

**BREWSTER COUNTY, TEXAS**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

**BREWSTER COUNTY, TEXAS**

**SEPTEMBER 30, 2018**

**Table of Contents**

	<u>Page</u>	<u>Exhibit</u>
COUNTY OFFICIALS .....	1	
FINANCIAL SECTION .....	3	
Independent Auditor's Report .....	4	
Management's Discussion and Analysis (Unaudited) .....	7	
<b>Basic Financial Statements</b> .....	<b>15</b>	
<u>Government-Wide Financial Statements:</u>		
Statement of Net Position .....	16	1
Statement of Activities .....	17	2
<u>Governmental Fund Financial Statements:</u>		
Balance Sheet - Governmental Funds .....	18	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	19	4
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds .....	20	5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	21	6
<u>Fiduciary Fund Financial Statements:</u>		
Statement of Fiduciary Net Position .....	22	7
Notes to the Financial Statements .....	23	
<b>Required Supplementary Information</b> .....	<b>61</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budget and Actual .....	62	8
Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budget and Actual .....	64	
Schedule of Changes in Net Pension Liability and Related Ratios - Texas County & District Retirement System .....	66	9
Schedule of Employer Contributions and related notes - Texas County & District Retirement System .....	67	10
Notes to Texas County and District Retirement System Required Supplementary Information ..	68	
Schedule of Changes in the Total OPEB Liability and Related Ratios and Notes .....	69	11
<b>Supplementary Information</b> .....	<b>71</b>	
<u>Nonmajor Governmental Funds</u>		
Combining Balance Sheet .....	72	12
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances .....	78	13
<u>All Agency Funds</u>		
Combining Statement of Changes in Assets and Liabilities .....	83	14

**BREWSTER COUNTY, TEXAS**

**SEPTEMBER 30, 2018**

Table of Contents

	<u>Page</u>	<u>Exhibit</u>
<b>Other Information</b> .....	85	
Budgetary Comparison Schedule - Texas Department of Agriculture Community Development Block Grant:		
Water Facilities Improvements .....	86	15
<b>COMPLIANCE SECTION.</b> .....	87	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	89	
Schedule of Findings and Responses .....	91	
Auditee Corrective Action Plan .....	93	
Auditor Summary Schedule of <b>Prior</b> Audit Findings .....	94	
Auditee Summary Schedule of <b>Prior</b> Audit Findings .....	95	

**BREWSTER COUNTY, TEXAS**

**SEPTEMBER 30, 2018**

County Officials

Eleazar R. Cano ..... Judge  
Betse Esparza ..... Commissioner, Pct 1  
Hugh Garrett (term ended 12/31/2018) ..... Commissioner, Pct 2  
Sara Allen Colando (elected 1/1/2019) ..... Commissioner, Pct 2  
Ruben Ortega ..... Commissioner, Pct 3  
Mike Pallanez ..... Commissioner, Pct 4  
Treva Watson ..... County Auditor  
Babett Martin (term ended 12/31/2018) ..... Treasurer  
Julie Morton (elected 1/1/2019) ..... Treasurer  
Berta Rios-Martinez ..... Clerk  
Betty Jo Rooney ..... Tax Assessor/Collector  
Ronny Dodson ..... Sheriff  
Steve Houston ..... Attorney  
Gilbert E. Valenzuela (term ended 12/31/2018) ..... Justice of the Peace, Precinct #1  
Robert E. Steele (elected 1/1/2019) ..... 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 nine-month period ended September 30, 2018, 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 September 30, 2018, and the respective changes in financial position for the nine-month period then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

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

As described in Note 1 to the financial statements, in 2018, the Brewster County, Texas, adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Refer to Note IV.K for more detail and Note IV.Q for the impact on net position related to adoption of this statement. Our opinion is not modified with respect to this matter.

## ***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 and other post employment benefit information on pages 7 through 14 and 61 through 69 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 combining and individual nonmajor fund financial statements 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 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 May 1, 2019 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.



El Paso, Texas  
May 1, 2019

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

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**COUNTY OF BREWSTER, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF SEPTEMBER 30, 2018**

**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 nine-month period ended September 30, 2018. We encourage readers to consider the information presented herein with the County's financial statements, which follow this section.

As described in Note I, this year the County made a change in its fiscal year end from December 31<sup>st</sup> to September 30<sup>th</sup>. This report covers only a nine-month period from January 1, 2018 to September 30, 2018.

**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 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

**FINANCIAL HIGHLIGHTS**

As of September 30, 2018, the general fund reported a fund balance of \$3,236,181 as compared to \$4,826,039 at December 31, 2017. The net change in fund balance in 2018, \$(1,742,572), was mainly due to the County's change in fiscal year end resulting in no new taxes levied within the shorter reporting period, as described in Note I.G #13. The County also received a substantial one-time \$500,000 donation in the prior year.

**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 decreased by \$1,906,467, before consideration of prior period adjustments. Once again, the decrease is attributed to no new taxes levied within the nine-month period ended September 30, 2018. As described in Note IV.K and Note IV.Q, the County implemented GASB Statement No. 75 resulting in a prior period adjustment of \$4,665,290 and a negative unrestricted net position of \$2,400,324.

Our analysis of comparative balances and changes therein focus on the net position (Table 1) and changes in net position of the County's governmental activities (Table II).

**Table 1  
BREWSTER COUNTY, TEXAS NET POSITION**

<b>Governmental Activities</b>				
	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>Variance</b>	<b>% Change</b>
<b>Current and other assets</b>	\$ 6,162,543	\$ 8,035,624	\$ (1,873,081)	-23%
<b>Capital assets</b>	5,990,628	5,682,157	308,471	5%
<b>Total Assets</b>	<b>12,153,171</b>	<b>13,717,781</b>	<b>(1,564,610)</b>	<b>-11%</b>
<b>Deferred Outflow Related to Pension Plan</b>	270,836	55,088	215,748	392%
<b>Total Deferred Outflows of Resources</b>	<b>270,836</b>	<b>55,088</b>	<b>215,748</b>	<b>392%</b>
<b>Current liabilities</b>	877,043	498,907	378,136	76%
<b>Non-current Liabilities</b>	8,331,301	3,659,112	4,672,189	128%
<b>Total Liabilities</b>	<b>9,208,344</b>	<b>4,158,019</b>	<b>5,050,325</b>	<b>121%</b>
<b>Deferred Inflow Related to Pension Plan</b>	203,737	203,737	-	0%
<b>Total Deferred Inflows of resources</b>	<b>203,737</b>	<b>203,737</b>	<b>-</b>	<b>0%</b>
<b>Net position:</b>				
<b>Net Investment in Capital Assets</b>	3,529,814	3,025,540	504,274	17%
<b>Restricted</b>	1,882,436	2,330,543	(448,107)	-19%
<b>Unrestricted</b>	(2,400,324)	4,054,830	(6,455,154)	-159%
<b>Total Net Position</b>	<b>\$ 3,011,926</b>	<b>\$ 9,410,913</b>	<b>\$ (6,398,987)</b>	<b>-68%</b>

The decrease in Operating grants and contributions is the result of the County receiving a substantial one-time \$500,000 donation in the prior year.

The cost of all governmental activities this year was \$6,991,907 compared to \$9,065,286 last year. This year's cost is approximately 77% of the prior year and closely in line with costs for a nine-month period. The County completed the CDBG water facilities project charged to the Community and Economic Development function during the nine-month period ending September 30, 2018.

**Table 2  
BREWSTER COUNTY, TEXAS CHANGES IN NET POSITION**

<b>Governmental Activities</b>				
	<b>September 30, 2018</b>	<b>December 31, 2017</b>	<b>Variance</b>	<b>% Change</b>
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for services	\$ 1,491,644	\$ 1,846,161	\$ (354,517)	-19%
Operating grants and Contributions	531,490	1,381,565	(850,075)	-62%
<b>General revenues:</b>				
Property Taxes	8,745	3,276,551	(3,267,806)	-100%
Other Taxes	1,344,857	1,771,048	(426,191)	-24%
Other	1,708,704	1,461,072	247,632	17%
<b>Total revenues</b>	<b>5,085,440</b>	<b>9,736,397</b>	<b>(4,650,957)</b>	<b>-48%</b>
<b>Expenses:</b>				
General government	1,836,921	2,208,242	(371,321)	-17%
Public Safety	2,125,942	3,316,959	(1,191,017)	-36%
Infrastructure and Environmental Services	534,189	747,406	(213,217)	-29%
Health and Welfare	245,630	248,105	(2,475)	-1%
Administration of Justice	718,036	972,106	(254,070)	-26%
Community and Economic Development	1,078,035	1,134,438	(56,403)	-5%
Interest on Debt	115,873	112,842	3,031	3%
Intergovernmental	337,281	325,188	12,093	4%
<b>Total expenses</b>	<b>6,991,907</b>	<b>9,065,286</b>	<b>(2,073,379)</b>	<b>-23%</b>
<b>Increase(decrease) in net position before prior period adjustment</b>	<b>(1,906,467)</b>	<b>671,111</b>	<b>(2,577,578)</b>	<b>-384%</b>
Prior period adjustment	(4,492,520)	(2,761,986)	(1,730,534)	63%
<b>Increase(decrease) in net position</b>	<b>(6,398,987)</b>	<b>(2,090,875)</b>	<b>(4,308,112)</b>	<b>206%</b>
Net position, beginning	9,410,913	11,501,788	(2,090,875)	-18%
<b>Net position, ending</b>	<b>\$ 3,011,926</b>	<b>\$ 9,410,913</b>	<b>\$ (6,398,987)</b>	<b>-68%</b>

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 \$5,118,617 as compared with \$7,156,582 at the end of 2017. The decrease is the result of no new taxes levied within the nine-month period ended September 30, 2018 for the County's change in fiscal year end and the one-time donation received in the prior year for \$500,000.

