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred Outflow Related to Pension Plan	55,088
Total Deferred Outflows of Resources	55,088
<b>LIABILITIES</b>	
Accounts Payable	204,019
Wages and Salaries Payable	56,461
Intergovernmental Payable	228,808
Due to Fiduciary Funds	2,660
Due to Others	6,034
Unearned Revenues	925
Noncurrent Liabilities:	
Debt Due Within One Year	226,112
Debt Due in More Than One Year	2,968,959
Net Pension Liability	464,041
Total Liabilities	4,158,019
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred Inflow Related to Pension Plan	203,737
Total Deferred Inflows of Resources	203,737
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,025,540
Restricted for:	
Restricted for Federal and State Programs	17,781
Restricted for Debt Service	301,151
Restricted for Other Purposes	2,011,611
Unrestricted Net Position	4,054,830
Total Net Position	\$ 9,410,913

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

BREWSTER COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT 2

Net (Expense)  
Revenue and  
Changes in Net  
Position

Primary Gov.  
Governmental  
Activities

**Primary Government:**

GOVERNMENTAL ACTIVITIES:

	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
General Government	\$ 2,208,242	\$ 304,934	\$ 10,864	\$ (1,892,444)
Public Safety	3,316,959	825,227	1,301,775	(1,189,957)
Infrastructure and Environmental Services	747,406	393,471	-	(353,935)
Health and Welfare	248,105	25,411	-	(222,694)
Administration of Justice	972,106	297,118	65,216	(609,772)
Community and Economic Development	1,134,438	-	3,710	(1,130,728)
Interest on Debt	112,842	-	-	(112,842)
Intergovernmental	325,188	-	-	(325,188)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 9,065,286</b>	<b>\$ 1,846,161</b>	<b>\$ 1,381,565</b>	<b>(5,837,560)</b>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	3,003,797
Property Taxes, Levied for Debt Service	272,754
General Sales and Use Taxes	751,809
Hotel & Motel Occupancy Taxes	997,827
Franchise Tax	391
Other Taxes	21,021
Penalty and Interest on Taxes	54,919
Grants and Contributions (inc. PILOT)	1,239,549
Miscellaneous Revenue	124,739
Investment Earnings	41,865
<b>Total General Revenues</b>	<b>6,508,671</b>

Change in Net Position

Net Position-- Beginning	11,501,788
Prior Period Adjustment	(2,761,986)
<b>Net Position--Ending</b>	<b>\$ 9,410,913</b>

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

BREWSTER COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017

	General Fund	Road & Bridge Fund	Tourism Council
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,624,338	\$ 100,590	\$ 754,615
Taxes Receivable	1,899,876	-	-
Allowance for Uncollectible Taxes (credit)	(180,321)	-	-
Hotel & Motel Occupancy Tax Receivable	-	-	69,804
Due from Other Governments	62,375	-	-
Due from Other Funds	128,765	-	6,497
Total Assets	<u>\$ 5,535,033</u>	<u>\$ 100,590</u>	<u>\$ 830,916</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 131,570	\$ 927	\$ 54,855
Wages and Salaries Payable	50,262	4,406	1,793
Intergovernmental Payable	169,669	59,139	-
Due to Other Funds	9,157	-	-
Due to Others	6,034	-	-
Unearned Revenues	-	-	-
Total Liabilities	<u>366,692</u>	<u>64,472</u>	<u>56,648</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	342,302	-	-
Total Deferred Inflows of Resources	<u>342,302</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Federal or State Funds Grant Restriction	-	-	-
Retirement of Long-Term Debt	-	-	-
Other Restricted Fund Balance	-	36,118	774,268
Committed Fund Balance:			
Other Committed Fund Balance	55,119	-	-
Assigned Fund Balance:			
Other Assigned Fund Balance	18,000	-	-
Unassigned Fund Balance	4,752,920	-	-
Total Fund Balances	<u>4,826,039</u>	<u>36,118</u>	<u>774,268</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,535,033</u>	<u>\$ 100,590</u>	<u>\$ 830,916</u>

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

Other Funds	Total Governmental Funds
\$ 1,409,798	\$ 5,889,341
196,806	2,096,682
(32,839)	(213,160)
-	69,804
130,582	192,957
-	135,262
<u>\$ 1,704,347</u>	<u>\$ 8,170,886</u>
\$ 16,667	\$ 204,019
-	56,461
-	228,808
128,765	137,922
-	6,034
925	925
<u>146,357</u>	<u>634,169</u>
37,833	380,135
<u>37,833</u>	<u>380,135</u>
17,781	17,781
301,151	301,151
1,201,225	2,011,611
-	55,119
-	18,000
-	4,752,920
<u>1,520,157</u>	<u>7,156,582</u>
<u>\$ 1,704,347</u>	<u>\$ 8,170,886</u>

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BREWSTER COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 FOR THE YEAR ENDED DECEMBER 31, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$	7,156,582
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. 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.		7,339,447
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 2017 capital outlays and debt principal payments is to increase net position.		213,610
Included in the items related to debt is the recognition of the County's net pension liability in the amount of \$464,041 required by GASB 68. A deferred outflow of resources related to TCDRS was also recognized in the amount of \$55,088 and a deferred resource inflow of \$203,737. This amounted to a decrease in net position in the amount of \$612,690.		(612,690)
The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(534,360)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of capital leases as an increase in noncurrent liabilities, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(215,611)
The County converted its basis of accounting in FY 2017 and accounted for a correction of an error for capital assets and other items. See the notes to the financial statements for a more detailed explanation. The net effect of the prior period adjustments is to decrease net position. To agree to the note, please note the beginning balance for implementation of GASB 68 is excluded here and reported within the GASB 68 line item of this Exhibit.		(3,936,065)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>9,410,913</b>

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

BREWSTER COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Road & Bridge Fund	Tourism Council
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 2,979,058	\$ -	\$ -
General Sales and Use Taxes	751,809	-	-
Hotel & Motel Occupancy Taxes	-	-	997,827
Franchise Tax	391	-	-
Other Taxes	21,021	-	-
Penalty and Interest on Taxes	48,047	-	-
Licenses and Permits	1,000	241,997	-
Intergovernmental Revenue and Grants	1,314,779	-	-
Charges for Services	1,053,868	24,220	-
Fines	123,244	-	-
Forfeits	750	-	-
Special Assessments	-	125,528	-
Investment Earnings	33,815	-	7,275
Rents and Royalties	24,850	-	-
Contributions & Donations from Private Sources	4,850	-	-
Other Revenue	49,213	43,193	-
Total Revenues	6,406,695	434,938	1,005,102
<b>EXPENDITURES:</b>			
Current:			
General Government	2,035,829	-	-
Public Safety	2,133,617	-	-
Infrastructure and Environmental Services	9,146	516,169	-
Health and Welfare	118,396	-	-
Administration of Justice	839,774	-	-
Community and Economic Development	103,583	-	954,500
Debt Service:			
Principal on Debt	-	70,386	-
Interest on Debt	-	417	-
Capital Outlay:			
Capital Outlay	5,687	321,228	46,914
Intergovernmental:			
Intergovernmental	325,188	-	-
Total Expenditures	5,571,220	908,200	1,001,414
Excess (Deficiency) of Revenues Over (Under) Expenditures	835,475	(473,262)	3,688
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from Capital Leases	-	237,740	-
Transfers In	70,356	293,878	-
Transfers Out (Use)	(396,832)	-	(140,712)
Total Other Financing Sources (Uses)	(326,476)	531,618	(140,712)
Net Change in Fund Balances	508,999	58,356	(137,024)
Fund Balance - January 1 (Beginning)	2,888,325	(14,077)	835,520
Prior Period Adjustment	1,428,715	(8,161)	75,772
Fund Balance - December 31 (Ending)	\$ 4,826,039	\$ 36,118	\$ 774,268

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

Other Funds	Total Governmental Funds
\$ 275,364	\$ 3,254,422
-	751,809
-	997,827
-	391
-	21,021
6,872	54,919
6,450	249,447
800,339	2,115,118
192,472	1,270,560
1,300	124,544
75,611	76,361
7,204	132,732
775	41,865
-	24,850
501,146	505,996
-	92,406
<u>1,867,533</u>	<u>9,714,268</u>
37,798	2,073,627
734,397	2,868,014
-	525,315
-	118,396
54,051	893,825
52,318	1,110,401
160,000	230,386
112,425	112,842
71,825	445,654
-	325,188
<u>1,222,814</u>	<u>8,703,648</u>
<u>644,719</u>	<u>1,010,620</u>
-	237,740
173,310	537,544
-	(537,544)
<u>173,310</u>	<u>237,740</u>
818,029	1,248,360
452,573	4,162,341
249,555	1,745,881
<u>\$ 1,520,157</u>	<u>\$ 7,156,582</u>

BREWSTER COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	1,248,360
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 2017 capital outlays and debt principal payments is to increase the change in net position.		213,610
The implementation of GASB 68 required that contributions made before the measurement date of December 31, 2017 be de-expended and recorded as a reduction in the net pension liability for the County. This caused an increase in the change in net position in the amount of \$310,957. The County recorded its pension expense during the measurement period as part of the net pension liability. The amounts expended for FY 2017 were \$351,845. The impact of all these is to decrease the change in net position by \$40,888.		(40,888)
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 the change in net position.		(534,360)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of capital leases, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(215,611)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>671,111</u>

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

BREWSTER COUNTY, TEXAS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2017

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	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 288,538
Due from Others	2,660
	<hr/>
Total Assets	\$ 291,198
	<hr/> <hr/>
LIABILITIES	
Due to Others	\$ 291,198
	<hr/>
Total Liabilities	\$ 291,198
	<hr/> <hr/>

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

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**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. This reflects a change from the prior year, when the financial statements were presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP established by GASB.

A. Financial Reporting Entity

The County's financial reporting entity comprises the following:

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

*Primary Government*

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

*Blended Component Unit*

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

*Discretely Presented Component Unit*

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

*Evaluation of Component Units*

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

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

---

**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, 2017 have been presented in the fund financial statements as a special revenue fund. Separate complete financial statements are not prepared.

*Tri-County Juvenile Probation Department - Separate Entity*

Brewster, Jeff Davis, and Presidio County judges have oversight duties of the Tri-County Juvenile Probation Department (Juvenile Probation). Brewster County is the fiscal agent for those monies. The County has one representative on the Juvenile Probation's board of directors. The County has no authority in selecting the management of the Juvenile Probation and the Tri County Juvenile Probation Department is considered a separate entity. Brewster County has a fiduciary responsibility for Tri-County Juvenile Probation Department and reports the department as an agency fund. However, the Juvenile Probation is not a component unit. When required by their grantor, the Juvenile Probation issues regulatory financial statements. As of and for the year ended August 31, 2017 (their reporting year-end), the Juvenile Probation requirement to submit an independent audit was waived and regulatory financial statements were not prepared. For more information, contact the Chief Juvenile Probation Officer at 107 W. Avenue E#12 Alpine, Texas 79830.