No significant amendments were made to the County's budget. At the time the County's budget was prepared and adopted (September 2017), the County had not made its decision to change its fiscal year-end nor had the County decided it would change its accounting basis from modified cash to modified accrual. The change in accounting basis took effect in the prior year and the change in fiscal year end took effect in the current year. Estimated property tax revenues were included in the budget based upon cash collections (Non-GAAP basis) using a three-year history and consideration of appraised values which differ significantly on the GAAP basis coupled with the nine-month period ended September 30, 2018 (taxes are levied every October 1<sup>st</sup>).

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### *Capital Assets*

At the end of September 30, 2018, the County had approximately \$3.5 million investment in capital assets including the jail facility, courthouse, Alpine Emergency Response Center, South Brewster Emergency Response Center and Marathon Justice Center. Infrastructure assets consist primarily of paved and unpaved roads. During the nine-month period ending September 30, 2018, the County upgraded the security for the County Courthouse, completed the District Courtroom renovation and began to spend down the ETP donation received in the prior year with the purchase of a fully equipped vehicle for the Office of Emergency Management. The County also purchased two Sheriff Patrol Vehicles with equipment. The County also received donated capital items consisting of a food bank building and 24 dual band radios. Additional information about the County's capital assets can be found in Note IV.E.

### *Debt*

As of September 30, 2018, the County had outstanding \$2,165,000 in certificates of obligations compared to \$2,330,000 in 2017. All payments were made in accordance with the terms of the financial instruments. Detailed information about the County's long-term liabilities is presented in Notes IV.G-K. Included in noncurrent liabilities, is the County's Total OPEB liability of \$5,320,784 for the County retiree healthcare plan. More than half of the OPEB liability (\$3,055,606) are for current active employees.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2019 budget, tax rates, and fees. As of March 2019, Brewster County's unemployment rate was at 3.1%, comparing to 3.3% in February 2019. This -.2% difference has direct correlation with start of the 2019 Spring/Summer tourist season. Also, 1 year ago, in March 2018 the unemployment rate was 3.4%. This year's decrease 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 3.8% in the first quarter of 2019 and also the national rate of 3.8% at the end of the first quarter of 2019. Total property tax rate remained constant at .38640. Also, the 2018 Certified Appraisal Roll showed that the total appraised property value in Brewster County topped just over 1 billion, at \$1,068,798,936 which is a steady gain from 2017 with the total appraised value at \$948,387,492. This is also the first time Brewster County has reached over 1 billion in total taxable properties. With the additions of the continuous taxable value of the natural gas pipeline and PILT from our renewable energy sources, 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.

Julie Morton  
County Treasurer  
Brewster County, Texas

**BASIC FINANCIAL STATEMENTS**

BREWSTER COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

EXHIBIT 1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 5,622,427
Property Taxes Receivable, Net	176,524
Sales and Use Taxes Receivable	130,198
Hotel & Motel Occupancy Taxes Receivable	71,363
Due from Other Governments	159,145
Accounts Receivable, net	2,886
Capital Assets:	
Land	601,198
Infrastructure, Net	497,191
Buildings, Net	3,735,452
Machinery and Equipment, Net	756,295
Equipment Under Capital Leases, Net	400,492
Total Assets	12,153,171
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred Outflow Related to Pension Plan	270,836
Total Deferred Outflows of Resources	270,836
<b>LIABILITIES</b>	
Accounts Payable	354,135
Wages and Salaries Payable	132,411
Intergovernmental Payable	382,411
Due to Others	6,034
Unearned Revenues	2,052
Noncurrent Liabilities:	
Debt Due Within One Year	245,722
Bonds Payable - Noncurrent	2,300,754
Net Pension Liability	464,041
Total OPEB Liability	5,320,784
Total Liabilities	9,208,344
<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	3,529,814
Restricted for:	
Restricted for Federal and State Programs	19,975
Restricted for Debt Service	55,462
Restricted for Other Purposes	1,806,999
Unrestricted	(2,400,324)
Total Net Position	\$ 3,011,926

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

BREWSTER COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2018

EXHIBIT 2

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,836,921	\$ 218,838	\$ 7,552	\$ (1,610,531)
Public Safety	2,125,942	574,212	350,761	(1,200,969)
Infrastructure and Environmental Services	534,189	441,666	-	(92,523)
Health and Welfare	245,630	17,920	-	(227,710)
Administration of Justice	718,036	230,048	56,836	(431,152)
Community and Economic Development	1,078,035	8,960	116,341	(952,734)
Interest on Debt	115,873	-	-	(115,873)
Intergovernmental	337,281	-	-	(337,281)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 6,991,907</b>	<b>\$ 1,491,644</b>	<b>\$ 531,490</b>	<b>(4,968,773)</b>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	6,699
Property Taxes, Levied for Debt Service	2,046
General Sales and Use Taxes	585,758
Hotel & Motel Occupancy Taxes	758,748
Franchise Tax	351
Penalty and Interest on Taxes	41,055
Grants and Contributions (incl. PILOT)	1,526,828
Miscellaneous Revenue	70,390
Investment Earnings	70,431
<b>Total General Revenues</b>	<b>3,062,306</b>

Change in Net Position	(1,906,467)
Net Position-- Beginning	9,410,913
Prior Period Adjustment	(4,492,520)
Net Position--Ending	\$ 3,011,926

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

BREWSTER COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

EXHIBIT 3

	General Fund	Tourism Council	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,622,127	\$ 558,678	\$ 1,441,622	\$ 5,622,427
Property Taxes Receivable	303,518	-	49,029	352,547
Allowance for Uncollectible Taxes (credit)	(148,510)	-	(27,513)	(176,023)
Sales & Use Taxes Receivable	130,198	-	-	130,198
Hotel & Motel Occupancy Taxes Receivable	-	71,363	-	71,363
Due from Other Governments	72,074	-	87,071	159,145
Accounts Receivable, net	-	-	2,886	2,886
Due from Other Funds	80,519	-	73	80,592
<b>Total Assets</b>	<b>\$ 4,059,926</b>	<b>\$ 630,041</b>	<b>\$ 1,553,168</b>	<b>\$ 6,243,135</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 213,243	\$ 75,950	\$ 64,942	\$ 354,135
Wages and Salaries Payable	118,125	3,703	10,583	132,411
Intergovernmental Payable	339,873	-	42,538	382,411
Due to Other Funds	73	-	80,519	80,592
Due to Others	6,034	-	-	6,034
Unearned Revenues	-	-	2,052	2,052
<b>Total Liabilities</b>	<b>677,348</b>	<b>79,653</b>	<b>200,634</b>	<b>957,635</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	146,397	-	20,486	166,883
<b>Total Deferred Inflows of Resources</b>	<b>146,397</b>	<b>-</b>	<b>20,486</b>	<b>166,883</b>
<b>FUND BALANCES</b>				
Federal or State Funds Grant Restriction	-	-	19,975	19,975
Retirement of Long-Term Debt	-	-	55,462	55,462
Other Restricted Fund Balance	-	550,388	1,256,611	1,806,999
Other Committed Fund Balance	471,665	-	-	471,665
Other Assigned Fund Balance	50,000	-	-	50,000
Unassigned Fund Balance	2,714,516	-	-	2,714,516
<b>Total Fund Balances</b>	<b>3,236,181</b>	<b>550,388</b>	<b>1,332,048</b>	<b>5,118,617</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b>\$ 4,059,926</b>	<b>\$ 630,041</b>	<b>\$ 1,553,168</b>	<b>\$ 6,243,135</b>

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

BREWSTER COUNTY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

<b>Total Fund Balances - Governmental Funds</b>	\$	5,118,617
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.		2,930,186
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 2018 capital outlays and debt principal payments is to increase net position.		937,175
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 \$270,836 and a deferred inflow of resources of \$(203,737). This amounted to a decrease in net position in the amount of \$396,942.		(396,942)
Included in the items related to debt is the recognition of the County's total OPEB liability as required by GASB 75. The net position related to OPEB includes a total OPEB liability in the amount of \$(5,320,784) which caused a decrease in net position by the same amount.		(5,320,784)
The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(423,209)
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 bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		166,883
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>3,011,926</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 NINE-MONTHS ENDED SEPTEMBER 30, 2018

	General Fund	Tourism Council	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 202,604	\$ -	\$ 19,393	\$ 221,997
General Sales and Use Taxes	585,758	-	-	585,758
Hotel & Motel Occupancy Taxes	-	758,748	-	758,748
Franchise Tax	351	-	-	351
Penalty and Interest on Taxes	36,211	-	4,844	41,055
Licenses and Permits	-	-	343,080	343,080
Intergovernmental Revenue and Grants	1,319,173	-	455,102	1,774,275
Charges for Services	750,773	-	145,228	896,001
Fines	98,313	-	60	98,373
Forfeits	-	-	36,611	36,611
Special Assessments	-	-	77,942	77,942
Investment Earnings	59,578	9,650	1,203	70,431
Rents and Royalties	39,638	-	-	39,638
Contributions & Donations from Private Sources	272,043	-	12,000	284,043
Other Revenue	66,500	-	3,889	70,389
<b>Total Revenues</b>	<b>3,430,942</b>	<b>768,398</b>	<b>1,099,352</b>	<b>5,298,692</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,614,430	-	66,766	1,681,196
Public Safety	1,707,571	-	332,506	2,040,077
Infrastructure and Environmental Services	-	-	415,472	415,472
Health and Welfare	128,050	-	-	128,050
Administration of Justice	699,137	-	49,378	748,515
Community and Economic Development	103,884	819,913	154,837	1,078,634
Debt Service:				
Principal on Debt	1,910	-	226,111	228,021
Interest on Debt	242	-	115,631	115,873
Capital Outlay:				
Capital Outlay	334,100	51,109	383,517	768,726
Intergovernmental:				
Intergovernmental	337,281	-	-	337,281
<b>Total Expenditures</b>	<b>4,926,605</b>	<b>871,022</b>	<b>1,744,218</b>	<b>7,541,845</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,495,663)</b>	<b>(102,624)</b>	<b>(644,866)</b>	<b>(2,243,153)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Capital Leases	32,418	-	-	32,418
Transfers In	70,656	-	420,639	491,295
Transfers Out (Use)	(349,983)	(141,312)	-	(491,295)
<b>Total Other Financing Sources (Uses)</b>	<b>(246,909)</b>	<b>(141,312)</b>	<b>420,639</b>	<b>32,418</b>
<b>Net Change in Fund Balances</b>	<b>(1,742,572)</b>	<b>(243,936)</b>	<b>(224,227)</b>	<b>(2,210,735)</b>
Fund Balance - January 1 (Beginning)	4,826,039	774,268	1,556,275	7,156,582
Prior Period Adjustment	152,714	20,056	-	172,770
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 3,236,181</b>	<b>\$ 550,388</b>	<b>\$ 1,332,048</b>	<b>\$ 5,118,617</b>

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

BREWSTER COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2018

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(2,210,735)
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 2018 capital outlays and debt principal payments is to increase the change in net position.		937,175
Contributions made after the measurement date of December 31, 2017 for GASB 68 must be recognized as deferred outflow of resources. The change in net position is increased by \$215,748.		215,748
GASB 75 required that certain plan expenditures be de-expended and recorded as a deferred outflow of resources. Contributions made during the measurement date and during the fiscal year were also expended and recorded as a reduction in the total OPEB liability. This caused a decrease in the net position totaling \$174,097. Finally, the County's OPEB expense for the plan had to be recorded. This expense increased the change in net position by \$386,291. The net result is a decrease in the change in net position of \$212,194.		(212,194)
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.		(423,209)
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 bond sales, 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.		(213,252)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(1,906,467)</b>

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

BREWSTER COUNTY, TEXAS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2018

EXHIBIT 7

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	Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 579,335
<b>Total Assets</b>	<u><u>\$ 579,335</u></u>
<b>LIABILITIES</b>	
Due to Others	\$ 579,335
<b>Total Liabilities</b>	<u><u>\$ 579,335</u></u>

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

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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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.

**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**

**SEPTEMBER 30, 2018**

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

*Brewster County Groundwater Conservation District-Blended Component Unit*

Brewster County Commissioner's Court appoints members to the Board of Directors and the District is financially dependent upon Brewster County. Consequently, the District is considered a blended component unit and its activities at and for the nine-month period ended September 30, 2018 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, 2018 (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 entities are 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**

**SEPTEMBER 30, 2018**

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**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, community and economic development activities, interest on debt, and intergovernmental 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 September 30, 2018, 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 and differences between projected and actual earnings. 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 TCDRS'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**

**SEPTEMBER 30, 2018**

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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. As of September 30, 2018, the County had no capital grants to report. 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, deferred outflows of resources, liabilities, deferred inflow of resources, 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 September 30, 2018, the County had no capital projects 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.

**MAJOR GOVERNMENTAL FUNDS**

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 and assigned funds specific to jail infrastructure. The general fund also includes two clearing funds used for the check disbursement process for accounts payable and payroll. These funds have been consolidated for financial reporting purposes.
2. **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**

**SEPTEMBER 30, 2018**

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

Additionally, the County reports the following fund types:

**NON-MAJOR 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:

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

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

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

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

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

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

*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.

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

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

The emphasis in fund financial statements is on the major funds in 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, 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. For this purpose, the County considers revenue to be available if collected within the current period or within 60 days thereafter, to pay liabilities of the current period. 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 and inventories and prepaid items are reported as expenditures when purchased (versus the consumption method).

Revenues susceptible to accrual include property taxes, sales and use taxes, regularly billed charges for services and rent. All other revenue items are considered to be measurable and available when cash is received by the County.

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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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 (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. The County is not in substantial compliance with the requirements of the Law and with County's local requirement.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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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 September 30, 2018, 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 at or during the nine-month period ended September 30, 2018. 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**

**SEPTEMBER 30, 2018**

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**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 and prepaid items 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:

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

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

(Continued)

**BREWSTER COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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

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 but permitted employees to spend down their excess hours by December 31, 2018 as approved by commissioner court during the September 26, 2018 meeting. Beginning January 1, 2019, the County will strictly enforce the “use it or lose it” policy. 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 compensated absences attributed to vacation leave only 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 these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred resources of outflows, liabilities, deferred resources of inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/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.

*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.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Restricted for Debt Service* - this component of net position consists of restricted assets and deferred resources of outflows 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 and deferred resources of outflows 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 amounts 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 balance classification includes 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 balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the commissioners' court action or (b) by the County Judge who is the official delegated by the commissioners' court with the authority to assign amounts to be used for specific purposes.
5. Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

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 fiscal 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. No new taxes were levied during the nine-month period ending September 30, 2018. This unusual circumstance was directly the result of the County's change in fiscal year end. The tax rate levied in the prior year 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.

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.

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

14. The County presently levies a 0.5% sales tax on taxable sales within the County. The sales tax is collected by the Texas Comptroller of Public Accounts and remitted to the County in the month following receipt by the Comptroller. The Comptroller receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund. As of September 30, 2018, the amount due from the Comptroller for sales tax was \$130,198 which is reported as sales and use taxes receivable on the balance sheet.
15. The County established a Countywide Hotel Motel Tax by order of commissioners court dated September 8, 1997, as amended, and levies a 7% tax on hotel and motel occupancies within the County. The hotel occupancy tax is collected by the County. Vendors are required to remit collections on or before the 20<sup>th</sup> of the following month in which the tax was collected. Discretionary exceptions are made to smaller vendors and are required to remit quarterly. The tax is recorded in the Tourism Council special revenue fund. As of September 30, 2018, the amount due from hotels and motels was \$71,363 which is reported as hotel & motel occupancy taxes receivable on the balance sheet.

**H. Recently Adopted Pronouncements**

The County has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. As a result, the County's financial statements as of September 30, 2018 are presented in accordance with the guidance provided by this statement. See Notes IV.K and IV.Q, for more information regarding implementation of this new pronouncement.

The County also implemented GASB Statement No. 85 *Omnibus 2017*, which addresses certain issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The County's financial statements as of September 30, 2018, are presented in accordance with the guidance provided by this Statement.

**I. Change in Fiscal Year-End**

The County's fiscal year end changed from December 31 to September 30. Balances and activity for the nine-month period ending September 30, 2018 are presented. Commissioner's Court approved the change during the June 13, 2018 commissioner's court meeting.

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

Exhibit 4 provides the reconciliation between the fund 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 and total OPEB 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 fund 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 full accrual basis of accounting. This adjustment is the result of several items. In addition, certain pension and OPEB expenditures were de-expended, and the County recorded pension and OPEB expense.

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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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 (non-GAAP budgetary basis).

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

Public hearings pertaining to the proposed budget are conducted by Commissioners Court and the Budget Officer. During these hearings, comments from the public are heard and 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 in accordance with Section 111.003 of the Local Government Code through the passage of a court order. 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 is effectively controlled at the category (personnel, operations, capital outlays) level by department. The same level of budgetary control is applied to special revenues but is not legally required. In contrast, control for the debt service fund and capital projects funds is at the fund level and is not legally required, except as follows. If the County anticipates proceeds from bonds or other obligations that are to be issued against future revenues and a tax is to be levied for those obligations, the County must legally adopt a budget. Any budgetary changes impacting appropriations at these levels may be made only with the formal approval of the Commissioners Court.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. All budget appropriations lapse at fiscal year end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**A. Deposits and Investments**

At September 30, 2018, 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 \$4,382,261. Based upon the bank balance at September 30, 2018, \$284,181 was secured by FDIC coverage and \$3,750,000 by an irrevocable 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. The County's deposits in excess of FDIC coverage are required to be collateralized at 100% according to Texas law at and 110% according to the County's local requirement stipulated in the Depository Contract. The County's deposits (excludes agency fund deposits) were under collateralized by \$68,746 under Texas law and \$450,621 under the County's local requirement at September 30, 2018 and 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 \$6,057,401 and occurred during the month of February 2018. These County's deposits were under collateralized at this time by \$2,057,401 under Texas law and \$2,638,141 under the County's local requirement.

The County's temporary investments included in cash and cash equivalents at September 30, 2018, are shown below at fair value, which approximates the value of the pool shares.

<u>Temporary Investments</u>	<u>Measured At</u>	<u>Fair Value</u>	<u>WAM (in days)</u>	<u>Rating</u>
TexPool	Amortized Cost	\$ 1,398,203	28	AAAm
Texas Class	Fair Value	<u>421,298</u>	78	AAAm
Total		<u>\$ 1,819,501</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**

**SEPTEMBER 30, 2018**

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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 September 30, 2018:

General Fund:	
General	\$ 1,222,869
Jail Infrastructure	<u>70,728</u>
Total General Fund:	<u>1,293,597</u>
Special Revenue Funds:	
Road and Bridge	7,032
Records Management	199,181
County and District Attorney PTD Fund	149,336
Courthouse Security	24,568
LEOSE Training	19,975
District Clerk Fund	7,676
Justice Court Building security	5,354
ETP	349,829
JP Technology Fund	28,551
Courthouse Preservation	136,141
Law Library	10,923
Fire Truck VFD	5,593
Community Facilities	3,810
Clerk Technology	<u>500</u>
Total Special Revenue Funds:	<u>948,469</u>
Total Pooled Cash:	<u>\$ 2,242,066</u>

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2018

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

**B. Property Taxes**

Gross property taxes receivable consisted of the following at September 30, 2018:

Current Taxes Receivable	\$ 89,726
Delinquent Taxes Receivable	<u>262,821</u>
Total Ad valorem <b>Taxes Receivable</b> , gross	352,547
Less Allowance for Uncollectible Taxes	<u>(176,023)</u>
Total, net	<u><u>\$ 176,524</u></u>

Delinquent taxes by tax year:

2016	\$ 51,048
2015	37,044
2014	27,563
2013	20,885
2012	17,606
2011 and prior	<u>108,675</u>
	<u><u>\$ 262,821</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.