**B. Related Organizations**

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

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

*Brewster County Appraisal District - Separate Entity*

Appraisal districts were created by the Texas Legislature and operate to provide accurate property values for all taxing entities in the respective counties. Representation on the Brewster Appraisal District is provided to each taxing entity in proportion to their share of total appraised value. The County has one representative on the Appraisal District's board of directors. Each taxing authority has the responsibility to fund the Appraisal 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 Appraisal District is to be independent and separate from the participating entities and therefore, its financial statements are not included with Brewster County's statements.

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

---

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

**C. Government-Wide Statements**

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature. All interfund activities between governmental funds are eliminated on the government-wide statements. The County's basic financial statements include both government-wide and fund financial statements and categorize primary activities as governmental. The County's general government, public safety, infrastructure and environmental services, health and welfare, administration of justice, and community and economic development activities are classified as governmental activities.

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, 2017, 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.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For pensions, this outflow results from differences between expected and actual actuarial experiences, changes in assumptions, and differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a systematic and rational method over a closed period.

In addition to liabilities, the statement of net position reports a separate category for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. For pensions, this inflow results from differences between expected and actual actuarial experiences. This amount will be amortized over a systematic and rational method over a closed period.

The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TCERS's fiduciary net position. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. Benefit Payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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

**D. Fund Financial Statements**

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

**E. Fund Accounting**

The County accounts for its activities in two types of funds (Governmental and Fiduciary) and two account groups (long-term debt and capital assets). As of December 31, 2017, 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 primary operating fund of the County and always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund includes the Jail Infrastructure fund to track committed funds specific to jail infrastructure. These funds have been consolidated for financial reporting purposes.
2. Road & Bridge Fund - The County accounts for road & bridge fees and disbursements related to the repair and maintenance of the County's roads in the road and bridge fund.
3. Tourism Council Fund - The County accounts for receipts, primarily from hotel and motel occupancy taxes, and disbursements related to the promotion of tourism to Brewster County, Texas in the tourism council fund.

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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

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

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

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

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

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

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

*Child Welfare Board* is used to account for monies held by the County in trust for the Child Welfare Board.

*Passports* is used as a clearing account for monies collected for the Passport program pending allocation to the County treasury. The account was closed during 2017.

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

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

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

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

*Measurement Focus*

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus. As previously noted, the County does not have any business-type activities.

In the fund financial statements, the current financial resources measurement focus is used as appropriate:

All governmental funds utilize a current financial resources measurement focus and modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Their operating statements present sources and uses of available spendable financial resources during a given period. Revenue is recognized as soon as it is both measurable and available. The County considers all revenues available if they are collectible within 60 days of the end of the year. Expenditures are generally recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded when payment is due.

(Continued)

# BREWSTER COUNTY, TEXAS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

Unavailable revenue from property taxes arises only under the modified accrual basis of accounting. The governmental funds report this unavailable revenue as deferred inflow of resources, which is recognized as revenue in the period that the amounts become available.

The government-wide and fiduciary fund financial statements utilize an economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with the activities are reported on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

### 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 because the County can deposit or effectively withdraw cash at any time without prior notice or penalty.
2. Temporary investments are recorded at fair value and consist of investments in registered investment pools, including investments in the Texas Local Government Investment Pool (TexPool) and Texas Class Investment Pool. The County accrues interest on temporary investments based on terms and effective interest rates of the specific investments.
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)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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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. Management asserts that the County is 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 - Credit risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the County limits investments to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of December 31, 2017, the County's investments in TexPool and Texas Class investment pools were rated AAAM by Standard and Poor's.

***Custodial Credit Risk:***

Deposits - 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. Deposits were not collateralized during the year ended December 31, 2017. However, deposits were collateralized as of December 31, 2017. See note IV.

Temporary Investments (Cash Equivalents) - 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 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.

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

---

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

***Concentration of Credit Risk:***

Deposits - Concentration of credit risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the County's policy states that the portfolio must be diversified. 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 - Interest rate risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) - To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the County requires its internally created pool fund groups of the County to have a maximum dollar weighted maturity of 180 days, other individual investments owned by the County to have maximum maturities of less than one year from the time of purchase. The County reserves its authority to authorize longer maturities for a given investment, within legal limits.

***Foreign Currency Risk:***

Deposits - 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 (Cash Equivalents) - The County attempts to limit the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools or securities which are denominated in a foreign currency.

6. The County does not inventory supplies. Supplies are expended when purchased and the effect on the financial statements is not considered to be material.
7. Capital assets purchased or acquired with an original cost of \$5,000 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 that do not add to the value of the asset or materially extend assets lives are expended as incurred. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation on all assets is provided on the straight line basis over the following estimated useful lives:

Buildings	20-40 years
Machinery and equipment	3-15 years
Equipment under Capital Lease	20 years
Infrastructure	10-30 years

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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 leave accumulated per pay period based on years of service. The County restricts the hours that can be carried over from year to year based on years of service. An employee is to be paid for unused vacation time upon separation from service provided they have worked at least one year in a position eligible for vacation leave. Employees are not compensated for sick leave under any separation from service. A liability for this amount is reported in the government-wide statements. A liability is reported in the governmental funds only for matured amounts.

<u>Years Employed</u>	<u>Vacation Leave Earned Per Pay Period</u>	<u>Maximum Hours Permitted to Carry from Year to Year</u>
Less than 5	3.07 hours	80 hours
From 5 to 10	4.62 hours	120 hours
More than 10	6.14 hours	160 hours

9. Interfund activity is reported either as a loan or transfer. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

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

10. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.
11. Net Position on the Statement of Net Position includes the following:

*Net investment in capital assets* - this component of net position consists of capital assets, net accumulated depreciation, reduced by any outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

*Restricted for federal and state programs* - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.

*Restricted for Debt Service* - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.

*Restricted for Other Purposes* - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by external parties other than federal or state agencies.

*Unrestricted net position* - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

When the County incurs an expense for which both restricted and unrestricted net position is available, it uses the restricted resources first.

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.

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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

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

13. The County's annual ad valorem property tax is levied each October 1 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. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the County's year.

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 \$0.80. There is no debt limit or margin set by State Law or County Charter. The tax rate adopted during 2017 was \$.386400 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.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible receivables within the General and Debt Service Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

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

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

The County Tax Office collects County property taxes for the County and six other local governments.

**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**

Exhibit 4 provides the reconciliation 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. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable and the County's proportionate share of the net pension liability are not due and payable in the current period and are not reported as liabilities in the funds.

**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**

Exhibit 6 provides the reconciliation 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. One element of the reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both net position and the change in net position.

Another element of the reconciliation on Exhibit 6 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. This adjustment is the result of several items. In addition, certain pension expenditures were de-expended, and the County recorded its proportionate share of the pension expense.

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

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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 cash basis except for estimated property tax revenues. Estimated property tax revenues are derived from taxes to be levied and collected in the succeeding fiscal year and included in the estimate of funds available to cover the budget.

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

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

Commissioners Court must approve and adopt the budget by end of August in accordance with Section 111.003 of the Local Government Code. After approval of the budget, Commissioners Court may authorize transfers of appropriations within the various expenditure levels during the year. Such transfers, however, may not increase the overall budget total. The County budget may be increased during the course of the fiscal year for newly received bond proceeds, grants, state aid, intergovernmental contracts or unanticipated revenue received after adoption of the budget.

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

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**A. Deposits and Investments**

At December 31, 2017, the carrying amount of the County's general fund, major and nonmajor governmental funds, and agency fund deposits (cash and interest bearing savings accounts included in temporary investments) were \$4,382,097. Based upon the bank balance at December 31, 2017, \$280,891 was secured by FDIC coverage and the remaining balance, excluding agency fund deposits, by an irrevocable \$3,750,000 letter of credit issued by Federal Home Loan Bank of Dallas, dated July 3, 2017 and expiring June 30, 2021, 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, except as noted below.

- a. Depository: **West Texas National Bank.**
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$3,750,000.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$5,844,694 and occurred during the month of July 2017. The shortage of \$1,844,694 occurred when the County received a substantial payment from the U.S. Department of Interior for payment in lieu of taxes.

The County's temporary investments included in cash and cash equivalents at December 31, 2017, are shown below at fair value, which approximates the value of the pool shares.

Temporary Investments	Measured At	Fair Value	WAM (in days)	Rating
TexPool	Amortized Cost	\$ 1,380,686	43	AAAm
Texas Class	Fair Value	<u>415,096</u>	50	AAAm
Total		<u><u>\$ 1,795,782</u></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 (Texas Cooperative Liquid Assets Securities System Trust) is a pooled investment program administered by Public Trust Advisors, LLC. 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.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

For TexPool measured at amortized cost, management is not aware of the presence of any limitations or restrictions on withdrawals such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates.

TexPool and Texas Class each issue publicly available financial reports. 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).

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, 2017:

General Fund:	
General	\$ 1,284,655
Jail Infrastructure	(46,889)
Total General Fund:	<u>1,237,766</u>
Special Revenue Funds:	
Road and Bridge	(114,686)
Records Management	194,789
County and District Attorney PTD Fund	122,509
Courthouse Security	17,153
LEOSE Training	17,781
District Clerk Fund	4,725
Justice Court Building security	3,761
ETP	500,000
JP Technology Fund	22,041
Courthouse Preservation	150,039
Law Library	6,200
Fire Truck VFD	5,593
Community Facilities	3,810
Clerk Technology	500
Total Special Revenue Funds:	<u>934,215</u>
Total Pooled Cash:	<u><u>\$ 2,171,981</u></u>

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**B. Property Taxes**

Gross property taxes receivable consisted of the following at December 31, 2017:

Current Taxes Receivable	\$ 1,790,340
Delinquent Taxes Receivable	<u>306,342</u>
Total Ad valorem <b>Taxes Receivable</b> , gross	2,096,682
Less Allowance for Uncollectible Taxes	<u>(213,160)</u>
Total, net	<u><u>\$ 1,883,522</u></u>

Delinquent taxes by year:

2016	\$ 67,985
2015	44,588
2014	32,491
2013	23,814
2012	20,081
2011 and prior	<u>117,383</u>
	<u><u>\$ 306,342</u></u>

**C. Due From Other Governments**

The County participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the County receives amounts based upon contracted rates stated in an intergovernmental agreement with the US Marshal's Office in exchange for housing and transporting federal inmates.

	General Fund	Nonmajor Governmental	Total
Federal Grants	\$ -	\$ 130,582	\$ 130,582
US Marshal's	61,620	-	61,620
Miscellaneous	<u>755</u>	-	<u>755</u>
Total	<u><u>\$ 62,375</u></u>	<u><u>\$ 130,582</u></u>	<u><u>\$ 192,957</u></u>

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**D. Interfund Balances and Transfers**

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

Interfund balances at December 31, 2017 consisted of the following individual amounts:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund		
Tourism Council	\$ -	\$ 6,497
Nonmajor Governmental Funds	128,765	-
Fiduciary Fund	-	2,660
Total General Fund	<u>128,765</u>	<u>9,157</u>
Tourism Council		
General Fund	<u>6,497</u>	-
Nonmajor Governmental Funds		
General Fund	-	<u>128,765</u>
Fiduciary Fund:		
General Fund	<u>2,660</u>	-
Total	<u>\$ 137,922</u>	<u>\$ 137,922</u>

Interfund transfers are generally to cover operating expenditures/deficits in accordance with County policy or legal requirements and fund operations of Brewster County Groundwater Conservation District, a blended component unit.