At September 30, 2018, the carrying amount in the due from other governments balance was as follows:

	General Fund	Non-major Governmental Funds	Total
Federal Grants	\$ -	\$ 87,071	\$ 87,071
US Marshal's	70,915	-	70,915
Miscellaneous	<u>1,159</u>	<u>-</u>	<u>1,159</u>
Total	<u><u>\$ 72,074</u></u>	<u><u>\$ 87,071</u></u>	<u><u>\$ 159,145</u></u>

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**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 September 30, 2018 consisted of the following individual amounts:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund		
Nonmajor Governmental Funds	<u>80,519</u>	<u>73</u>
Nonmajor Governmental Funds		
General Fund	<u>73</u>	<u>80,519</u>
Total	<u>\$ 80,592</u>	<u>\$ 80,592</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. A one-time transfer from the General Fund to the jail infrastructure fund (a sub-fund of the General Fund) was made to track funds committed and assigned for future replacement of the jail roof and repairs. The one-time transfer was eliminated at the fund level because both funds are aggregated and presented as the General Fund.

<u>Transfers out of:</u>	<u>Transfers into:</u>		
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 349,983	\$ 349,983
Tourism Council	<u>70,656</u>	<u>70,656</u>	<u>141,312</u>
Total	<u>\$ 70,656</u>	<u>\$ 420,639</u>	<u>\$ 491,295</u>

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**E. Capital Assets**

Capital asset activity for the County for the nine-month period ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements & Transfers	Ending Balance
<b><u>Governmental Activities:</u></b>				
Land	\$ 601,198	\$ -	\$ -	\$ 601,198
Infrastructure	2,912,551	90,976	-	3,003,527
Buildings	13,364,000	376,456	144,465	13,884,921
Machinery and Equipment	2,681,653	247,768	(142,432)	2,786,989
Equipment under Capital Leases	396,803	32,418	-	429,221
Construction in Progress	123,357	21,108	(144,465)	-
<b>Totals at Historical Cost</b>	<b>20,079,562</b>	<b>768,726</b>	<b>(142,432)</b>	<b>20,705,856</b>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure	(2,400,964)	(105,372)	-	(2,506,336)
Buildings	(9,972,374)	(177,095)	-	(10,149,469)
Machinery and Equipment	(2,011,111)	(125,169)	105,586	(2,030,694)
Equipment under Capital Leases	(13,156)	(15,573)	-	(28,729)
<b>Total Accumulated Depreciation</b>	<b>(14,397,605)</b>	<b>(423,209)</b>	<b>105,586</b>	<b>(14,715,228)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 5,681,957</b>	<b>\$ 345,517</b>	<b>\$ (36,846)</b>	<b>\$ 5,990,628</b>

Depreciation expense, including amortization expense for capital leases, for the nine-month period ended September 30, 2018 as reported in the government-wide financial statements follows:

General Government	\$ 5,764
Public Safety	150,777
Infrastructure and Environmental Services	138,699
Health and Welfare Services	117,580
Administration of Justice	4,609
Community and Economic Development	5,780
	<u>\$ 423,209</u>

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**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 September 30, 2018, the carrying amount in the intergovernmental balance was as follows:

	General Fund	Non-major Governmental Funds	Total
Due to Taxing Authorities	\$ 259,933	\$ -	\$ 259,933
Due to State of Texas	79,940	42,538	122,478
<b>Total</b>	<b>\$ 339,873</b>	<b>\$ 42,538</b>	<b>\$ 382,411</b>

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

Long-term liability activity for the nine-month period ended September 30, 2018, was as follows:

Description	Funded By:	Beginning Balance	Issued/ Additions	Retired/ Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>						
Certificates of Obligation, Series 2008	Debt Service	\$ 2,330,000	\$ -	\$ 165,000	\$ 2,165,000	\$ 175,000
Capital Leases	General Fund and Road and Bridge Fund	326,417	32,418	63,021	295,814	70,722
Compensated Absences	All Funds <i>Except</i> Debt Service	95,354	62,849	72,541	85,662	-
<b>Total Governmental Long-term Liabilities</b>		<b>\$ 2,751,771</b>	<b>\$ 95,267</b>	<b>\$ 300,562</b>	<b>\$ 2,546,476</b>	<b>\$ 245,722</b>

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**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 September 30, 2018 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	210,000	64,248	274,248
2024 - 2028	1,210,000	155,608	1,365,608
	<u>\$ 2,165,000</u>	<u>\$ 565,098</u>	<u>\$ 2,730,098</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 September 30, 2018.

**I. Commitments Under Capital Leases**

During the year, the County entered into a capital lease agreement for the purchase of a postage meter. During 2016 and 2017, the County entered into a capital lease agreement for the purchase of a dump truck and motor grader, respectively. The lease for the dump truck and motor grader require five and seven annual payments, respectively, which include interest rates at 3.09% and 2.89%, respectively. The postage meter lease requires 48 monthly payments at an imputed interest rate of 2.99%. The equipment financed is pledged as collateral and a bargain purchase option is available for the motor grader at \$1. As of September 30, 2018, the future minimum lease payment requirements for the County's capital leases are as follows:

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

Year Ending December 31,	Principal	Interest	Total Requirements
2019	\$ 70,722	\$ 8,690	\$ 79,412
2020	72,839	6,573	79,412
2021	75,020	4,392	79,412
2022	41,333	2,146	43,479
2023	35,900	1,039	36,939
Total	<u>\$ 295,814</u>	<u>\$ 22,840</u>	<u>\$ 318,654</u>

**J. Pension Plan**

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>

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

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).

**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 9.53%, which is the required rate, during the nine month period ended September 30, 2018.

The contribution rate payable by the employee members for the plan's calendar year 2017 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 nine month period ended September 30, 2018 were \$215,748 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. This is the same actuarial liability reported on December 31, 2017 because the County changed its fiscal year end. See note I.I.

(Continued)

BREWSTER COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

**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:

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**

SEPTEMBER 30, 2018

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

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<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%

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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**

SEPTEMBER 30, 2018

**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.

<u>Changes in Net Position Liability/(Asset)</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability/ (Asset) (a)-(b)</u>
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**

SEPTEMBER 30, 2018

**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 nine month period ended September 30, 2018, the County 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	215,748	-
Total	<u>\$ 270,836</u>	<u>\$ 203,737</u>

The \$215,748 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase in net pension asset for the year ended September 30, 2019. Other 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	53,228
2020	(98,111)
2021	(129,604)
Thereafter	-
	<u>\$ (148,649)</u>

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

**Payable to the Pension Plan:** At September 30, 2018, the County reported a payable of \$43,431 (includes accruals) for the outstanding amount of required contributions to the pension plan.

**Changes in Net Pension Liability:**

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	\$ 464,041	\$ -	\$ -	\$ 464,041

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

**Plan Description:** The County sponsors and administers a single-employer defined benefit healthcare plan. Commissioners Court has the authority to establish and amend the requirements of the plan. No assets are accumulated in a trust for the sole purpose of paying benefits. Therefore, the plan is considered to be an unfunded plan that is not administered through a trust as defined by the GASB. Due to this treatment, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

**Benefits:** 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 72. The retiree pays the full additional cost of any elected dependent coverage. The following table shows the number of retirees covered during the period ended September 30, 2018:

Inactive employees currently receiving benefits	28
Active employees	13

**Eligibility:** The plan is closed to new entrants as employees hired on or after January 1, 2017 are not eligible. To be eligible under the Plan, the employee must be a county official or employee; retire under TCDRS guidelines; be 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	The earlier of a.) age 60 with 10 years of service, b.) 30 years of service without regard to age and c.) the sum of age plus service equal to 75 with a minimum of 10 years of service
Employees hired on or after September 1, 2000 through December 31, 2016	At least 15 years of prior continuous creditable service with Brewster County

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**Funding Policy:** The County employs a pay-as-you-go financing method. Benefits are paid as they become due. 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. There were no automatic COLAs or ad hoc COLAs for the plan year ended September 30, 2018. The County's contributions which represent benefit payments to the plan for the period ended September 30, 2018 were \$174,097.

**Total OPEB Liability:** The County's total OPEB liability of \$5,320,784 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

**Actuarial Methods and Assumptions:** The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions. There was no assumption for future hires:

Actuarial Valuation Date	September 30, 2018
Actuarial Cost Method	Individual Entry Age Normal Cost Method-Level Percentage of Projected Salary
Discount Rate	4.06% (1.06% real rate of return plus 3.00% inflation)
Healthcare Cost Trend	Level 5.00% pre-65 and 4.50% for 65+
Mortality	RPH-2014 Total Table with Projection MP-2018
Turnover	Rates vary based on gender, age and select and ultimate at 15 years. Rates based on the TCDRS actuarial assumptions from the 2017 retirement plan valuation report.
Disability	None assumed
Salary Scale	3.50%

**Discount Rate:** The discount rate was selected by reviewing the recent published Bond Buyer GO-20 bond index.

(Continued)

**BREWSTER COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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

**Changes in the Total OPEB Liability**

Total OPEB Liability beginning of measurement year, October 1, 2017	\$ 5,108,590
Changes for the year:	
Service Cost	171,903
Interest Cost	214,388
Changes of Benefit Terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Other Changes	-
Contributions-employer	-
Net investment income	-
Benefit payments	(174,097)
Administrative Expense	-
	<hr/>
Net Changes	212,194
	<hr/>
Total OPEB Liability end of measurement year - September 30, 2018	\$ 5,320,784

**Sensitivity Analysis of the Total OPEB liability to Changes in the Discount Rate Assumption:**

The following presents the total OPEB liability of the County, calculated using the discount rate of 4.06%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.06%) or 1 percentage point higher (5.06%) than the current rate:

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
	<hr/>	<hr/>	<hr/>
Total OPEB liability	\$ 6,194,485	\$ 5,320,784	\$ 4,618,424

**Sensitivity Analysis of the Total OPEB liability to Changes in the Healthcare Cost Trend Rate Assumption:**

The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower (4.00%) or one percent higher (6.00%):

	1% Decrease 4.00%	Current Healthcare Cost Trend Rate 5.00%	1% Increase 6.00%
	<hr/>	<hr/>	<hr/>
Total OPEB liability	\$ 4,551,239	\$ 5,320,784	\$ 6,293,900

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

For the period ended September 30, 2018, the County recognized OPEB expense of \$386,291. At September 30, 2018, the County did not have any deferred outflows and deferred inflows of resources related to OPEB to report.

**Changes in Total OPEB Liability:**

	Beginning Balance, October 1, 2017 (Measurement Year)	Additions	Reductions	Ending Balance, September 30, 2018 (Measurement Year)
Total OPEB Liability	\$ 5,108,590	\$ 386,291	\$ (174,097)	\$ 5,320,784

**Payable to the OPEB Plan:** At September 30, 2018, the County did not have any outstanding amounts for OPEB plan benefit payments due.

**L. Fund Balances**

The following schedule discloses the details of fund balance classifications as of September 30, 2018:

	General Fund	Tourism Council	Non-Major Governmental Funds	Total
<b>Restricted:</b>				
<b>Restricted for Federal &amp; State Programs:</b>				
LEOSE Training	\$ -	\$ -	\$ 19,975	\$ 19,975
Total Restricted for Grants	-	-	19,975	19,975
<b>Restricted for Debt Service</b>				
Debt Service	-	-	55,462	55,462
Total Restricted for Debt Service	-	-	55,462	55,462
<b>Restricted for Other Purposes</b>				
Clerk's Technology	-	-	500	500
Community Facilities	-	-	3,810	3,810
County Attorney's Office	-	-	7,898	7,898
County Jail	-	-	20,317	20,317
Courthouse Preservation	-	-	142,800	142,800
Courthouse Security	-	-	29,922	29,922
Emergency Management	-	-	334,419	334,419
Fire Stations	-	-	5,593	5,593
Groundwater Conservation	-	-	34,850	34,850
Infrastructure	-	-	192,218	192,218
JP Technology	-	-	28,551	28,551
Law Enforcement	-	-	91,151	91,151

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2018

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

	General Fund	Tourism Council	Non-Major Governmental Funds	Total
Law Library	-	-	10,923	10,923
Marathon EMS	-	-	73	73
Pre-Trial Diversion Program	-	-	146,939	146,939
Records Management and Preservation - County Clerk	-	-	198,971	198,971
Records Management and Preservation - District Clerk	-	-	7,676	7,676
Tourism Promotion	-	550,388	-	550,388
<b>Total Other Restricted</b>	-	550,388	1,256,611	1,806,999
<b>Total Restricted</b>	-	550,388	1,332,048	1,882,436
<b>Committed:</b>				
Jail Infrastructure	121,665	-	-	121,665
OPEB Liability - Retiree Health Ins.	250,000	-	-	250,000
Net Pension Liability - TCDRS	100,000	-	-	100,000
<b>Total Committed</b>	471,665	-	-	471,665
<b>Assigned:</b>				
Jail roofs and repairs	50,000	-	-	50,000
<b>Total Assigned</b>	50,000	-	-	50,000
<b>Unassigned:</b>	2,714,516	-	-	2,714,516
<b>Total Unassigned</b>	2,714,516	-	-	2,714,516
<b>Total Fund Balances</b>	\$ 3,236,181	\$ 550,388	\$ 1,332,048	\$ 5,118,617

**M. Revenue from Intergovernmental Sources and Contributions and Donations from Private Sources**

During the nine month period ending September 30, 2018, revenues and grants from intergovernmental sources consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Payment in Lieu of Taxes (PILOT)	\$ 1,258,784	\$ -	\$ 1,258,784
Federal Grants	-	451,803	451,803
State Grants	16,279	3,299	19,578
State Supplement and Other	42,036	-	42,036
State Reimbursements and Allocations	2,074	-	2,074
<b>Total Intergovernmental Revenue and Grants</b>	\$ 1,319,173	\$ 455,102	\$ 1,774,275

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

During the nine month period ending September 30, 2018, contributions and donations from private sources consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Restricted contributions and donations, excluding in-kind	\$ 3,999	\$ 12,000	\$ 15,999
In-kind unrestricted contributions and donations	268,044	-	268,044
<b>Total Contributions and Donations from Private Sources</b>	<b>\$ 272,043</b>	<b>\$ 12,000</b>	<b>\$ 284,043</b>

**N. 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 as of September 30, 2018 under this program; two of which were subsequently terminated because construction completion was not achieved by December 31, 2018 as required. No new tax abatement agreements were entered into during the nine-month period ended September 30, 2018. Originally, the tax abatements were to commence January 1, 2016. However, SolaireHolman 1, LLC exercised its option to defer an additional year to January 1, 2017. The County changed its fiscal year end and as a result the County did not abate any property taxes in the nine-month period ended September 30, 2018. 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**

**SEPTEMBER 30, 2018**

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

Name	Estimated Investment	Abatement Period	Specific taxes being abated and mechanism	Payments Received During 9-month Period Ended Sept. 30, 2018	Payments Committed
Solaire Holman 1, 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	\$30,000	Beginning first year of abatement, payments of \$30,000 (received 2018), \$20,000 (year 2) and \$12,500 (years 3 to 10) in addition to any ad valorem tax obligations
Hecate Energy Brewster, LLC (agreement subsequently terminated)	\$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 (agreement subsequently terminated)	\$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.

(Continued)

**BREWSTER COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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

**O. 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 is subject to various legal claims. As of September 30, 2018, management is not aware of any such claim which would have a material adverse effect on the accompanying financial statements, and accordingly no provision has been accrued.

*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 final remaining open grant was finalized during the nine-month period ending September 30, 2018. 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 nine-month period ended September 30, 2018, 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.

*Construction* - As of September 30, 2018, the County entered into a non-cancelable contract to repair the roof of the County jail for \$167,145. Work on the project did not commence until subsequent to period-end. The County received \$412,213 from the insurance carrier subsequent to year-end for hail damage incurred during 2014 and 2009, initially presumed to have occurred in May 2018, to multiple County buildings, including damages to the County jail.

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**P. Related Party Transactions**

As of September 30, 2018, the County had paid expenditures totaling \$31,183 involving transactions with County Officials. These transactions consisted of payments made to a vendor which is owned by the Sheriff's spouse, another vendor owned by the Sheriff, another vendor which employs one of the County Commissioners and another vendor owned by one of the County Commissioners. The County's management had indicated County Officials abstained from voting when these expenditures were approved by Commissioners Court.

**Q. Prior Period Adjustments**

The following is a summary of prior period adjustments and the effect on net position/fund balance for the nine-month period ending September 30, 2018:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Tourism Fund</u>
<b>Correction of an error:</b>			
Sales and Use Tax receipts collected in January and February 2018 for November and December 2017 should have been recognized as revenue in the prior year and included in prior year's ending receivable.	\$ 152,714	\$ 152,714	\$ -
Hotel/Motel receipts collected in January and February 2018 for December 2017 should have been recognized as revenue in the prior year and included in prior year's ending receivable.	20,056	-	20,056
<b>Change in accounting principle:</b>			
Implementation of GASB No. 75	<u>(4,665,290)</u>	-	-
<b>Total Increase (Decrease)</b>	<u><u>\$ (4,492,520)</u></u>	<u><u>\$ 152,714</u></u>	<u><u>\$ 20,056</u></u>

During the nine-month period ending September 30, 2018, the County adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. With GASB 75, the County must assume the Total OPEB liability of the County's informal single-employer defined healthcare plan. Adoption of GASB No. 75 required a prior period adjustment to report the effect of GASB No. 75 retroactively. Beginning net position included an OPEB liability under GASB 45 of \$443,300 and was netted with the beginning OPEB liability of \$5,108,590 resulting in a total prior period adjustment of \$4,665,290.

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**R. Budget Variance - General Fund**

During the nine-month period ended September 30, 2018, the County did not have any expenditures in excess of appropriations in the General Fund except for Autopsies and the District Attorney's office line items but did not exceed overall appropriations as noted in Exhibit 8. Estimates for autopsies are difficult to predict; but as noted, overall appropriations were not exceeded for the General Fund. Management has indicated the County did not have sufficient available funds from the County & District Attorney Pre-Trial Diversion (PTD) Fund and had not created a budget line item within the fund to exhaust the portion available. Consequently, amounts presented for payment for interns related to the District Attorney PTD program were paid from the general fund.

**S. Subsequent Events**

Subsequent to the nine-month period ending September 30, 2018, commissioners court decommitted funds equal to \$100,000 to pay down the net pension liability and recommitted the same amount to be utilized instead to fund a 10% cost of living adjustment (COLA) increase. The County's employer percentage contribution will be increased effective January 1, 2019. The incremental increase attributed to the COLA is intended to spend down the committed funds over several years.

See Notes IV.N and IV.O for additional subsequent events pertaining to subsequent terminated tax abatement agreements and subsequent receipt of insurance proceeds.

**T. New Accounting Pronouncements**

The County has not completed the process of evaluating the impact on its financial position that will result from adopting the following Governmental Accounting Standards Board (GASB) Statements:

- GASB No. 83, *Certain Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2018. GASB No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs).
- GASB No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. GASB No. 84 establishes criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.