During the year, the most significant transfers were to fund operations within the Road and Bridge fund, and transfers of hotel and motel taxes collected from the Tourism Fund restricted for the Courthouse Preservation Fund, and to the General Fund to cover expenditures related to bookkeeping and audit expenses of tourism fund finances. One-time transfers from the General Fund to various nonmajor governmental funds were made to cover expenditures exceeding grant funding and absorbing an amount that would no longer be paid back to the General Fund.

Transfers out of:	Transfers into:			
	General Fund	Road and Bridge Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 293,878	\$ 102,954	\$ 396,832
Tourism Council	70,356	-	70,356	140,712
Total	<u>\$ 70,356</u>	<u>\$ 293,878</u>	<u>\$ 173,310</u>	<u>\$ 537,544</u>

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**E. Capital Assets**

Capital asset activity for the County for the year ended December 31, 2017 was as follows:

	Restated Beginning Balance	Additions	Retirements & Transfers	Ending Balance
<u>Governmental Activities:</u>				
Land	\$ 601,198	\$ -	\$ -	\$ 601,198
Buildings	13,364,000	-	-	13,364,000
Machinery and Equipment	2,660,433	77,512	(56,292)	2,681,653
Equipment under Capital Leases	159,063	237,740	-	396,803
Infrastructure	2,842,515	83,488	(13,452)	2,912,551
Construction in Progress	76,443	46,914	-	123,357
<b>Totals at Historical Cost</b>	<b>19,703,652</b>	<b>445,654</b>	<b>(69,744)</b>	<b>20,079,562</b>
Less Accumulated Depreciation for:				
Buildings	(9,746,486)	(225,888)	-	(9,972,374)
Machinery and Equipment	(1,899,324)	(157,169)	45,382	(2,011,111)
Equipment under Capital Leases	(666)	(12,490)	-	(13,156)
Infrastructure	(2,275,603)	(138,813)	13,452	(2,400,964)
<b>Total Accumulated Depreciation</b>	<b>(13,922,079)</b>	<b>(534,360)</b>	<b>58,834</b>	<b>(14,397,605)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 5,781,573</b>	<b>\$ (88,706)</b>	<b>\$ (10,910)</b>	<b>\$ 5,681,957</b>

Depreciation expense for the year ended December 31, 2017 as reported in the government-wide financial statements follows:

General Government	\$ 2,942
Public Safety	209,145
Infrastructure and Environmental Services	180,449
Health and Welfare Services	127,935
Administration of Justice	6,162
Community and Economic Development	7,727
	<u>\$ 534,360</u>

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**F. Intergovernmental Payable**

Intergovernmental payable is primarily owed to other taxing entities and the State of Texas. When a taxpayer fails to pay its taxes, the County will sell the property. Pursuant to Section 34.03 of the Texas Property Tax Code, upon sale, the funds must be held for two years before the sale proceeds can be disbursed to the taxing entities, including the County, in order to allow the delinquent taxpayer or its heirs or lien holder to redeem the property. These funds are held in the District Excess Tax account in the General Fund.

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

At December 31, 2017, the carrying amount in the intergovernmental balance was as follows:

	General Fund	Road & Bridge Fund	Total
Due to Taxing Authorities	\$ 116,554	\$ -	\$ 116,554
Due to State of Texas	53,115	59,139	112,254
<b>Total</b>	<b>\$ 169,669</b>	<b>\$ 59,139</b>	<b>\$ 228,808</b>

**G. Changes in Long-term Debt**

Long-term liability activity for the year ended December 31, 2017, was as follows:

Description	Funded By:	Restated Beginning Balance	Issued/ Additions	Retired/ Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>						
Certificates of Obligation, Series 2008	Debt Service	\$ 2,490,000	\$ -	\$ 160,000	\$ 2,330,000	\$ 165,000
Capital Leases	Road & Bridge Fund	159,063	237,740	70,386	326,417	61,112
Compensated Absences	All Funds <i>Except</i> Debt Service	87,134	8,220	-	95,354	-
OPEB Liability	General Fund	-	443,300	-	443,300	-
<b>Total Governmental Long-term Liabilities</b>		<b>\$ 2,736,197</b>	<b>\$ 689,260</b>	<b>\$ 230,386</b>	<b>\$ 3,195,071</b>	<b>\$ 226,112</b>

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**H. General Long-term Debt**

General long-term debt (certificates of obligation) annual debt service requirements to maturity, including principal and interest, as of December 31, 2017 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 165,000	\$ 105,639	\$ 270,639
2019	175,000	98,414	273,414
2020	180,000	90,690	270,690
2021	190,000	82,458	272,458
2022	200,000	73,680	273,680
2023 - 2027	1,155,000	213,231	1,368,231
2028	265,000	6,625	271,625
	<u>\$ 2,330,000</u>	<u>\$ 670,737</u>	<u>\$ 3,000,737</u>

*Certificates of Obligation, Series 2008* - In September 2008, the County issued Certificates of Obligation in the amount of \$2,925,000 to provide construction funds to construct three Emergency Response Centers, renovate the old Alpine library for office space, and fund various other County facilities construction and improvements net of bond issuance costs that totaled \$109,654. Interest accruing at rates ranging from 3.5% to 5% is to be paid semi-annually on February 15 and August 15 commencing on February 15, 2010. Principal maturities are scheduled to be paid February 15th each year. The Certificates maturing on February 15, 2019, February 15, 2021 and February 15, 2028 (term certificates) are also subject to mandatory sinking fund redemption prior to maturity.

There are a number of limitations and restrictions contained in the general obligation bond indenture. The County's management has indicated that the County is in compliance with all significant limitations and restrictions at December 31, 2017.

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**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**I. Commitments Under Capital Leases**

During the year, the County entered into a capital lease agreement for the purchase of a motor grader. In the prior year, the County also entered into a capital lease agreement for the purchase of a dump truck. The lease for the motor grader and dump truck require seven and five annual payments, respectively, which include interest rates at 2.89% and 3.09%, respectively. As of December 31, 2017, the future minimum lease payment requirements for the County's capital leases are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 61,112	\$ 9,692	\$ 70,804
2019	62,939	7,865	70,804
2020	64,821	5,983	70,804
2021	66,759	4,045	70,804
2022	34,888	2,048	36,936
2023	35,898	1,039	36,937
Total	<u>\$ 326,417</u>	<u>\$ 30,672</u>	<u>\$ 357,089</u>

**J. Post-Employment Benefits Other Than Pensions**

The County sponsors and administers an informal single-employer defined benefit healthcare plan. Commissioners Court has the authority to establish and amend the requirements of the plan. The County does not issue stand-alone financial statements of the healthcare plan as there are no assets legally segregated for the sole purpose of paying benefits under the plan but all required information is presented in this report.

If eligible, the County pays the full cost of single medical coverage for the retiree's lifetime as well as the full cost of a \$5,000 life insurance benefit through age 71. The retiree pays the full additional cost of any elected dependent coverage. The cost of retiree health care benefits is recognized on a pay-as-you-go financing method and is recorded as an expense as liabilities are incurred. There were 16 retirees covered under this plan at December 31, 2017. Dependent coverage was provided for 3 of the retirees. Total benefits paid for retirees during the year ended December 31, 2017 was approximately \$175,474. For the year ended December 31, 2017, retirees contributed zero percent of the total current year cost. To be eligible under the Plan, the employee must be a county official or employee; retire under TCDRS guidelines; employed with the County at the time of retirement and possess the required continuous creditable service as follows:

Years of Service Required to Be Eligible

Employees hired before September 1, 2000	At least 10 years of prior continuous creditable service with Brewster County
Employees hired on or after September 1, 2000 through December 31, 2016	At least 15 years of prior continuous creditable service with Brewster County
Employees hired on or after January 1, 2017	Not eligible

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**Funding Policy**

The County's adopted budget policy maintains that retirees must pay zero percent of the cost of premiums. Retirees are responsible for the full cost of coverage for their dependents who participate in the plan. The County employs a pay-as-you-go method. Brewster County pays 100% of the premiums to a major medical plan administered by the Texas Association of Counties that includes pharmacy benefits for its employees and retirees.

**Annual OPEB Costs and Net OPEB Obligation**

Brewster County's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following tables show the components of the annual OPEB cost for the years ended December 31, 2017, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Annual Required Contribution	\$ 618,774
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
	<hr/>
Annual OPEB Cost	618,774
Less Contributions Made	<u>(175,474)</u>
	<hr/>
Increase in Net OPEB Obligation	443,300
Net OPEB Obligation - Beginning of year	-
	<hr/>
Net OPEB Obligation - End of year	<u><u>\$ 443,300</u></u>

The Brewster County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending December 31, 2017 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 618,774	\$ 175,474	28.36%	\$ 443,300

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**Funded Status and Funding Progress**

As of January 1, 2016, the most recent actuarial valuation date, the plan was not funded as shown in the table below:

Actuarial Accrued Liability (AAL)	\$ 5,253,940
Actuarial Value of Plan Assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,253,940</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	\$ 3,443,129
Unfunded actuarial accrued liability as a percentage of covered payroll	152.59%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of Brewster County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

Projections of health benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant method and assumptions used for this fiscal year valuation were as follows:

*Actuarial Methods and Assumptions*

Actuarial Valuation Date	January 1, 2016
Actuarial Cost Method	Projected Unit Cost Method
Amortization Method	Level as a percentage of projected employee payroll
Amortization Period	30 year, open amortization
Inflation Rate	3.0% per annum
Investment Rate of Return	4.5% net of expenses
Payroll Growth	None assumed
Pre-65 healthcare cost trend rate	Initial rate of 8.0% declining to an ultimate rate of 4.5% after 6 years
Post-65 healthcare cost trend rate	Rate of 4.5%
Mortality Table	RP-2014 Total Table with MP-2015 Projection Fully Generational

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

K. Retirement Plan Commitments

Brewster County provides retirement, disability, and survivor benefits for all of its full-time and part-time non-temporary (regardless of the number of hours they work in a year) employees through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). Employees in a temporary position are not eligible for membership. TCDRS is an agency created by the State of Texas and administered in accordance with the TCDRS Act, Title 8 Subtitle F, Texas Government Code (the TCDRS Act). The Board of Trustees of TCDRS is responsible for the administration of the statewide, agent multiple-employer, public employee retirement system consisting of 761 employers. TCDRS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the Board of Trustees at P. O. Box 2034 Austin, Texas 78768-2034, or online at: <https://www.tcdrs.org/Employer/Pages/Publications.aspx>.