**REQUIRED SUPPLEMENTARY INFORMATION**

BREWSTER COUNTY, TEXAS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>RECEIPTS:</b>				
Taxes:				
Property Taxes	\$ 3,089,154	\$ 3,089,154	\$ 1,571,246	\$ (1,517,908)
General Sales and Use Taxes	750,000	750,000	608,274	(141,726)
Franchise Tax	500	500	351	(149)
Penalty and Interest on Taxes	40,000	40,000	36,211	(3,789)
Licenses and Permits	1,000	1,000	-	(1,000)
Intergovernmental Revenue and Grants	1,305,733	1,305,733	1,319,173	13,440
Charges for Services	1,198,130	1,198,130	741,478	(456,652)
Fines	125,000	125,000	98,313	(26,687)
Investment Earnings	20,000	20,000	59,578	39,578
Rents and Royalties	36,900	36,900	39,638	2,738
Contributions & Donations from Private Sources	4,000	4,000	4,000	-
Other Revenue	65,000	65,000	66,500	1,500
<b>Total Receipts</b>	<b>6,635,417</b>	<b>6,635,417</b>	<b>4,544,762</b>	<b>(2,090,655)</b>
<b>DISBURSEMENTS:</b>				
Current:				
Commissioner's Court	150,687	150,687	104,981	45,706
County Judge	233,432	233,432	133,686	99,746
County Tax Assessor-Collector	304,883	304,883	200,318	104,565
Elections/County Clerk	316,419	316,919	234,635	82,284
County Treasurer	186,907	186,907	141,793	45,114
Information Technology	190,000	190,000	136,675	53,325
Facilities and Property Management	226,002	226,002	138,939	87,063
County Auditor	180,771	180,771	108,028	72,743
Other General Government	490,174	490,174	378,080	112,094
County Sheriff	973,263	973,263	694,746	278,517
Constables	16,890	16,890	10,857	6,033
County Jail	946,431	946,431	702,765	243,666
Emergency Preparedness	366,269	366,269	245,149	121,120
Roads and Bridges	9,286	9,286	-	9,286
County Veterans Office	22,393	22,393	15,273	7,120
Mental Health	5,250	5,250	5,250	-
Welfare	38,300	38,300	35,922	2,378
Ambulance Services	6,000	6,000	6,000	-
Autopsies	50,000	50,000	55,110	(5,110)
Animal Control	1,500	1,500	-	1,500
Justice of the Peace, Precinct 1	145,200	145,200	78,117	67,083
Justice of the Peace, Precinct 2	39,817	39,817	29,872	9,945
Justice of the Peace, Precinct 3	47,948	47,948	33,796	14,152
County Attorney	219,875	219,875	155,480	64,395
District Attorney	94,890	94,890	101,840	(6,950)
District Clerk	178,976	178,976	124,519	54,457
County Court	48,050	48,050	24,914	23,136
District Court	138,252	138,252	125,571	12,681
AgriLife Extension Office	51,516	51,516	13,101	38,415
Recreation	27,000	27,000	19,719	7,281
Libraries	93,250	93,250	67,112	26,138
Parks	8,250	8,250	1,233	7,017
Historical Preservation	2,200	2,200	2,200	-
Intergovernmental:				
San Vicente ISD	122,000	122,000	125,288	(3,288)
Terlingua ISD	61,000	61,000	62,644	(1,644)
Brewster County Appraisal District	97,284	97,284	73,370	23,914

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 NINE-MONTHS ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Tri-County Juvenile Probation	66,569	66,569	49,928	16,641
Other Intergovernmental	29,000	29,000	21,750	7,250
Total Disbursements	<u>6,185,934</u>	<u>6,186,434</u>	<u>4,458,661</u>	<u>1,727,773</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>449,483</u>	<u>448,983</u>	<u>86,101</u>	<u>(362,882)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	63,000	63,000	70,656	7,656
Transfers Out (Use)	(512,483)	(512,483)	(349,983)	162,500
Total Other Financing Sources (Uses)	<u>(449,483)</u>	<u>(449,483)</u>	<u>(279,327)</u>	<u>170,156</u>
Net Change in Cash Balance	-	(500)	(193,226)	(192,726)
Cash Balance - January 1 (Beginning)	<u>3,624,338</u>	<u>3,624,338</u>	<u>3,624,338</u>	<u>-</u>
Cash Balance - September 30 (Ending)	<u>\$ 3,624,338</u>	<u>\$ 3,623,838</u>	<u>\$ 3,431,112</u>	<u>\$ (192,726)</u>

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

**BREWSTER COUNTY, TEXAS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET AND ACTUAL - GENERAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**Budgets and Budgetary Accounting**

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 (non-GAAP budgetary basis). The County is required to present the adopted and final amended budgeted revenues and expenditures for this fund. Commissioner's Court compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit 8. The County is not legally required to adopt a budget for the Tourism Council Fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

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, comments from the public are heard and 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 in accordance with Section 111.003 of the Local Government Code through the passage of a court order. 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 is effectively controlled by the elected official or department head at the category (personnel, operations, capital outlays) level by department. Any budgetary changes impacting appropriations at these levels may be made only with the formal approval of the Commissioners Court. No expenditures were made prior to approval of the budget. There were no significant amendments made during the nine-month period ending September 30, 2018.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. All budget appropriations lapse at fiscal year end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

(Continued)

**BREWSTER COUNTY, TEXAS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET AND ACTUAL - GENERAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**Expenditures in Excess of Appropriations**

During the nine-month period ended September 30, 2018, the County did not have any expenditures in excess of appropriations in the General Fund except for Autopsies and the District Attorney's office line items.

**Reconciliation**

A reconciliation of General Fund revenues and expenditures on a non-GAAP budgetary basis compared to the modified accrual basis (GAAP) is presented as follows:

	<u>General Fund</u>
<b>Revenues and Other Sources</b>	
Total receipts	\$ 4,544,762
Adjustments to revenues for receivables	(1,381,863)
Adjustments to revenues for non-cash transactions	<u>268,043</u>
Total revenues on modified accrual (GAAP) basis	<u>3,430,942</u>
<b>Sources</b>	
Transfers in	70,656
Adjustments to sources for capital lease proceeds	32,418
Total sources on modified accrual (GAAP) basis	<u>103,074</u>
Total revenues and other sources on modified accrual (GAAP) basis:	<u>3,534,016</u>
<b>Expenditures and Other Uses</b>	
Total disbursements	4,458,661
Adjustments to expenditures for accruals and accounts payable	167,483
Adjustments to expenditures for non-cash transactions	268,043
Adjustments to expenditures for capital lease outlay	<u>32,418</u>
Total expenditures on modified accrual (GAAP) basis	<u>4,926,605</u>
<b>Uses</b>	
Transfers Out	<u>349,983</u>
Total uses on modified accrual (GAAP) basis	<u>349,983</u>
Total expenditures and uses on modified accrual (GAAP) basis	<u>5,276,588</u>
<b>Net Change in Fund Balance</b>	<u><u>\$ (1,742,572)</u></u>

## BREWSTER COUNTY, TEXAS

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

## TEXAS COUNTY &amp; DISTRICT RETIREMENT SYSTEM

SEPTEMBER 30, 2018

	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. See Note I.I regarding the County's change in fiscal year.

## BREWSTER COUNTY, TEXAS

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

## TEXAS COUNTY &amp; DISTRICT RETIREMENT SYSTEM

SEPTEMBER 30, 2018

Fiscal Year Ending December 31 (*9-months ended September 30)	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
*2018	215,748	215,748	-	2,263,881	9.5%

## 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 TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2018**

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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 September 30, 2018 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

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY  
AND RELATED RATIOS AND NOTES**

September 30, 2018

	<u>Year Ended</u> <u>September 30, 2018</u> <u>(Measurement Year)</u>	
<b>Changes in the Total OPEB Liability</b>		
Total OPEB Liability - beginning of year	\$	5,108,590
Changes for the year		
Service Cost		171,903
Interest Cost on Total OPEB Liability		214,388
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions or other inputs		-
Benefit payments		<u>(174,097)</u>
Net changes		<u>212,194</u>
Total OPEB Liability - end of year	\$	<u>5,320,784</u>
Total OPEB Liability as a Percentage of Covered Payroll		320.14%
Covered payroll	\$	1,662,007

**NOTES TO SCHEDULE**

GASB 75, paragraph 170 requires that the information on this schedule be presented for the Plan's measurement year (October 1 - September 30) which is the same as the County's fiscal year.

Pursuant to GASB 75, paragraph 171, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

Pursuant to GASB 75, this schedule should show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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**SUPPLEMENTARY INFORMATION**

BREWSTER COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2018

	Road & Bridge Fund	Records Management	County & Dist Attorney PTD Fund	Courthouse Security
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 263,394	\$ 199,181	\$ 149,336	\$ 24,568
Property Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Due from Other Governments	-	-	-	-
Accounts Receivable, net	-	-	-	-
Due from Other Funds	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 263,394</u></b>	<b><u>\$ 199,181</u></b>	<b><u>\$ 149,336</u></b>	<b><u>\$ 24,568</u></b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 18,265	\$ -	\$ 2,397	\$ -
Wages and Salaries Payable	10,373	210	-	-
Intergovernmental Payable	42,538	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenues	-	-	-	-
<b>Total Liabilities</b>	<b><u>71,176</u></b>	<b><u>210</u></b>	<b><u>2,397</u></b>	<b><u>-</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>				
Federal or State Funds Grant Restriction	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	192,218	198,971	146,939	24,568
<b>Total Fund Balances</b>	<b><u>192,218</u></b>	<b><u>198,971</u></b>	<b><u>146,939</u></b>	<b><u>24,568</u></b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b><u>\$ 263,394</u></b>	<b><u>\$ 199,181</u></b>	<b><u>\$ 149,336</u></b>	<b><u>\$ 24,568</u></b>

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

Marathon EMS	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
\$ -	\$ 19,975	\$ 31,964	\$ -	\$ 7,676	\$ 5,354	\$ 349,829	\$ -
-	-	-	-	-	-	-	-
-	-	-	16,722	-	-	-	9,448
-	-	2,886	-	-	-	-	-
73	-	-	-	-	-	-	-
<u>\$ 73</u>	<u>\$ 19,975</u>	<u>\$ 34,850</u>	<u>\$ 16,722</u>	<u>\$ 7,676</u>	<u>\$ 5,354</u>	<u>\$ 349,829</u>	<u>\$ 9,448</u>
\$ -	\$ -	\$ -	\$ 4,328	\$ -	\$ -	\$ 15,410	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	11,698	-	-	-	9,448
-	-	-	696	-	-	-	-
-	-	-	16,722	-	-	15,410	9,448
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	19,975	-	-	-	-	-	-
-	-	-	-	-	-	-	-
73	-	34,850	-	7,676	5,354	334,419	-
<u>73</u>	<u>19,975</u>	<u>34,850</u>	<u>-</u>	<u>7,676</u>	<u>5,354</u>	<u>334,419</u>	<u>-</u>
<u>\$ 73</u>	<u>\$ 19,975</u>	<u>\$ 34,850</u>	<u>\$ 16,722</u>	<u>\$ 7,676</u>	<u>\$ 5,354</u>	<u>\$ 349,829</u>	<u>\$ 9,448</u>

BREWSTER COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2018

	HIDTA All Initiatives	Sheriff Awarded Account	Sheriff Abandoned Vehicles	Operation Borderstar Grants
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 81,842	\$ 33,679	\$ -
Property Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Due from Other Governments	35,350	-	-	25,551
Accounts Receivable, net	-	-	-	-
Due from Other Funds	-	-	-	-
<b>Total Assets</b>	<u>\$ 35,350</u>	<u>\$ 81,842</u>	<u>\$ 33,679</u>	<u>\$ 25,551</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 172	\$ 2,275	\$ 22,095	\$ -
Wages and Salaries Payable	-	-	-	-
Intergovernmental Payable	-	-	-	-
Due to Other Funds	33,822	-	-	25,551
Unearned Revenues	1,356	-	-	-
<b>Total Liabilities</b>	<u>35,350</u>	<u>2,275</u>	<u>22,095</u>	<u>25,551</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Federal or State Funds Grant Restriction	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Other Restricted Fund Balance	-	79,567	11,584	-
<b>Total Fund Balances</b>	<u>-</u>	<u>79,567</u>	<u>11,584</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<u>\$ 35,350</u>	<u>\$ 81,842</u>	<u>\$ 33,679</u>	<u>\$ 25,551</u>

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

CDBG 721-5049	County Attorney Special	JP Technology Fund	Courthouse Preservation	Law Library	Fire Truck Fund	Community Facilities	Technology Fee for Clerks
\$ -	\$ 7,898	\$ 28,551	\$ 142,800	\$ 10,923	\$ 5,593	\$ 3,810	\$ 500
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 7,898</u>	<u>\$ 28,551</u>	<u>\$ 142,800</u>	<u>\$ 10,923</u>	<u>\$ 5,593</u>	<u>\$ 3,810</u>	<u>\$ 500</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	7,898	28,551	142,800	10,923	5,593	3,810	500
-	7,898	28,551	142,800	10,923	5,593	3,810	500
<u>\$ -</u>	<u>\$ 7,898</u>	<u>\$ 28,551</u>	<u>\$ 142,800</u>	<u>\$ 10,923</u>	<u>\$ 5,593</u>	<u>\$ 3,810</u>	<u>\$ 500</u>

BREWSTER COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2018

	Inmate Commissary Funds	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 20,317	\$ 1,387,190	\$ 54,432	\$ 1,441,622
Property Taxes Receivable	-	-	49,029	49,029
Allowance for Uncollectible Taxes (credit)	-	-	(27,513)	(27,513)
Due from Other Governments	-	87,071	-	87,071
Accounts Receivable, net	-	2,886	-	2,886
Due from Other Funds	-	73	-	73
Total Assets	<u>\$ 20,317</u>	<u>\$ 1,477,220</u>	<u>\$ 75,948</u>	<u>\$ 1,553,168</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 64,942	\$ -	\$ 64,942
Wages and Salaries Payable	-	10,583	-	10,583
Intergovernmental Payable	-	42,538	-	42,538
Due to Other Funds	-	80,519	-	80,519
Unearned Revenues	-	2,052	-	2,052
Total Liabilities	<u>-</u>	<u>200,634</u>	<u>-</u>	<u>200,634</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	-	20,486	20,486
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>20,486</u>	<u>20,486</u>
<b>FUND BALANCES</b>				
Federal or State Funds Grant Restriction	-	19,975	-	19,975
Retirement of Long-Term Debt	-	-	55,462	55,462
Other Restricted Fund Balance	20,317	1,256,611	-	1,256,611
Total Fund Balances	<u>20,317</u>	<u>1,276,586</u>	<u>55,462</u>	<u>1,332,048</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 20,317</u>	<u>\$ 1,477,220</u>	<u>\$ 75,948</u>	<u>\$ 1,553,168</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 NINE-MONTHS ENDED SEPTEMBER 30, 2018

	Road & Bridge Fund	Records Management	County & Dist Attorney PTD Fund	Courthouse Security
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	328,880	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	22,547	56,331	37,651	7,415
Fines	-	-	-	-
Forfeits	-	-	-	-
Special Assessments	71,432	-	-	-
Investment Earnings	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	3,889	-	-	-
<b>Total Revenues</b>	<u>426,748</u>	<u>56,331</u>	<u>37,651</u>	<u>7,415</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	49,649	-	-
Public Safety	-	-	-	-
Infrastructure and Environmental Services	415,472	-	-	-
Administration of Justice	-	-	13,066	-
Community and Economic Development	-	-	-	-
Debt Service:				
Principal on Debt	61,111	-	-	-
Interest on Debt	9,692	-	-	-
Capital Outlay:				
Capital Outlay	96,856	-	-	-
<b>Total Expenditures</b>	<u>583,131</u>	<u>49,649</u>	<u>13,066</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(156,383)</u>	<u>6,682</u>	<u>24,585</u>	<u>7,415</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	312,483	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>312,483</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	156,100	6,682	24,585	7,415
Fund Balance - January 1 (Beginning)	36,118	192,289	122,354	17,153
Fund Balance - September 30 (Ending)	<u>\$ 192,218</u>	<u>\$ 198,971</u>	<u>\$ 146,939</u>	<u>\$ 24,568</u>

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

Marathon EMS	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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	14,200	-	-	-	-	-
-	3,299	-	68,710	-	-	-	36,312
-	-	-	-	2,951	1,593	-	-
-	-	-	-	-	-	-	-
-	-	1	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,299	14,201	68,710	2,951	1,593	-	36,312
-	-	-	-	-	-	-	-
-	1,105	-	37,336	-	-	32,955	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	36,312
-	-	38,496	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	31,374	-	-	125,952	-
-	1,105	38,496	68,710	-	-	158,907	36,312
-	2,194	(24,295)	-	2,951	1,593	(158,907)	-
-	-	37,500	-	-	-	-	-
-	-	37,500	-	-	-	-	-
-	2,194	13,205	-	2,951	1,593	(158,907)	-
73	17,781	21,645	-	4,725	3,761	493,326	-
\$ 73	\$ 19,975	\$ 34,850	\$ -	\$ 7,676	\$ 5,354	\$ 334,419	\$ -

BREWSTER COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2018

	HIDTA All Initiatives	Sheriff Awarded Account	Sheriff Abandoned Vehicles	Operation Borderstar Grants
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	142,349	-	-	88,091
Charges for Services	-	-	-	-
Fines	-	-	-	-
Forfeits	-	11,063	25,548	-
Special Assessments	-	-	-	-
Investment Earnings	-	-	-	-
Contributions & Donations from Private Sources	-	-	12,000	-
Other Revenue	-	-	-	-
Total Revenues	<u>142,349</u>	<u>11,063</u>	<u>37,548</u>	<u>88,091</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	-	-
Public Safety	142,349	3,188	61,630	46,065
Infrastructure and Environmental Services	-	-	-	-
Administration of Justice	-	-	-	-
Community and Economic Development	-	-	-	-
Debt Service:				
Principal on Debt	-	-	-	-
Interest on Debt	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	19,871	42,026
Total Expenditures	<u>142,349</u>	<u>3,188</u>	<u>81,501</u>	<u>88,091</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>7,875</u>	<u>(43,953)</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	-	7,875	(43,953)	-
Fund Balance - January 1 (Beginning)	<u>-</u>	<u>71,692</u>	<u>55,537</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 79,567</u>	<u>\$ 11,584</u>	<u>\$ -</u>

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

CDBG 721-5049	County Attorney Special	JP Technology Fund	Courthouse Preservation	Law Library	Fire Truck Fund	Community Facilities	Technology Fee for Clerks
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
116,341	-	-	-	-	-	-	-
-	60	-	-	4,723	-	-	-
-	-	6,510	-	-	-	-	-
-	91	-	98	-	-	-	-
-	-	-	-	-	-	-	-
<u>116,341</u>	<u>151</u>	<u>6,510</u>	<u>98</u>	<u>4,723</u>	-	-	-
-	-	-	17,117	-	-	-	-
-	-	-	-	-	-	-	-
116,341	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	67,438	-	-	-	-
<u>116,341</u>	-	-	<u>84,555</u>	-	-	-	-
-	151	6,510	(84,457)	4,723	-	-	-
-	-	-	70,656	-	-	-	-
-	-	-	70,656	-	-	-	-
-	151	6,510	(13,801)	4,723	-	-	-
-	7,747	22,041	156,601	6,200	5,593	3,810	500
<u>\$ -</u>	<u>\$ 7,898</u>	<u>\$ 28,551</u>	<u>\$ 142,800</u>	<u>\$ 10,923</u>	<u>\$ 5,593</u>	<u>\$ 3,810</u>	<u>\$ 500</u>

BREWSTER COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2018

	Inmate Commissary Funds	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ 19,393	\$ 19,393
Penalty and Interest on Taxes	-	-	4,844	4,844
Licenses and Permits	-	343,080	-	343,080
Intergovernmental Revenue and Grants	-	455,102	-	455,102
Charges for Services	12,017	145,228	-	145,228
Fines	-	60	-	60
Forfeits	-	36,611	-	36,611
Special Assessments	-	77,942	-	77,942
Investment Earnings	-	190	1,013	1,203
Contributions & Donations from Private Sources	-	12,000	-	12,000
Other Revenue	-	3,889	-	3,889
<b>Total Revenues</b>	<u>12,017</u>	<u>1,074,102</u>	<u>25,250</u>	<u>1,099,352</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	66,766	-	66,766
Public Safety	7,878	332,506	-	332,506
Infrastructure and Environmental Services	-	415,472	-	415,472
Administration of Justice	-	49,378	-	49,378
Community and Economic Development	-	154,837	-	154,837
Debt Service:				
Principal on Debt	-	61,111	165,000	226,111
Interest on Debt	-	9,692	105,939	115,631
Capital Outlay:				
Capital Outlay	-	383,517	-	383,517
<b>Total Expenditures</b>	<u>7,878</u>	<u>1,473,279</u>	<u>270,939</u>	<u>1,744,218</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>4,139</u>	<u>(399,177)</u>	<u>(245,689)</u>	<u>(644,866)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	420,639	-	420,639
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>420,639</u>	<u>-</u>	<u>420,639</u>
<b>Net Change in Fund Balance</b>	<u>4,139</u>	<u>21,462</u>	<u>(245,689)</u>	<u>(224,227)</u>
<b>Fund Balance - January 1 (Beginning)</b>	<u>16,178</u>	<u>1,255,124</u>	<u>301,151</u>	<u>1,556,275</u>
<b>Fund Balance - September 30 (Ending)</b>	<u>\$ 20,317</u>	<u>\$ 1,276,586</u>	<u>\$ 55,462</u>	<u>\$ 1,332,048</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 NINE-MONTHS ENDED SEPTEMBER 30, 2018**