**Benefits Provided:** The plan provisions and benefit terms are adopted by the governing body of the Brewster County. They may be amended as of January 1 each year, but must remain in conformity and within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits are expected to be adequately financed by the County's commitment to contribute. By law, the employee accounts earn 7% interest on beginning of year balances annually. At retirement, death, or disability, the account is matched at an employer set percentage (current match is 185%) and is then converted to an annuity.

The employees covered by the benefit terms at the December 31, 2017 valuation and measurement date were as follows:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	115
Active employees	<u>97</u>
Total covered employees	<u><u>256</u></u>

Members can retire at ages 60 and above with 8 or more years of service or 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 contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer. There are no automatic post-employment benefit changes, including automatic COLAs. Each year, the County may elect an ad hoc COLA for its retirees (if any).

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

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

**Contributions:** The contribution rates for employees is either 4%, 5%, 6%, or 7% of compensation, as adopted by the County's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Investment income funds a large part of the benefits employees earn.

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

The County contributed using an elected rate of 9.85%, which is the required rate, during the fiscal year ended December 31, 2017.

The contribution rate payable by the employee members for the plan's calendar year 2017 and 2016 was seven percent (7%) as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be amended by the governing body of the employer within the options available under the TCDRS Act. The County's contributions to TCDRS for the year ended December 31, 2017 were \$310,957 and were equal to the required contributions.

**Net Pension Liability:** The County's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by actuarial valuation as of that date.

**Actuarial Assumptions:** Updated mortality assumptions were adopted in 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2016, except where required to be different by GASB 68. The total pension liability in the December 31, 2017 actuarial valuation was determined using the actuarial assumptions for inflation of 2.75% and investment rate of return of 8.0%. The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. Other assumptions include employee and employer specific economic assumptions related to growth in membership of 0% and 3.25% in payroll growth. The payroll growth assumption is for the aggregate covered payroll of the employer. The source of the mortality assumptions is as follows:

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members.	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were also no changes to benefit terms that affected measurement of the total pension liability during the measurement period.

***Long -Term Expected Rate of Return:*** The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details.

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

<b>Asset Class</b>	<b>Benchmark</b>	<b>Target Allocation<sup>1</sup></b>	<b>Geometric Real Rate of Return (Expected minus)<sup>2</sup></b>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>3</sup>	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities-Developed Markets	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities-Emerging Markets	MSCI World Standard (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>4</sup>	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>5</sup>	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

1 Target asset allocation adopted at the April 2018 TCDRS Board meeting.

2 Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumptions.

3 Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

4 Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

5 Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**Discount Rate:** The discount rate used to measure the total pension liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, net of investment expense, and was applied to all periods of projected benefit payments to determine the total pension liability.

<b>Changes in Net Position Liability/(Asset)</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Fiduciary Net Position (b)</b>	<b>Net Pension Liability/ (Asset) (a)-(b)</b>
Balances as of December 31, 2016	\$ 11,003,681	\$ 9,981,358	\$ 1,022,323
Changes for the year:			
Service cost	443,073	-	443,073
Interest on total pension liability <sup>1</sup>	907,263	-	907,263
Effect of plan changes <sup>2</sup>	-	-	-
Effect of economic/demographic gains or losses	18,098	-	18,098
Effect of assumptions changes or inputs	55,353	-	55,353
Refund of contributions	(33,436)	(33,436)	-
Benefit payments	(468,290)	(468,290)	-
Administrative expenses	-	(7,622)	7,622
Member contributions	-	220,985	(220,985)
Net investment income	-	1,457,416	(1,457,416)
Employer contributions	-	310,957	(310,957)
Other <sup>3</sup>	-	333	(333)
Balances as of December 31, 2017	\$ 11,925,742	\$ 11,461,701	\$ 464,041

<sup>1</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>2</sup> No plan changes value.

<sup>3</sup> Relates to allocation of system-wide items.

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**Sensitivity Analysis:** The following presents the net pension liability of the County, calculated using the discount rate of the 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>7.10%</b>	<b>8.10%</b>	<b>9.10%</b>
Total pension liability	\$ 13,485,797	\$ 11,925,742	\$ 10,622,221
Fiduciary net position	11,461,701	11,461,701	11,461,701
Net pension liability (asset)	<u>\$ 2,024,096</u>	<u>\$ 464,041</u>	<u>\$ (839,480)</u>

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report as mentioned above in the Plan Description section.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related Pensions:** For the year ended December 31, 2017, the County recognized pension expense in the amount of \$351,845. At year end, the County also reported the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 13,573	\$ 51,245
Changes in assumptions	41,515	-
Net difference between projected and actual earnings	-	152,492
Contributions made subsequent to the measurement date	-	-
Total	<u>\$ 55,088</u>	<u>\$ 203,737</u>

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 25,837
2019	53,229
2020	(98,111)
2021	(129,603)
Thereafter	-
	<u>\$ (148,648)</u>

***Payable to the Pension Plan:*** At December 31, 2017, the County reported a payable of \$61,569 (includes accruals) for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

***Changes in Net Pension Liability:***

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Net Pension Liability	\$ -	\$ 1,423,013	\$ (958,972)	\$ 464,041

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**L. Fund Balances**

The following schedule discloses the details of fund balance classifications as of December 31, 2017:

	General Fund	Road & Bridge Fund	Tourism Council	Other Funds	Total
<b>Restricted:</b>					
Clerk's Technology	\$ -	\$ -	\$ -	\$ 500	\$ 500
Community Facilities	-	-	-	3,810	3,810
County Attorney's Office	-	-	-	7,747	7,747
County Jail	-	-	-	16,178	16,178
Courthouse Preservation	-	-	-	156,601	156,601
Courthouse Security	-	-	-	20,914	20,914
Debt Service	-	-	-	301,151	301,151
Emergency Management	-	-	-	493,326	493,326
Fire Stations	-	-	-	5,593	5,593
Groundwater Conservation	-	-	-	21,645	21,645
Infrastructure	-	36,118	-	-	36,118
JP Technology	-	-	-	22,041	22,041
Law Enforcement	-	-	-	127,229	127,229
Law Library	-	-	-	6,200	6,200
Marathon EMS	-	-	-	73	73
Pre-Trial Diversion Program	-	-	-	122,354	122,354
Records Management and Preservation - District Clerk	-	-	-	4,725	4,725
Records Management and Preservation - County Clerk	-	-	-	192,289	192,289
Tourism Promotion	-	-	774,268	-	774,268
<b>Total Other Restricted</b>	<b>-</b>	<b>36,118</b>	<b>774,268</b>	<b>1,502,376</b>	<b>2,312,762</b>
<b>Restricted for Federal &amp; State Programs:</b>					
LEOSE Training	-	-	-	17,781	17,781
<b>Total Restricted for Grants</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,781</b>	<b>17,781</b>
<b>Total Restricted</b>	<b>-</b>	<b>-</b>	<b>774,268</b>	<b>1,520,157</b>	<b>2,330,543</b>
<b>Committed:</b>					
Jail Infrastructure	55,119	-	-	-	55,119
<b>Total Committed</b>	<b>55,119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,119</b>
<b>Assigned:</b>					
District Court Benches	18,000	-	-	-	18,000
<b>Total Assigned</b>	<b>18,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,000</b>
<b>Unassigned:</b>					
<b>Total Unassigned</b>	<b>4,752,920</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,752,920</b>
<b>Total Fund Balances</b>	<b>\$ 4,826,039</b>	<b>\$ 36,118</b>	<b>\$ 774,268</b>	<b>\$ 1,520,157</b>	<b>\$ 7,156,582</b>

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

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

M. Tax Abatements

The County enters into property tax abatement agreements with local businesses under the state Property Redevelopment and Tax Abatement Act, Texas Tax Code Chapter 312. Under the Act, the commissioners court of a county may designate an area of the county as a reinvestment zone if it finds that the designation would contribute to the economic development of the county. The commissioners court may execute a tax abatement agreement with the owner of taxable real property or tangible personal property located in the reinvestment zone to exempt from taxation all or a portion of the value of the real and/or personal property. The abatements may be granted to businesses for new facilities and structures or for the expansion or modernization of existing facilities and structures. To be eligible for designation as a reinvestment zone and to receive tax abatement, the proposed project must be reasonably shown to have an estimated cost upon completion of at least \$50 million dollars. In circumstances where the agreement is terminated as a result of default by the business entity, the County shall have the right to recapture abated taxes.

The County has executed three property abatement agreements at December 31, 2017 under this program. No new tax abatement agreements were entered into in the fiscal year ended December 31, 2017. There were no abated property taxes in the fiscal year ended December 31, 2017. Originally, the tax abatements were to commence January 1, 2017. However, Solair exercised its option to defer an additional year to January 1, 2018. The agreements for River Rock and Hecate contain an automatic deferral option to defer two additional years to January 1, 2019. The County has not received notice that the automatic deferral options have been exercised by River Rock and Hecate. In either case, if construction is not complete by December 31, 2018, the tax abatement agreements for River Rock and Hecate terminate. The property tax abatements have been provided to solar energy generation facilities for constructing and installing their facilities within the reinvestment zone and remaining in place at least 20 years upon completion, creating jobs of 1 or more, and providing payments, including payments in lieu of taxes, to the County as scheduled. The County has elected to disclose all tax abatement agreements, which are as follows:

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

Name	Estimated Investment	Abatement Period	Specific taxes being abated and mechanism	Payments Received During FY 2017	Payments Committed
Solair Holman, LLC	\$160 million	10 years	60% of all County ad valorem taxes on the certified appraised value of all improvements and all otherwise taxable personal property	None	Beginning first year of abatement, payments of \$30,000 (year 1), \$20,000 (year 2) and \$12,500 (years 3 to 10) in addition to any ad valorem tax obligations
Hecate Energy Brewster, LLC	\$65 million	10 years	70% of all County ad valorem taxes on the certified appraised value of all improvements and all otherwise taxable personal property	None	Payments of \$10,000 initially (received 2016) with annual payments of \$50,000 in lieu of property taxes for the first and second year, contingent upon constructing and installing the facility at the site. No other payments will be made in lieu of property taxes for years 3 through 10 of the term of the abatement.
River Rock Solar, LLC	\$75 million	10 years	70% of all County ad valorem taxes on the certified appraised value of all improvements and all otherwise taxable personal property	None	Payments of \$10,000 initially (received 2016) with annual payments of \$50,000 in lieu of property taxes for the first and second year, contingent upon constructing and installing the facility at the site. No other payments will be made in lieu of property taxes for years 3 through 10 of the term of the abatement.

**N. Other Commitments and Contingencies**

*Leases* - The County leases real property from the American Legion Big Bend Post 79 for purposes of additional parking for the Brewster County Courthouse Complex. In exchange, the County shall pave certain lots of the property and provide for maintenance and repairs during the term. The lease commenced November 1, 2014 and shall continue for a term of 50 years. Either party may terminate the lease by providing a 30 day written notice.

*Litigation* - During the normal course of business, the County was subject to various legal claims. Subsequent to year end, the County received notice from the County's legal insurer that a claim related to an incident for the year ended December 31, 2017 has been received and is being reviewed. The legal insurer communicated that there were no coverage concerns at the time but the legal insurer is reserving its right to seek reimbursement if non-coverage is determined. If non-coverage is determined, the County would be liable for reimbursing the legal insurer for any claims incurred in connection with the claim.

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

*Federal and State Funding* - The County receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the grantors for expenditures disallowed under the terms and conditions of the appropriate agency. Upon Texas Department of Agriculture's (Agency) review of the County's prior years' audit reports, the Agency allowed the County to finalize the open grants awarded under their agency upon certain conditions prescribed by the agency. The County was deemed ineligible to receive future grant awards by this agency for a period of five years, beginning September 30, 2016.

*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, 2017, Brewster County participated in a risk pool through the Texas Association of Counties as deemed necessary to protect against member losses. The County remains exposed to any losses, which would exceed the resources and commercial insurance of the association. There has been no significant reductions in insurance coverage from prior years and settlements have not exceeded coverage for the past three years.

A mold assessment was performed on the County's jail in December 2017. The County has not yet incurred any significant costs to remove the mold. However, subsequent to year-end, the County was in negotiations with a construction company to replace the roof to prevent future water leaks contributing to the mold. The County has filed a claim with its commercial insurance for coverage and awaiting determination.

**O. Related Party Transactions**

As of December 31, 2017, the County had paid expenditures totaling \$42,157 involving transactions with County Officials. These transactions related to payments made to a vendor which is owned by the Chief Deputy of the Sheriff's Office, another vendor owned by a relative of the Chief Deputy of the Sheriff's office, another vendor which is owned by the Sheriff's spouse, another vendor which employs one of the County Commissioners and another vendor owned by one of the County Commissioners. County Officials abstained from voting when these expenditures were approved by Commissioners Court.

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

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

**P. Prior Period Adjustments**

The following is a summary of prior period adjustments and the effect on net position/fund balance for fiscal year ending December 31, 2017:

	Governmental Activities	General Fund	Road & Bridge Fund	Tourism Fund	Other Funds
Cash receipts reclassified to proper period in accordance with conversion to modified accrual at fund level and accrual at government wide level:					
Hotel/Motel Occupancy Tax Receipts	\$ 94,154	\$ -	\$ -	\$ 94,154	\$ -
Intergovernmental Revenue and Grant Cash Receipts	211,030	79,235	-	-	131,795
Property Tax Receipts	1,872,276	1,372,430	-	-	141,840
Cash disbursements reclassified to proper period in accordance with conversion to modified accrual at fund level and accrual at government wide level:					
Expenditures reclassified to proper period	(105,100)	(60,020)	(8,161)	(18,382)	(18,537)
Remove remaining fund balance for grant funds that should have zero fund balance	-	5,543	-	-	(5,543)
Recognize debt in accordance with accrual basis of accounting and/or implementation of GASB 68 & 71.					
Capital Leases	(159,063)	-	-	-	-
Compensated Absences	(87,134)	-	-	-	-
Net Pension Liability	(571,802)	-	-	-	-
Correction of an error:					
Payroll withholdings	(14,980)	(14,980)	-	-	-
General government expenditures/expenses overstated in prior year	46,507	46,507	-	-	-
Capital Assets, net	(4,047,874)	-	-	-	-
<b>Total Increase (Decrease)</b>	<b>\$ (2,761,986)</b>	<b>\$ 1,428,715</b>	<b>\$ (8,161)</b>	<b>\$ 75,772</b>	<b>\$ 249,555</b>
Reconciliation to Exhibit 4:					
Remove prior period adjustments at fund level reported within the first line of Exhibit 4	\$ (1,745,881)				
Remove effect of Net Pension Liability reported within line item 4 of Exhibit 4		571,802			
Total at Exhibit 4 Line Item 7	<u>\$ (3,936,065)</u>				

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

**Q. Budget Variance - General Fund**

In 2016, the County paid the August interest debt payment with General fund monies because the Debt service fund did not have enough cash in its account to cover payment. Payment was made with the expectation that the Debt service fund would repay the General fund upon receipt of additional tax collections. However, the County learned that it would have to continue the cycle of borrowing from the General fund if it repaid the amount from the August 2016 interest payment. Consequently, the due from debt service balance equal to \$57,853 was reclassified to a transfer out which resulted in the significant unfavorable variance.

**R. Subsequent Events**

Subsequent to year end, the County 1) approved the creation of the Retirement Health Insurance Fund and committed \$250,000 2) committed an additional \$100,000 to the Jail Infrastructure Fund (sub-fund of the General Fund) and 3) committed \$100,000 to pay down the County's TCDRS unfunded liability. All commitments were made from the County's General Fund surplus for the year ended December 31, 2017.

The West Texas Food Bank committed their food bank building to Brewster County during 2017 but title to the building was not transferred until July of 2018. Accordingly, the donation will be recorded subsequent to year-end.

The County entered into a 48-month postage machine lease agreement. The lease will commence March 1, 2018 requiring monthly payments of \$718.

**S. New Accounting Pronouncements**

The County has not completed the process of evaluating the impact on its financial position that will result from adopting Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for fiscal years beginning after June 15, 2018. GASB No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers.

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**REQUIRED SUPPLEMENTARY INFORMATION**

BREWSTER COUNTY, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 2,767,564	\$ 2,767,564	\$ 2,979,058	\$ 211,494
General Sales and Use Taxes	625,000	625,000	751,809	126,809
Franchise Tax	1,000	1,000	391	(609)
Other Taxes	10,000	10,000	21,021	11,021
Penalty and Interest on Taxes	35,616	35,616	48,047	12,431
Licenses and Permits	3,500	3,500	1,000	(2,500)
Intergovernmental Revenue and Grants	1,277,819	1,277,819	1,314,779	36,960
Charges for Services	1,192,933	1,192,433	1,053,868	(138,565)
Fines	148,500	148,500	123,244	(25,256)
Forfeits	3,200	3,200	750	(2,450)
Investment Earnings	5,500	5,500	33,815	28,315
Rents and Royalties	36,900	36,900	24,850	(12,050)
Contributions & Donations from Private Sources	4,000	4,000	4,850	850
Other Revenue	18,000	18,000	49,213	31,213
Total Revenues	<u>6,129,532</u>	<u>6,129,032</u>	<u>6,406,695</u>	<u>277,663</u>
<b>EXPENDITURES:</b>				
Current:				
Commissioner's Court	144,819	139,582	141,558	(1,976)
County Judge	221,836	210,315	212,376	(2,061)
County Tax Assessor-Collector	288,072	288,118	271,185	16,933
Elections/County Clerk	283,716	274,187	274,327	(140)
County Treasurer	160,541	160,541	157,086	3,455
Information Technology	281,150	236,517	232,503	4,014
Facilities and Property Management	173,984	142,878	121,059	21,819
County Auditor	174,248	174,248	145,921	28,327
Other General Government	423,835	502,979	479,814	23,165
County Sheriff	953,924	953,924	906,598	47,326
Constables	16,668	16,668	14,400	2,268
County Jail	969,112	969,111	954,726	14,385
Emergency Preparedness	263,436	277,029	257,893	19,136
Roads and Bridges	8,985	9,146	9,146	-
County Veterans Office	17,623	16,732	16,058	674
Mental Health	5,000	8,750	8,750	-
Welfare	46,000	29,797	29,797	-
Ambulance Services	5,000	4,375	4,375	-
Autopsies	50,000	55,866	59,416	(3,550)
Justice of the Peace, Precinct 1	124,495	132,347	127,052	5,295
Justice of the Peace, Precinct 2	35,329	35,672	35,845	(173)
Justice of the Peace, Precinct 3	44,840	44,840	43,973	867
County Attorney	213,167	213,167	202,059	11,108
District Attorney	94,890	94,890	94,907	(17)
District Clerk	167,211	165,309	152,475	12,834
County Court	56,881	40,480	34,148	6,332
District Court	136,627	148,115	149,315	(1,200)
AgriLife Extension Office	42,889	42,889	7,045	35,844
Recreation	24,500	24,500	17,850	6,650
Libraries	77,500	77,500	76,163	1,337
Parks	5,250	5,250	325	4,925
Historical Preservation	2,200	2,200	2,200	-
Capital Outlay:				
Other Capital Outlay	10,700	10,358	5,687	4,671
Intergovernmental:				

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

BREWSTER COUNTY, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
San Vicente ISD	108,000	119,092	119,092	-
Terlingua ISD	36,000	36,830	36,830	-
Brewster County Appraisal District	97,824	102,052	76,865	25,187
Tri-County Juvenile Probation	63,401	63,401	63,401	-
Other Intergovernmental	29,000	29,000	29,000	-
Total Expenditures	5,858,653	5,858,655	5,571,220	287,435
Excess (Deficiency) of Revenues Over (Under) Expenditures	270,879	270,377	835,475	565,098
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	63,000	63,000	70,356	7,356
Transfers Out (Use)	(333,878)	(333,878)	(396,832)	(62,954)
Total Other Financing Sources (Uses)	(270,878)	(270,878)	(326,476)	(55,598)
Net Change in Fund Balances	-	(501)	508,999	509,500
Fund Balance - January 1 (Beginning)	2,888,325	2,888,325	2,888,325	-
Prior Period Adjustment	-	-	1,428,715	1,428,715
Fund Balance - December 31 (Ending)	\$ 2,888,325	\$ 2,887,824	\$ 4,826,039	\$ 1,938,215

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

## BREWSTER COUNTY, TEXAS

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

## TEXAS COUNTY &amp; DISTRICT RETIREMENT SYSTEM

DECEMBER 31, 2017

	Year Ended December 2017 (measurement year)	Year Ended December 2016 (measurement year)	Year Ended December 2015 (measurement year)	Year Ended December 2014 (measurement year)
<b>Total Pension Liability</b>				
Service Cost	\$ 443,073	\$ 427,983	\$ 353,686	\$ 340,507
Interest on total pension liability	907,263	839,483	790,285	735,956
Effect of plan changes	-	-	(55,301)	-
Effect of assumption changes or inputs	55,353	-	111,863	-
Effect of economic/demographic (gains) or losses	18,098	(153,735)	(115,561)	(6,277)
Refunds of contributions	(33,436)	(78,265)	(49,840)	(40,809)
Benefit payments	(468,290)	(440,079)	(405,604)	(371,861)
Net change in total pension liability	922,061	595,387	629,528	657,516
Total pension liability, beginning	11,003,681	10,408,294	9,778,766	9,121,250
Total pension liability, ending (a)	\$ 11,925,742	\$ 11,003,681	\$ 10,408,294	\$ 9,778,766
<b>Fiduciary Net Position</b>				
Employer contributions	\$ 310,957	\$ 334,056	\$ 314,756	\$ 307,575
Member contributions	220,985	224,144	203,868	189,694
Investment income net of investment expenses	1,457,416	685,578	(2,179)	582,231
Benefit payments/refunds of contributions	(501,726)	(518,344)	(455,445)	(412,670)
Administrative expenses	(7,622)	(7,446)	(6,647)	(6,833)
Other	333	9,630	(11,597)	25,584
Net change in fiduciary net position	1,480,343	727,618	42,756	685,581
Fiduciary net position, beginning	9,981,358	9,253,740	9,210,984	8,525,403
Fiduciary net position, ending (b)	11,461,701	9,981,358	9,253,740	9,210,984
Net pension liability / (asset), ending = (a) - (b)	\$ 464,041	\$ 1,022,323	\$ 1,154,554	\$ 567,782
Fiduciary net position as a % of total pension liability	96.11%	90.71%	88.91%	94.19%
Covered payroll	\$ 3,156,927	\$ 3,153,036	\$ 2,912,398	\$ 2,709,910
Net pension liability as a % of covered payroll	14.70%	32.42%	39.64%	20.95%

Note: In accordance with GASB 68, paragraph 138, this schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been effective.

**BREWSTER COUNTY, TEXAS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

DECEMBER 31, 2017

Fiscal Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 307,575	\$ 307,575	\$ -	\$ 2,709,910	11.3%
2015	313,374	314,756	(1,382)	2,912,398	10.8%
2016	328,862	334,056	(5,195)	3,153,036	10.6%
2017	310,957	310,957	-	3,156,927	9.9%

**NOTES TO SCHEDULE**

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	11.3 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

\* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

**BREWSTER COUNTY, TEXAS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

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**Actuarial Methods and Assumptions Used for GASB Calculations**

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2017 funding valuation except as noted below.

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Entry Age Normal <sup>(1)</sup>
<b>Amortization Method</b>	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
<b>Inflation</b>	Same as TCDRS system-wide funding valuation. Can be obtained at <a href="https://www.tcdrs.org">https://www.tcdrs.org</a>
<b>Salary Increases</b>	Same as TCDRS system-wide funding valuation. Can be obtained at <a href="https://www.tcdrs.org">https://www.tcdrs.org</a>
<b>Investment Rate of Return</b>	8.10%
<b>Cost of Living Adjustments</b>	Cost-of-Living Adjustments for Brewster County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
<b>Retirement Age</b>	Same as TCDRS system-wide funding valuation. Can be obtained at <a href="https://www.tcdrs.org">https://www.tcdrs.org</a>
<b>Turnover</b>	Same as TCDRS system-wide funding valuation. Can be obtained at <a href="https://www.tcdrs.org">https://www.tcdrs.org</a>
<b>Mortality</b>	Same as TCDRS system-wide funding valuation. Can be obtained at <a href="https://www.tcdrs.org">https://www.tcdrs.org</a>

*(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.*

## BREWSTER COUNTY, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION

Other Post-Employment Benefits Plan  
Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a % of Covered Payroll (4)/(5)
01/01/2016	\$ -	\$ 5,253,940	0.00%	\$ 5,253,940	\$ 3,443,129	152.59%

Other Post-Employment Benefits Plan  
Schedule of Employer Contributions

Fiscal Year	(1) Actuarial Contribution	(2) Annual Required Contribution	(3) Percent Contributed (1)/(2)
2017	\$ 175,474	\$ 618,774	28.36%

Other Post-Employment Benefits Plan  
Development of the Net OPEB Obligation

Fiscal Year	(1) Annual Required Contribution (ARC)	(2) Interest on Unfunded ARC	(3) Adjustment of the ARC	(4) = (1)+(2)+ (3) Annual OPEB Cost	(5) Actual Contribution	(6) = (4)-(5) Increase in net OPEB Obligation	(7) OPEB Obligation Adjustments	(8)=prior year (8)+(6)+(7) Net OPEB Liability at end of year
2017	\$ 618,774	\$ -	\$ -	\$ 618,774	\$ 175,474	\$ 443,300	\$ -	\$ 443,300

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## **SUPPLEMENTARY INFORMATION**

BREWSTER COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2017

	Records Management	County & Dist Attorney PTD Fund	Courthouse Security	Marathon EMS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 194,789	\$ 122,509	\$ 17,153	\$ 73
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Due from Other Governments	-	-	-	-
Total Assets	<u>\$ 194,789</u>	<u>\$ 122,509</u>	<u>\$ 17,153</u>	<u>\$ 73</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,500	\$ 155	\$ -	\$ -
Due to Other Funds	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>2,500</u>	<u>155</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	192,289	122,354	17,153	73
Total Fund Balances	<u>192,289</u>	<u>122,354</u>	<u>17,153</u>	<u>73</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 194,789</u>	<u>\$ 122,509</u>	<u>\$ 17,153</u>	<u>\$ 73</u>

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

LEOSE Training	Brewster Cty Groundwater Conserv. Dist	Homeland Security All Initiatives	District Clerk Fund	Justice Court Bldg Security	ETP Special	Dist Attorney Crime Victims Comp Grant	HIDTA All Initiatives
\$ 17,781	\$ 21,645	\$ -	\$ 4,725	\$ 3,761	\$ 500,000	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	41,859	-	-	-	14,388	59,359
<u>\$ 17,781</u>	<u>\$ 21,645</u>	<u>\$ 41,859</u>	<u>\$ 4,725</u>	<u>\$ 3,761</u>	<u>\$ 500,000</u>	<u>\$ 14,388</u>	<u>\$ 59,359</u>
\$ -	\$ -	\$ 888	\$ -	\$ -	\$ 6,674	\$ -	\$ 4
-	-	40,046	-	-	-	14,388	59,355
-	-	925	-	-	-	-	-
-	-	41,859	-	-	6,674	14,388	59,359
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
17,781	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	21,645	-	4,725	3,761	493,326	-	-
<u>17,781</u>	<u>21,645</u>	<u>-</u>	<u>4,725</u>	<u>3,761</u>	<u>493,326</u>	<u>-</u>	<u>-</u>
<u>\$ 17,781</u>	<u>\$ 21,645</u>	<u>\$ 41,859</u>	<u>\$ 4,725</u>	<u>\$ 3,761</u>	<u>\$ 500,000</u>	<u>\$ 14,388</u>	<u>\$ 59,359</u>

BREWSTER COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2017

	Sheriff Awarded Account	Sheriff Abandoned Vehicles	Operation Borderstar Grants	CDBG 721-5049
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 71,692	\$ 56,135	\$ -	\$ 5,848
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Due from Other Governments	-	-	14,976	-
Total Assets	<u>\$ 71,692</u>	<u>\$ 56,135</u>	<u>\$ 14,976</u>	<u>\$ 5,848</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 598	\$ -	\$ 5,848
Due to Other Funds	-	-	14,976	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>598</u>	<u>14,976</u>	<u>5,848</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	71,692	55,537	-	-
Total Fund Balances	<u>71,692</u>	<u>55,537</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 71,692</u>	<u>\$ 56,135</u>	<u>\$ 14,976</u>	<u>\$ 5,848</u>

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



BREWSTER COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2017

	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,234,781	\$ 175,017	\$ 1,409,798
Taxes Receivable	-	196,806	196,806
Allowance for Uncollectible Taxes (credit)	-	(32,839)	(32,839)
Due from Other Governments	130,582	-	130,582
Total Assets	<u>\$ 1,365,363</u>	<u>\$ 338,984</u>	<u>\$ 1,704,347</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 16,667	\$ -	\$ 16,667
Due to Other Funds	128,765	-	128,765
Unearned Revenues	925	-	925
Total Liabilities	<u>146,357</u>	<u>-</u>	<u>146,357</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	-	37,833	37,833
Total Deferred Inflows of Resources	<u>-</u>	<u>37,833</u>	<u>37,833</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Federal or State Funds Grant Restriction	17,781	-	17,781
Retirement of Long-Term Debt	-	301,151	301,151
Other Restricted Fund Balance	1,201,225	-	1,201,225
Total Fund Balances	<u>1,219,006</u>	<u>301,151</u>	<u>1,520,157</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,365,363</u>	<u>\$ 338,984</u>	<u>\$ 1,704,347</u>

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

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BREWSTER COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Records Management	County & Dist Attorney PTD Fund	Courthouse Security	Marathon EMS
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	105,073	53,640	8,457	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Special Assessments	-	-	-	-
Investment Earnings	-	-	-	1
Contributions & Donations from Private Sources	-	-	-	-
Total Revenues	<u>105,073</u>	<u>53,640</u>	<u>8,457</u>	<u>1</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	37,798	-	-	-
Public Safety	-	-	-	-
Administration of Justice	-	2,212	-	-
Community and Economic Development	-	-	-	-
Debt Service:				
Principal on Debt	-	-	-	-
Interest on Debt	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>37,798</u>	<u>2,212</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>67,275</u>	<u>51,428</u>	<u>8,457</u>	<u>1</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	67,275	51,428	8,457	1
Fund Balance - January 1 (Beginning)	125,014	70,926	8,696	72
Prior Period Adjustment	-	-	-	-
Fund Balance - December 31 (Ending)	<u>\$ 192,289</u>	<u>\$ 122,354</u>	<u>\$ 17,153</u>	<u>\$ 73</u>

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

LEOSE Training	Brewster Cty Groundwater Conserv. Dist	Homeland Security All Initiatives	District Clerk Fund	Justice Court Bldg Security	ETP Special	Dist Attorney Crime Victims Comp Grant	HIDTA All Initiatives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	6,450	-	-	-	-	-	-
3,322	-	466,098	-	-	-	39,606	240,311
-	-	-	2,908	1,780	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3	-	-	-	-	-	-
-	-	-	-	-	500,000	-	-
<u>3,322</u>	<u>6,453</u>	<u>466,098</u>	<u>2,908</u>	<u>1,780</u>	<u>500,000</u>	<u>39,606</u>	<u>240,311</u>
-	-	-	-	-	-	-	-
2,111	-	400,947	-	-	-	-	240,311
-	-	-	-	-	-	51,544	-
-	48,608	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	65,151	-	-	6,674	-	-
<u>2,111</u>	<u>48,608</u>	<u>466,098</u>	<u>-</u>	<u>-</u>	<u>6,674</u>	<u>51,544</u>	<u>240,311</u>
<u>1,211</u>	<u>(42,155)</u>	<u>-</u>	<u>2,908</u>	<u>1,780</u>	<u>493,326</u>	<u>(11,938)</u>	<u>-</u>
-	40,000	-	-	-	-	5,102	-
-	40,000	-	-	-	-	5,102	-
1,211	(2,155)	-	2,908	1,780	493,326	(6,836)	-
16,570	23,800	(31,469)	1,817	1,981	-	(9,946)	(43,665)
-	-	31,469	-	-	-	16,782	43,665
<u>\$ 17,781</u>	<u>\$ 21,645</u>	<u>\$ -</u>	<u>\$ 4,725</u>	<u>\$ 3,761</u>	<u>\$ 493,326</u>	<u>\$ -</u>	<u>\$ -</u>

BREWSTER COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Sheriff Awarded Account	Sheriff Abandoned Vehicles	Operation Borderstar Grants	CDBG 721-5049
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	4,094	-	43,198	3,710
Charges for Services	-	-	-	-
Fines	-	-	-	-
Forfeits	27,055	48,556	-	-
Special Assessments	-	-	-	-
Investment Earnings	-	-	-	-
Contributions & Donations from Private Sources	-	1,146	-	-
Total Revenues	<u>31,149</u>	<u>49,702</u>	<u>43,198</u>	<u>3,710</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	-	-
Public Safety	20,002	13,507	43,198	-
Administration of Justice	-	-	-	-
Community and Economic Development	-	-	-	3,710
Debt Service:				
Principal on Debt	-	-	-	-
Interest on Debt	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>20,002</u>	<u>13,507</u>	<u>43,198</u>	<u>3,710</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,147</u>	<u>36,195</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	11,147	36,195	-	-
Fund Balance - January 1 (Beginning)	60,588	20,636	(17,136)	-
Prior Period Adjustment	(43)	(1,294)	17,136	-
Fund Balance - December 31 (Ending)	<u>\$ 71,692</u>	<u>\$ 55,537</u>	<u>\$ -</u>	<u>\$ -</u>

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

County Attorney Special	JP Technology Fund	Courthouse Preservation	Law Library	Fire Truck Fund	Community Facilities	Technology Fee for Clerks	Inmate Commissary Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	3,224	-	-	-	17,390
1,300	-	-	-	-	-	-	-
-	7,204	-	-	-	-	-	-
60	-	75	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,360</u>	<u>7,204</u>	<u>75</u>	<u>3,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,390</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	14,321
295	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,321</u>
<u>1,065</u>	<u>7,204</u>	<u>75</u>	<u>3,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,069</u>
-	-	70,356	-	-	-	-	-
-	-	70,356	-	-	-	-	-
1,065	7,204	70,431	3,224	-	-	-	3,069
6,682	14,837	86,170	2,976	5,593	3,810	500	13,109
-	-	-	-	-	-	-	-
<u>\$ 7,747</u>	<u>\$ 22,041</u>	<u>\$ 156,601</u>	<u>\$ 6,200</u>	<u>\$ 5,593</u>	<u>\$ 3,810</u>	<u>\$ 500</u>	<u>\$ 16,178</u>

BREWSTER COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ -	\$ 275,364	\$ 275,364
Penalty and Interest on Taxes	-	6,872	6,872
Licenses and Permits	6,450	-	6,450
Intergovernmental Revenue and Grants	800,339	-	800,339
Charges for Services	192,472	-	192,472
Fines	1,300	-	1,300
Forfeits	75,611	-	75,611
Special Assessments	7,204	-	7,204
Investment Earnings	139	636	775
Contributions & Donations from Private Sources	501,146	-	501,146
Total Revenues	<u>1,584,661</u>	<u>282,872</u>	<u>1,867,533</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	37,798	-	37,798
Public Safety	734,397	-	734,397
Administration of Justice	54,051	-	54,051
Community and Economic Development	52,318	-	52,318
Debt Service:			
Principal on Debt	-	160,000	160,000
Interest on Debt	-	112,425	112,425
Capital Outlay:			
Capital Outlay	71,825	-	71,825
Total Expenditures	<u>950,389</u>	<u>272,425</u>	<u>1,222,814</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>634,272</u>	<u>10,447</u>	<u>644,719</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	115,458	57,852	173,310
Total Other Financing Sources (Uses)	<u>115,458</u>	<u>57,852</u>	<u>173,310</u>
Net Change in Fund Balance	749,730	68,299	818,029
Fund Balance - January 1 (Beginning)	361,561	91,012	452,573
Prior Period Adjustment	107,715	141,840	249,555
Fund Balance - December 31 (Ending)	<u>\$ 1,219,006</u>	<u>\$ 301,151</u>	<u>\$ 1,520,157</u>

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

BREWSTER COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	BALANCE JANUARY 1 2017	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31 2017
<b>HISTORICAL COMMISSION</b>				
Assets:				
Cash and Cash Equivalents	\$ 6,257	\$ 2,241	\$ 4,603	\$ 3,895
Liabilities:				
Due to Others	\$ 6,257	\$ 2,241	\$ 4,603	\$ 3,895
<b>COUNTY ATTORNEY</b>				
Assets:				
Cash and Cash Equivalents	\$ 9,120	\$ 23,577	\$ 27,960	\$ 4,737
Liabilities:				
Due to Others	\$ 9,120	\$ 23,577	\$ 27,960	\$ 4,737
<b>INMATE TRUST FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 10,646	\$ 81,747	\$ 85,316	\$ 7,077
Liabilities:				
Due to Others	\$ 10,646	\$ 81,747	\$ 85,316	\$ 7,077
<b>DISTRICT CLERK CHILD SUPPORT</b>				
Assets:				
Cash and Cash Equivalents	\$ 3,197	\$ 36	\$ 30	\$ 3,203
Liabilities:				
Due to Others	\$ 3,197	\$ 36	\$ 30	\$ 3,203
<b>DISTRICT CLERK BONDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 72,383	\$ 22,000	\$ 32,900	\$ 61,483
Liabilities:				
Due to Others	\$ 72,383	\$ 22,000	\$ 32,900	\$ 61,483
<b>DISTRICT CLERK BONDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 35,108	\$ 268	-	\$ 35,376
Liabilities:				
Due to Others	\$ 35,108	\$ 268	-	\$ 35,376

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

BREWSTER COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	BALANCE JANUARY 1 2017	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31 2017
<b>COUNTY CLERK BONDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 69,479	\$ 155,454	\$ 150,080	\$ 74,853
Liabilities:				
Due to Others	\$ 69,479	\$ 155,454	\$ 150,080	\$ 74,853
<b>TRI COUNTY JUVENILE PROBATION</b>				
Assets:				
Cash and Cash Equivalents	\$ 104,414	\$ 260,203	\$ 282,153	\$ 82,464
Due from Others	-	2,660	-	2,660
Total Assets	\$ 104,414	\$ 262,863	\$ 282,153	\$ 85,124
Liabilities:				
Due to Other Governments	\$ 253	-	\$ 253	-
Due to Others	104,161	262,863	281,900	85,124
Total Liabilities	\$ 104,414	\$ 262,863	\$ 282,153	\$ 85,124
<b>COUNTY CLERK OTHER</b>				
Assets:				
Cash and Cash Equivalents	\$ 37,232	-	\$ 37,232	-
Liabilities:				
Due to Others	\$ 37,232	-	\$ 37,232	-
<b>CHILD WELFARE BOARD</b>				
Assets:				
Cash and Cash Equivalents	\$ 9,412	\$ 3,685	-	\$ 13,097
Liabilities:				
Due to Others	\$ 9,412	\$ 3,685	-	\$ 13,097
<b>PASSPORTS</b>				
Assets:				
Cash and Cash Equivalents	\$ 775	\$ 525	\$ 1,300	-
Liabilities:				
Due to Others	\$ 775	\$ 525	\$ 1,300	-

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

BREWSTER COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	BALANCE JANUARY 1 2017	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31 2017
<b>COUNTY CLERK CHILD SUPPORT</b>				
Assets:				
Cash and Cash Equivalents	\$ 2,353	\$ -	\$ -	\$ 2,353
Liabilities:				
Due to Others	\$ 2,353	\$ -	\$ -	\$ 2,353
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 360,376	\$ 549,736	\$ 621,574	\$ 288,538
Due From Others	-	2,660	-	2,660
Total Assets	\$ 360,376	\$ 552,396	\$ 621,574	\$ 291,198
Liabilities:				
Due to Other Governments	\$ 253	\$ -	\$ 253	\$ -
Due to Others	360,123	552,396	621,321	291,198
Total Liabilities	\$ 360,376	\$ 552,396	\$ 621,574	\$ 291,198

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

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## **OTHER INFORMATION**

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**BREWSTER COUNTY, TEXAS**

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

DECEMBER 31, 2017

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: 721-5049  
Contract Period: 10/15/15 to 04/13/2018

	<u>FEDERAL</u>						
	Budget	Prior Years	Amounts Recognized Due to Conversion	Current Year	Local	Total	Variance
<b>REVENUE</b>							
Federal and State	\$ 168,638	\$ 9,275	\$ 17,200	\$ 3,710	\$ -	\$ 30,185	\$ (138,453)
Local-Brewster County	-	-		-	-	-	-
Total Revenue	<u>168,638</u>	<u>9,275</u>	<u>17,200</u>	<u>3,710</u>	<u>-</u>	<u>30,185</u>	<u>(138,453)</u>
<b>EXPENDITURES</b>							
Federal and State							
Administration	18,550	9,275	-	3,710	-	12,985	(5,565)
Water facilities	127,088	-	-	-	-	-	(127,088)
Engineering	23,000	-	17,200	-	-	17,200	(5,800)
Local							
Administration	-	-	-	-	-	-	-
Water facilities	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-
Total Expenditures	<u>168,638</u>	<u>9,275</u>	<u>17,200</u>	<u>3,710</u>	<u>-</u>	<u>30,185</u>	<u>(138,453)</u>
Excess Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**FEDERAL FINANCIAL ASSISTANCE SECTION**

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

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

We 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brewster County, Texas, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Brewster County, Texas's basic financial statements and have issued our report thereon dated September 24, 2018.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Brewster County, Texas' 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

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

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

September 24, 2018

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

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

**Report on Compliance for Major Federal Program**

We have audited Brewster County, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Brewster County, Texas's major federal programs for the year ended December 31, 2017. Brewster County, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Brewster County, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brewster County, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Major Federal Program***

In our opinion, Brewster County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-002, that we consider to be a significant deficiency.

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

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

*Gibson, Ruddock, Patterson LLC*  
El Paso, Texas  
September 24, 2018

BREWSTER COUNTY, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2017

---

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

<b>Type of Auditor's Report Issued:</b>	Unmodified
<b>Internal control over financial reporting:</b>	
<b>Were significant deficiencies in internal control disclosed?</b>	None reported
<b>Were material weaknesses in internal control disclosed?</b>	No
<b>Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards?</b>	Yes, finding 2017-001.

**Federal Awards**

<b>Internal control over major federal award programs:</b>	
<b>Were significant deficiencies in internal control over major programs disclosed?</b>	Yes, finding 2017-002.
<b>Were material weaknesses in internal control over major programs disclosed?</b>	No
<b>Type of auditor's report issued on compliance for federal award major programs:</b>	Unmodified
<b>Were there any audit findings that the auditor is required to disclose under Title 2 CFR 200.516 Audit findings paragraph (a)?</b>	Yes, finding 2017-002.
<b>Major Federal Programs:</b>	<b><u>Homeland Security Grant Program:</u></b> CFDA 97.067
<b>Dollar threshold used to distinguish between type A and type B programs:</b>	\$750,000
<b>Did auditee qualify as a low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee?</b>	No

(Continued)

**BREWSTER COUNTY, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**FINANCIAL STATEMENT FINDING**

**2017-001 - State Compliance - Collateralizing Public Funds Deposits**

**Criteria:** The Public Funds Collateral Act, Texas Government Code, Section 2257.022 requires that deposits of public funds be collateralized at an amount not less than the amount of the deposit that is uninsured.

**Condition Found:** A portion of the County's deposits equal to \$1,844,694 were neither insured nor collateralized in the month of July 2017, the month with the largest amount of deposits held.

**Cause:** The primary cause is related to the County's receipt of a substantial payment from the U.S. Department of Interior for payment in lieu of taxes (PILOT) of \$1,227,679. The secondary cause is the result of the County not monitoring its deposits for proper collateralization.

**Effect:** The County was exposed to a potential loss of public funds in the amount of the uninsured, uncollateralized funds.

**Recommendation:** The County should implement monitoring procedures to ensure all of its deposits are completely collateralized at all times. The County receives the PILOT payment in the form of a physical check and may have the option of depositing it directly into one of its investment pools, thereby avoiding the need for collateralization. In addition, as monitoring is done throughout the year, the County has the option to transfer excess monies to one of its investment pools.

**Repeat Finding:** No

**Management Response:** See Corrective Action Plan

(Continued)

**BREWSTER COUNTY, TEXAS**

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2017-002 - Homeland Security Grant Program (CFDA 97.067) - Internal Control over Compliance - Financial Reporting**

**Federal Agency:** Homeland Security

**Pass-thru Entity:** Texas Office of the Governor - HSGD

**Federal Award Identification Number and Year:** EMW-2015SS-00080

**Criteria:** In accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), specifically §200.303, the County is required to maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal Award.

The County is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial amounts are accurate and valid, and that financial reports are presented properly. When entities are funded on a reimbursement basis, program costs must be paid for by entity funds, goods delivered and services received *before* reimbursement is requested from the Federal Government/Pass-thru Agency (Grantor). However, the County can request a "hardship" by submitting the appropriate paperwork to obtain funds in advance.

**Condition Found:** Some program costs were paid by the County *after* reimbursement had been requested from the Grantor. However, the County did minimize the time it held the funds by immediately (within a few days) paying its vendors upon receipt of grant funds. In addition, the goods were received by the County and the program costs were legitimate expenditures in accordance with cost principles. Also, we noted no evidence that hardship approvals were obtained. Overall, based upon our review of the reconciliation to the final federal summary reports, the County's compensating control, the County requested overpayment equal to \$651 which is appropriately included in unearned revenue at December 31, 2017.

We only noted this situation occurring with payments to vendors and not with payroll.

**Cause:** The cause resulted from a misunderstanding of procedural requirements applicable to reimbursement grant reporting.

**Effect:** The County runs the risk of having to refund the granting agency for goods or services not received but for which funds were received.

(Continued)

**BREWSTER COUNTY, TEXAS**

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**(Continued)**

**Questioned Costs/Basis:** Questioned costs were determined by totaling the amount of overpayments related to financial reporting based upon our review of the final federal summary report reconciliation. Likely questioned costs did not require projection because amounts were based upon the reconciliation to the *final* federal summary report (versus an interim report).

Known Questioned Costs - \$651

Likely Questioned Costs - \$651

**Context:** The context encompasses the final federal summary report reconciliation related to grant period March 1, 2016 to August 21, 2017.

**Repeat Finding:** No

**Recommendation:** We recommend the County provide training to the appropriate personnel on the procedures and requirements for requesting reimbursement and modify internal procedures to ensure compliance with financial reporting requirements. If the County is experiencing a hardship and is unable to pay for the costs beforehand, the County should complete and submit the proper “hardship” paperwork to obtain funds in advance.

**Views of Responsible Officials:** See Corrective Action Plan



Babett Martin  
107 W Ave E- #4  
Alpine, TX 79830

Brewster County Treasurer

Ph: 432-837-6200

Fax: 432-837-9249

Email: county.treasurer@co.brewster.tx.us

## **FINANCIAL STATEMENT FINDINGS**

### **2017-001 - State Compliance - Collateralizing Public Funds Deposits**

Corrective Action Plan: The County Treasurer will discuss options on monitoring funds with West Texas National Bank, preferably daily reports of balances. In addition to this, at the time of receipt of the PILT funds, the treasurer's office may deposit the fund directly into one of the investment pools and make transfers to the general fund as needed.

Responsible Party: Appointed County Treasurer – Babett Martin for the interim and Newly Elected County Treasurer, beginning January 1, 2019

Estimated Date of Completion: December 31, 2018

## **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

### **2017-002 - 2017-002 - Homeland Security Grant Program (CFDA 97.067) - Internal Control over Compliance - Financial Reporting**

Corrective Action Plan: The County will modify its internal procedures to request reimbursement from the Grantor only after the following has occurred (1) goods have been delivered or services have been received and (2) payment has been made to the vendor.

Responsible Party: Grant Administrator - Julie Morton

Estimated Date of Completion: February 01, 2018

Signature: *Babett Martin*

Title: County Treasurer

**BREWSTER COUNTY, TEXAS**

AUDITOR SUMMARY SCHEDULE OF **PRIOR** AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2017

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**FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**2016-001/2015-002/2014-002/2013-002 - Internal Control over Financial Reporting - Inadequate Documentation**

**Status:** Resolved. Corrective action was taken. See Auditee Summary of Prior Audit Findings for management status.

**2016-002/2015-003/2014-003/2013-003 - Internal Control over Financial Reporting - Capital Assets**

**Status:** Resolved. Corrective action was taken. See Auditee Summary of Prior Audit Findings for management status.



Babett Martin  
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Alpine, TX 79830

Brewster County Treasurer  
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Email: county.treasurer@co.brewster.tx.us

## **FINANCIAL STATEMENT FINDINGS**

### **2016-001/2015-002/2014-002/2013-002 - Internal Control over Financial Reporting – Inadequate Documentation**

**Status:** Resolved. Corrective action has been taken. The County Treasurer created a checklist to be added to all personnel files to ensure all documentation needed on employees is available. In addition, we have required that department heads give written notice of any changes on employees compensation or title.

Documentation and maintenance of disbursements, including County credit cards: A purchase order is required prior to purchase. This requirement assists in properly maintaining the Vendor Files, including W-9 forms on file and budget controls. Prior to payment of invoices, a search of vendor activity is reviewed to avoid duplicate payments. The vendor files are maintained and verification of current W-9 on file. Files are maintained alphabetically with payment for expenses properly documented. Documentation consists of a copy of check for payment and attached PO that was issued, invoice and if available a copy of the packing slip. Maintaining our Vendor files are critical for 1099 reporting as well as preventing duplicate payments. New W-9 forms are requested annually. To prevent duplicate vendors, all vendors are entered in the same format. Elimination of punctuation marks and last name first for individuals adds to the consistency of recording.

All journal entries are maintained in a binder by journal entry number. Supporting documentation is attached behind all individual journal entries and a detailed explanation is written on the journal entry form to ensure an adequate trail of transactions.

### **2016-002/2015-003/2014-003/2013-003 - Internal Control over Financial Reporting - Capital Assets**

**Status:** Resolved. Corrective action has been taken. The Brewster County EMC was given all information on equipment and other capital assets valued at over \$5000.00 at the time of purchase in order to timely update the capital asset listing. The capital asset records were reviewed and reconciled to the general ledger for accuracy by the County Treasurer. Any changes or corrections were made as necessary.

## **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior year findings or questioned costs.

BREWSTER COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>EXECUTIVE OFFICE OF THE PRESIDENT</u></b>			
<u>Passed Thru Office of National Drug Control Policy</u>			
HIDTA - Operation Lone Star	95.001	G16SW0004A	\$ 56,730
HIDTA - Operation Lone Star	95.001	G17SW0004A	4,755
HIDTA - Alpine Multi-Agency Task Force	95.001	G16SW0004A	157,758
HIDTA - Alpine Multi-Agency Task Force	95.001	G17SW0004A	21,068
Total CFDA Number 95.001			<u>240,311</u>
Total Passed Thru Office of National Drug Control Policy			<u>240,311</u>
<b>TOTAL EXECUTIVE OFFICE OF THE PRESIDENT</b>			<u>240,311</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<u>Passed Thru Texas Office of the Governor - CJD</u>			
Victims of Crime Act Formula Grant Program	16.575	2016-VA-GX-0033	14,344
E. Byrne Memorial Justice Assist - Op. Borderstar	16.738	2817303	28,222
E. Byrne Memorial Justice Assist - Op. Borderstar	16.738	2817304	14,976
Total CFDA Number 16.738			<u>43,198</u>
Total Passed Thru Texas Office of the Governor - CJD			<u>57,542</u>
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u>57,542</u>
<b><u>HOMELAND SECURITY</u></b>			
<u>Passed Thru Texas Office of the Governor - HSGD</u>			
Homeland Security Grant Program (MJIC)	97.067	2949901	10,000
Homeland Security Grant Program (MJIC)	97.067	2949902	80,326
Homeland Security Grant Program (OPSG)	97.067	EMW2015SS-00080	207,934
Homeland Security Grant Program (OPSG)	97.067	EMW2016SS-00056	167,838
Total CFDA Number 97.067			<u>466,098</u>
Total Passed Thru Texas Office of the Governor - HSGD			<u>466,098</u>
<b>TOTAL HOMELAND SECURITY</b>			<u>466,098</u>
<b><u>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>			
<u>Passed Thru Texas Department of Agriculture</u>			
CDBG - Water Facilities	14.228	721-5049	3,710
Total Passed Thru Texas Department of Agriculture			<u>3,710</u>
<b>TOTAL DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			<u>3,710</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 767,661</u>

# BREWSTER COUNTY, TEXAS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2017

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### 1. GENERAL

The Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all applicable federal awards of the Brewster County, Texas' federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies for the year ended December 31, 2017. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

The format for the Schedule of Expenditures of Federal Awards has been prescribed by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The information is presented in accordance with the requirements of the Uniform Guidance.

### 2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is the same basis as the County's Governmental Fund financial statements. Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

This reflects a change from the prior year, when the financial statements were presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP established by GASB.

### 3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION

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

### 4. MATCHING REQUIREMENTS

Certain federal programs require the Government to contribute non-federal funds (matching funds) to support the federally-funded programs. The Schedule does not include the expenditure of non-federal matching funds. The County did not have any grants with matching requirements for the year ended December 31, 2017.

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2017

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**5. DE MINIMIS RATE ELECTION**

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

**6. RECONCILIATION**

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

Intergovernmental Revenue and Grants reported at Exhibit 5	\$ 2,115,118
Less Payment in Lieu of Taxes (PILOT)	(1,239,549)
Less State Grants	(42,473)
Less State Supplements and Other	(53,707)
Less Other State Reimbursements and Allocations	<u>(11,728)</u>
Federal expenditures of federal awards reported at Exhibit 16	<u><u>\$ 767,661</u></u>