	BALANCE JANUARY 1 2017	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2018
<b>CHILD WELFARE BOARD</b>				
Assets:				
Cash and Cash Equivalents	\$ 13,097	\$ 3,546	\$ 490	\$ 16,153
Liabilities:				
Due to Others	\$ 13,097	\$ 3,546	\$ 490	\$ 16,153
<b>COUNTY ATTORNEY HELD IN TRUST</b>				
Assets:				
Cash and Cash Equivalents	\$ 4,737	\$ 12,712	\$ 11,709	\$ 5,740
Liabilities:				
Due to Others	\$ 4,737	\$ 12,712	\$ 11,709	\$ 5,740
<b>COUNTY CLERK BONDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 74,853	\$ 29,590	\$ 16,442	\$ 88,001
Liabilities:				
Due to Others	\$ 74,853	\$ 29,590	\$ 16,442	\$ 88,001
<b>COUNTY CLERK CHILD SUPPORT</b>				
Assets:				
Cash and Cash Equivalents	\$ 2,353	\$ -	\$ -	\$ 2,353
Liabilities:				
Due to Others	\$ 2,353	\$ -	\$ -	\$ 2,353
<b>COUNTY CLERK OTHER</b>				
Assets:				
Cash and Cash Equivalents	\$ -	\$ 237,855	\$ -	\$ 237,855
Liabilities:				
Due to Others	\$ -	\$ 237,855	\$ -	\$ 237,855
<b>DISTRICT CLERK BAIL BONDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 61,483	\$ 10,036	\$ 14,036	\$ 57,483
Liabilities:				
Due to Others	\$ 61,483	\$ 10,036	\$ 14,036	\$ 57,483
<b>DISTRICT CLERK CHILD SUPPORT</b>				
Assets:				
Cash and Cash Equivalents	\$ 3,203	\$ 36	\$ 46	\$ 3,193
Liabilities:				
Due to Others	\$ 3,203	\$ 36	\$ 46	\$ 3,193

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 NINE-MONTHS ENDED SEPTEMBER 30, 2018

	BALANCE JANUARY 1 2017	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2018
<b>DISTRICT CLERK - ESTATES HELD IN TRUST</b>				
Assets:				
Cash and Cash Equivalents	\$ 35,376	\$ 398	\$ -	\$ 35,774
Liabilities:				
Due to Others	\$ 35,376	\$ 398	\$ -	\$ 35,774
<b>HISTORICAL COMMISSION</b>				
Assets:				
Cash and Cash Equivalents	\$ 3,895	\$ 2,251	\$ 2,300	\$ 3,846
Liabilities:				
Due to Others	\$ 3,895	\$ 2,251	\$ 2,300	\$ 3,846
<b>INMATE TRUST FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 7,077	\$ 69,865	\$ 64,184	\$ 12,758
Liabilities:				
Due to Others	\$ 7,077	\$ 69,865	\$ 64,184	\$ 12,758
<b>TRI-COUNTY JUVENILE PROBATION</b>				
Assets:				
Cash and Cash Equivalents	\$ 82,464	\$ 210,484	\$ 176,769	\$ 116,179
Due from Others	2,660	-	2,660	-
Total Assets	\$ 85,124	\$ 210,484	\$ 179,429	\$ 116,179
Liabilities:				
Due to Others	\$ 85,124	\$ 210,484	\$ 179,429	\$ 116,179
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 288,538	\$ 576,773	\$ 285,976	\$ 579,335
Due From Others	2,660	-	2,660	-
Total Assets	\$ 291,198	\$ 576,773	\$ 288,636	\$ 579,335
Liabilities:				
Due to Others	\$ 291,198	\$ 576,773	\$ 288,636	\$ 579,335

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

**OTHER INFORMATION**

## BREWSTER COUNTY, TEXAS

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

SEPTEMBER 30, 2018

## 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

FEDERAL

	Budget	Prior Years	Current Year	Local	Total	Variance
<b>REVENUE</b>						
Federal and State	\$ 168,638	\$ 30,185	\$ 116,341	\$ -	\$ 146,526	\$ (22,112)
Local-Brewster County	-	-	-	-	-	-
<b>Total Revenue</b>	<b>168,638</b>	<b>30,185</b>	<b>116,341</b>	<b>-</b>	<b>146,526</b>	<b>(22,112)</b>
<b>EXPENDITURES</b>						
Federal and State						
Administration	18,550	12,985	2,564	-	15,549	(3,001)
Water facilities	127,088	-	107,977	-	107,977	(19,111)
Engineering	23,000	17,200	5,800	-	23,000	-
Local						
Administration	-	-	-	-	-	-
Water facilities	-	-	-	-	-	-
Engineering	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>168,638</b>	<b>30,185</b>	<b>116,341</b>	<b>-</b>	<b>146,526</b>	<b>(22,112)</b>
<b>Excess Revenue Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**COMPLIANCE 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 nine-month period ended September 30, 2018, 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 May 1, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, 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 2018-001.

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

Brewster County, Texas's response to the finding 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.

A handwritten signature in black ink, appearing to read "Ch. Reddock" followed by some illegible initials or a flourish.

El Paso, Texas  
May 1, 2019

**BREWSTER COUNTY, TEXAS**

**SCHEDULE OF FINDINGS & RESPONSES**

**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

<b>Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP:</b>	<b>Unmodified</b>
<b>Internal control over financial reporting:</b>	
<b>Were significant deficiencies in internal control disclosed?</b>	<b>None reported</b>
<b>Were material weaknesses in internal control disclosed?</b>	<b>No</b>
<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>	<b>Yes, finding 2018-001.</b>

(Continued)

**BREWSTER COUNTY, TEXAS**

**SCHEDULE OF FINDINGS & RESPONSES**

**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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**FINANCIAL STATEMENT FINDING**

**2018-001 - 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. The County's depository contract requires collateral at a higher percentage, equal to 110%.

**Condition Found:** A portion of the County's deposits as noted below were neither insured nor collateralized in the month of February 2018, the month with the largest amount of deposits held, and at September 30, 2018.

<u>Uninsured and under collateralized:</u>	<u>at 100%</u>	<u>at 110%</u>
February 2018	\$ 2,057,401	\$ 2,638,141
September 30, 2018	\$ 68,746	\$ 450,621

**Cause:** The County is not monitoring its deposits for proper collateralization.

**Effect:** The County was exposed to a potential loss of public funds equal to \$2,057,401 for February 2018 and \$68,746 at September 30, 2018.

**Recommendation:** The County should implement monitoring procedures to ensure all of its deposits are completely collateralized at all times. 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:** Yes. A similar finding was reported during the prior year as 2017-001.

**Management Response:** See Corrective Action Plan



**Julie K Morton**

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Alpine, TX 79830

**Brewster County Treasurer**

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**FINANCIAL STATEMENT FINDINGS**

**2018-001 - State Compliance - Collateralizing Public Funds Deposits**

Corrective Action Plan: Requests were made by the Treasurer's office to WTNB for a report of daily balances for 2018 and 2019. WTNB provided month end balances for each month in 2018 and 2019. Using those figures, the average month end balance totaled \$5,052,025.00, with the highest balance being \$6,015,380.00.

The current depository contract with WTNB ends May 31<sup>st</sup>, 2019. With the Court's permission, the County Treasurer will renegotiate terms for a two year contract extension, which is set to be approved by the Court on May 15<sup>th</sup>, 2019. The Collateral Management section of the contract refers to a section on Collateral that indicates that the Bank will utilize Federal Home Loan Bank Letters of Credit instead of securities, which eliminates the necessity for monthly reporting as the value and expiration date of the Letter of Credit are stated on the face and do not fluctuate. Currently, the amount is \$3,750,000 with \$250,000 of FDIC coverage for a total of \$4,000,000. Upon approval of the two year contract extension, the County Treasurer shall request a deposit coverage amount of \$6,550,000.

Also, upon receipt of PILOT funds, the County Treasurer will deposit into the investment pool account, going forward, and make transfers to the General Fund as needed.

The County Treasurer will monitor daily balances provided by the online banking service.

Responsible Party: County Treasurer

Estimated Date of Completion: May 15, 2019

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

*Julie K Morton*  
*County Treasurer*

**BREWSTER COUNTY, TEXAS**

**AUDITOR SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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**FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

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

**Status:** Unresolved and repeat finding. See 2018-001 and Auditee Summary of Prior Audit Findings for management status.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

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



**Julie K Morton**

**Brewster County Treasurer**

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Alpine, TX 79830

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**FINANCIAL STATEMENT FINDINGS**

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

**Status:** Unresolved. The County Treasurer discussed options of monitoring funds with West Texas National Bank but no action was taken by the appointed County Treasurer prior to her departure. The newly elected Treasurer has followed up in April 2019 and will request increased deposit coverage sufficient to adequately collateralize County deposits in excess of FDIC. Also, upon receipt of PILOT funds, the County Treasurer will deposit into the investment pool account, going forward, and make transfers to the General Fund as needed.

The County Treasurer will monitor daily balances provided by the online banking service.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

**Status:** Resolved. The Grants Administrator position has been filled, thus eliminating most of the internal control issues. The County has modified its internal procedures and requests for 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.

Signature:

Title: