

# **BRAZOS COUNTY, TEXAS HEALTH DISTRICT**

**Financial Statements  
September 30, 2014**



Prepared by:

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County Auditor

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Director



**BRAZOS COUNTY HEALTH DISTRICT**  
**For the Year Ended September 30, 2014**

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# Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Brazos County Board of Health  
Brazos County Health District  
Bryan, Texas

We have audited the accompanying financial statements of the governmental activities and the general fund of the Brazos County Health District (the "Department") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Department'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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Department as

of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, retirement system information, and other post employment benefits information on pages 3-8 and 33-34 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***

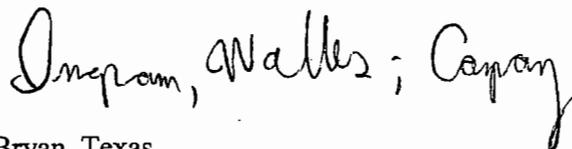
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statistical section 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.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Brazos County Health District and are not intended to present fairly the financial position of Brazos County, Texas and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2015, on our consideration of the Department'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 the Department's internal control over financial reporting and compliance.



Bryan, Texas  
February 16, 2015

# MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

## For the Year Ended September 30, 2014

This section of the Brazos County Health District (the "Department") annual financial report presents management's discussion and analysis ("MD&A") of the financial performance of the primary government during the fiscal year ended September 30, 2014. Please read the MD&A in conjunction with the Department's basic financial statements following this section.

### **FINANCIAL HIGHLIGHTS**

- The total government-wide assets of the Department exceeded the liabilities at September 30, 2014 by \$408,821, and are reported as total net position of the primary government. Of this amount, \$122,948 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$285,873 is invested in capital assets.
- As of September 30, 2014, the Department governmental fund reported fund balance of \$1,884,479, 99.85% of which is available to meet the Department's current and future needs (unassigned fund balance). The remaining 0.15% is nonspendable for prepaid expenses. The fund balance represents 60% of total governmental fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements and 3) notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

Government-wide financial statements are designed to provide readers with a broad overview of Department finances, in a manner similar to a private-sector business. They include a statement of net position and a statement of activities. Both of these statements are presented using the accrual method of accounting; therefore, revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net position presents information on all Department assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The governmental activities of the Department include general administration, environmental services, clinic services, lab services, immunization services, tuberculosis services, regional health programs, bioterrorism preparedness program and the Medicaid transformation waiver programs (medical records and HIV testing).

Funds are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Department uses fund accounting to ensure and demonstrate finance-related legal compliance. The Department maintains only a General Fund – a governmental fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Department's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 15-32 of this report.

Required supplementary information is presented concerning the Department's General Fund budgetary schedule. The Department adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budget and actual figures, has been provided to demonstrate compliance with this budget. Also presented in this section are the Schedule of Funding Progress for the Texas County and District Retirement System and the Schedule of Funding Progress for Other Post Employment Benefits. Required supplementary information can be found on pages 33-34 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets exceeded liabilities by \$408,821 at the close of the most recent fiscal year. Comparative information for fiscal year 2013 and 2014 is presented in the following table.

Brazos County Health District  
MD&A – For Year Ended September 30, 2014 (Continued)

Condensed Statement of Net Position  
September 30, 2014  
With Comparative Totals September 30, 2013

	2014	2013
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
Current assets	\$ 2,018,687	\$ 1,848,158
Capital assets	<u>285,873</u>	<u>319,744</u>
Total assets	2,304,560	2,167,902
Current liabilities	186,541	182,834
Other liabilities	<u>1,709,198</u>	<u>1,488,633</u>
Total liabilities	1,895,739	1,671,467
Net position:		
Net investment in capital assets	285,873	319,744
Unrestricted net position	<u>122,948</u>	<u>176,691</u>
Total net position	<u>\$ 408,821</u>	<u>\$ 496,435</u>

The portion of the Department’s current fiscal year net position (30%) reflects its unrestricted net position, which may be used to meet the Department’s ongoing obligations to citizens and creditors.

The remaining balance of the Department’s current fiscal year net position (70%) represents investment in capital assets (e.g. leasehold improvements, equipment and vehicles). The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending.

At the end of the current fiscal year, the Department reported a decrease of net position in its governmental activities. The principal components of this decrease (\$87,614) can be attributed to the GASB 45 reporting requirement for “Other Post Employment Benefits” that totaled \$220,565 for 2014. This was offset, however, by an increase in revenues (\$99,144) from the Medicaid transformation waiver programs and an increase (\$30,604) in health service fees.

Brazos County Health District  
MD&A – For Year Ended September 30, 2014 (Continued)

The following table indicates changes in net position for governmental activities:

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
Revenues:		
Program revenues:		
Charges for services	\$ 775,080	\$ 767,443
Operating grants and contributions	968,403	958,045
General revenues:		
Funding from Brazos County	866,355	892,414
Funding from City of Bryan	326,500	326,500
Funding from City of College Station	330,820	331,000
Unrestricted investment earnings	4,685	7,151
Miscellaneous	9,302	5,740
Total revenues	<u>3,281,145</u>	<u>3,288,293</u>
Expenses:		
Administration	475,804	523,310
Environmental	886,673	891,847
Clinic	331,397	335,915
Lab	168,461	174,415
Immunization	865,294	952,556
Regional health	216,261	230,760
Bioterrorism preparedness	238,504	264,048
Bioterrorism discretionary	7,501	5,626
Tuberculosis	107,069	105,252
Medical records	51,182	-
HIV testing	20,613	-
Total expenses	<u>3,368,759</u>	<u>3,483,729</u>
Change in net position	(87,614)	(195,436)
Net position - beginning	<u>496,435</u>	<u>691,871</u>
Net position - ending	<u>\$ 408,821</u>	<u>\$ 496,435</u>

## **FINANCIAL ANALYSIS OF FUNDS**

Governmental Fund - The Department's major general government functions are contained in the General Fund. The focus of the Department's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the only operating fund of the Department. At September 30, 2014, the Department's general fund reported fund balances of \$1,884,479, an increase of \$162,697 in comparison with the prior year. 99.85% of the fund balance constitutes unassigned fund balance, which is available to meet the Department's current and future needs. The remaining 0.15% is nonspendable for prepaid expenses.

There was a decrease of \$7,148 in revenues for FY 2014. The total funding from the Department of State Health Services decreased by \$140,242; however the decrease was offset by the increase of \$99,144 in revenues from Health and Human Services for the Medicaid transformation waiver programs and an increase of \$30,604 in health service fees. The Medicaid transformation waiver programs that began in FY 2013 will continue through FY 2017.

A reduction of in-kind funding from the Department of State Health Services contributed to the decrease in expenditures for FY 2014 of \$114,970.

## **BUDGETARY HIGHLIGHTS**

The Department received in-kind support from its member entities and the Texas Department of State Health Services (DSHS). The budget for the County in-kind support for the current fiscal year was based on the FY2014 Consolidated Local Central Services, Cost Allocation Plan & Indirect Cost Rate Proposal for Brazos County, Texas. The indirect cost rate available at time of budget preparation and used for FY2014 was 28.19%.

At the end of the fiscal year, actual revenues were \$114,743 less than the final amended budgeted amount (which includes all in-kind support).

At the end of the fiscal year, actual expenditures were \$727,012 less than the final amended budgeted amount (which includes all in-kind support).

## **CAPITAL ASSETS**

The Department's investment in capital assets for its governmental activities as of September 30, 2014, amounted to \$285,873 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, equipment, and vehicles. The total decrease in the Department's investment in capital assets for the current period was \$33,871 or 11%. The

decrease was due to the depreciation expense of \$56,427. This was offset by the purchase of a vehicle for the Environmental division.

### **ECONOMIC FACTORS**

The Brazos County Board of Health (“the Board”) adopted the 2014-2015 budget on September 29, 2014. The budget was adopted based on estimated balances that would be available at the end of fiscal year 2014 and estimated revenues to be received in fiscal year 2015. The Board considered the following factors:

- In-Kind support from DSHS and Brazos County is projected to be lower for 2015.
- The contribution from Brazos County, City of College Station, and City of Bryan are expected to remain unchanged.
- Grant funding from DSHS is expected to remain unchanged.
- Revenues from HHSC for the Medicaid transformation waiver programs are projected to be lower for 2015.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Department’s finances for all those with an interest in the Department’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Brazos County Auditor’s Office, 200 South Texas Avenue, Suite 218, Bryan, Texas, 77803.

**BRAZOS COUNTY HEALTH DISTRICT  
FINANCIAL SECTION**



**BRAZOS COUNTY HEALTH DISTRICT**  
**STATEMENT OF NET POSITION**  
**September 30, 2014**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 1,919,369
Prepaid Expenditures	2,872
Receivables:	
Texas Department of State Health Services	74,352
Texas Health and Human Services Commission	12,000
Other	10,094
Total Current Assets	2,018,687
Noncurrent Assets:	
Capital assets:	
Leasehold improvements	846,563
Buildings	48,000
Machinery and equipment	638,362
Less: Accumulated depreciation	(1,247,052)
Total Noncurrent Assets	285,873
<b>Total Assets</b>	<b>2,304,560</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	51,200
Accrued salaries and benefits	83,008
Compensated absences	52,333
Total Current Liabilities	186,541
Noncurrent Liabilities	
Due in more than one year	1,709,198
Total Noncurrent Liabilities	1,709,198
<b>Total Liabilities</b>	<b>1,895,739</b>
<b>NET POSITION</b>	
Net investment in capital assets	285,873
Unrestricted	122,948
<b>Total Net Position</b>	<b>\$ 408,821</b>

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

**BRAZOS COUNTY HEALTH DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Primary Government</b>				
Governmental activities:				
Administration	\$ 475,804	\$ --	\$ --	\$ (475,804)
Environmental	886,673	599,490	--	(287,183)
Clinic	331,397	33,570	--	(297,827)
Lab	168,461	60,100	--	(108,361)
Immunization	865,294	70,823	524,337	(270,134)
Regional Health	216,261	--	108,459	(107,802)
Bioterrorism Preparedness	238,504	--	132,306	(106,198)
Bioterrorism Discretionary	7,501	--	--	(7,501)
Tuberculosis	107,069	11,097	52,701	(43,271)
Medical Records	51,182	--	121,650	70,468
HIV Testing	20,613	--	28,950	8,337
<b>Total</b>	<u>\$ 3,368,759</u>	<u>\$ 775,080</u>	<u>\$ 968,403</u>	<u>(1,625,276)</u>

**General revenues:**

Funding from Brazos County	866,355
Funding from City of Bryan	326,500
Funding from City of College Station	330,820
Unrestricted investment earnings	4,685
Miscellaneous	9,302
Total general revenues	<u>1,537,662</u>
Change in net position	(87,614)
Net position - beginning	496,435
Net position - ending	<u>\$ 408,821</u>

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

**BRAZOS COUNTY HEALTH DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUND  
September 30, 2014**

	<b>Total Governmental Fund</b>
<b>ASSETS</b>	
Cash	\$ 1,919,369
Prepaid Expenditures	2,872
Receivables:	
Texas Department of State Health Services	74,352
Texas Health and Human Services Commission	12,000
Other	10,094
<b>TOTAL ASSETS</b>	<b>\$ 2,018,687</b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts Payable	\$ 51,200
Accrued Salaries and Benefits	83,008
<b>Total Liabilities</b>	<b>134,208</b>
<b>Fund Balance</b>	
Nonspendable	2,872
Unassigned	1,881,607
<b>Total Fund Balance</b>	<b>1,884,479</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,018,687</b>

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

**BRAZOS COUNTY HEALTH DISTRICT  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND TO  
STATEMENT OF NET POSITION  
September 30, 2014**

<b>Total fund balance--governmental fund</b>	<b>\$</b>	<b>1,884,479</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		285,873
Liabilites for compensated absences are due within one year, but are not reported as liabilities in the funds.		(52,333)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:		
OPEB Obligation		<u>(1,709,198)</u>
<b>Total net position--governmental activities</b>	<b>\$</b>	<b><u>408,821</u></b>

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

**BRAZOS COUNTY HEALTH DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
For the Year Ended September 30, 2014**

	<b>Total Governmental Fund</b>
<b>REVENUES</b>	
Intergovernmental	
Brazos County	\$ 866,355
City of Bryan	326,500
City of College Station	330,820
Texas Department of State Health Services	817,803
Texas Health and Human Services Commission	150,600
Program Income	
Health Service Fees	563,395
Clinic	115,490
Environmental	36,095
Laboratory	60,100
Interest	4,685
Other	9,302
<b>TOTAL REVENUES</b>	<b>3,281,145</b>
<b>EXPENDITURES</b>	
Salary and Wages	1,700,435
Employee Benefits	527,301
Departmental Support	518,888
Repairs and Maintenance	52,505
Minor Acquisitions	17,622
Contract Services	16,379
Facility	112,320
Professional Services	87,916
Community Contracts	62,526
Capital Outlay	22,556
<b>TOTAL EXPENDITURES</b>	<b>3,118,448</b>
<b>Net Change in Fund Balance</b>	<b>162,697</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>1,721,782</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,884,479</b>

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

**BRAZOS COUNTY HEALTH DISTRICT  
RECONCILIATION OF CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO  
CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES  
For the year ended September 30, 2014**

<b>Net change in fund balances--governmental fund</b>	<b>\$</b>	<b>162,697</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		(33,871)
The liabilities for compensated absences are accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as expense in the statement of activities.		4,125
The OPEB obligation per GASB 45 is accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as expense in the statement of activities.		<u>(220,565)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>(87,614)</u></b>

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

**BRAZOS COUNTY HEALTH DISTRICT  
NOTES TO THE BASIC FINANCIAL  
STATEMENTS**



**BRAZOS COUNTY HEALTH DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Brazos County Health District (“the Department”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) for local government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the Department are described in the following notes to the financial statements.

**A. Reporting Entity**

The Department was organized in 1939 and since August 31, 1984, has operated as a Public Health District as provided in the Local Public Health Reorganization Act (“the Act”). It operates under the name of Brazos County Health District. The member entities are Brazos County, the City of Bryan, and the City of College Station. The Act requires it to provide at least the following services:

1. Personal health promotion and maintenance;
2. Infectious disease control and prevention;
3. Environmental and consumer health programs for the enforcement of health and safety laws related to food, water, waste control, general sanitation and vector control;
4. Public health education and information;
5. Laboratory testing services;
6. Administrative oversight and control.

Certain grants received by the Department have additional specific requirements as to the services required.

Six appointed representatives, known as the Brazos County Board of Health (“the Board”) govern the Department. Two representatives are provided from each member entity. The director of the Department serves as an ex-officio non-voting member.

The Department reports only on its own activities. There are no other activities over which it has the ability to exercise significant oversight responsibility that the Governmental Accounting Standards Board requires be included in its financial reporting.

For financial reporting purposes, GASB Statement No.14 (The Financial Reporting Entity) as amended by GASB Statement No. 61 defines the reporting entity as the primary government and its component units. The Department is the primary government. The

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

### A. Reporting Entity

continued

financial statements include all funds and account groups for which the Board is financially accountable. There are no entities that meet the criteria as a component unit of the Department.

### B. Government-wide Financial Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. Governmental activities are supported by contributions from Brazos County, City of Bryan, City of College Station, grants awarded by the Texas Department of State Health Services (DSHS), revenues received from the Texas Health and Human Services Commission for the Medicaid transformation waiver programs and charges for services.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### C. Fund Level Financial Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Department considers revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Grants and entitlement revenues are susceptible to accrual. Encumbrances are used during the year and all outstanding encumbrances lapse at the end of each fiscal year. All governmental funds are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

**C. Fund Level Financial Statements****continued**

The Department's accounts are organized on the basis of one fund, which is considered to be a separate accounting entity. The operations of the fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of the fund's assets, liabilities, fund equity, revenues and expenditures or expenses. The Department reports the following fund:

General Fund - The General fund is the general operating fund of the Department. It is used to account for all financial resources. This fund includes all the available operating revenues and available grant funding. The fund accumulates reserves for future capital improvements and unforeseen catastrophic events.

**D. Cash And Cash Equivalents and Investments**

The Department defines all cash, money market accounts, and certificates of deposit that have an original maturity date of ninety days or less as cash or cash equivalents. Cash and cash equivalents are short term; liquid investments that may be converted to cash (see Note 3). The Department uses a pool method (in conjunction with Brazos County) to account for cash and cash equivalents. Equity in cash and cash equivalents and interest income from the cash pool is allocated to the participating funds on a monthly basis. The amount of the allocation is determined by calculating a ratio of each fund's equity in the pool to the total pool.

All Department funds must be on deposit with the Brazos County depository. The Board may instruct the Director to invest funds as provided by law. Investments are stated at fair value. At the end of the fiscal year, the Department did not have any invested funds.

**E. Capital Assets**

Capital assets include leasehold improvements, vehicles, machinery, furniture, equipment, and other systems that are used in operations and benefit more than a single fiscal period. Capital assets are defined by the Department as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Building improvements with an estimated cost to exceed \$100,000 are capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Other repairs and normal maintenance are not capitalized. Capital assets are depreciated over the useful lives of the assets or classes of assets on a straight-line basis as follows:

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**continued**

**E. Capital Assets**

**continued**

Buildings and improvements	20 - 40 years
Machinery and equipment	3 - 10 years
Leasehold improvements	5 years or term of the lease

**F. Compensated Absences**

All non-exempt employees except temporary employees may earn compensatory time based on the FLSA regulations. Compensatory time earned during the fiscal year must be used by the last pay period in September of each fiscal year so that no liability is accrued at year-end. Employees are entitled to receive accumulated vacation pay earned in a lump sum payment if their employment is terminated.

All employees except temporary employees are granted vacation benefits in varying annual amounts up to a maximum allowable accumulation of 240 hours per year. Sick leave benefits are earned by all employees except temporary employees at a rate up to 12 days per year and may be accumulated without limit. Sick leave benefits are recognized as they are used by the employees. In the event of termination, an employee is entitled to receive accumulated vacation pay but not the accumulated sick leave pay. Only half of the vacation hours accumulated from the previous year can be carried over but must be used first in the current year. The liability for accrued vacation pay is calculated at the end of the fiscal year and reported as “liabilities for compensated absences,” a current liability in the Department’s government-wide financial statements due to the fact that the accumulated vacation has an average maturity of less than one year.

**G. Fund Balances and Net Position**

The Brazos County Board of Health meets on a regular basis to manage and review cash financial activities and to ensure compliance with the established policies. It is the Department’s policy to fund current expenditures with current revenues. The Department strives to maintain a diversified and stable revenue stream to protect the Department from problematic fluctuations in any single revenue source and provide stability to the ongoing services. The Department’s highest level of decision-making authority resides in its Board of Health. The Board can commit and assign amounts as needed for specific purposes. It usually requires a special meeting or a resolution for the change in committed fund balance arrangements. The Department’s unassigned fund balance will be maintained to provide the department with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

The Department has implemented GASB 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” for its governmental fund. Under GASB 54, fund balances are required to be reported according to the following classifications:

**G. Fund Balances and Net Position**

continued

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned fund balance – Amounts that are constrained by the Department's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Such intent should be expressed by the Board of Health, or by an official to whom that authority has been given. Assignments made by the Board of Health or delegated official can occur during the budget process or throughout the year in the normal course of business. Constraints on the use of the assigned amounts can be removed with no formal action.

Unassigned fund balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

The Department currently uses the classifications of unassigned and nonspendable fund balance; however the Board may authorize amounts to be assigned for specific purposes at some future time. It is also authorized to commit amounts for specific purposes. The Board has set a policy to maintain a minimum fund balance of 25% of budgeted expenditures including all in-kind.

**Net Position Classifications**

The government-wide financial statements utilize a net position presentation. Net position represents the difference between all other elements in a statement of financial position and should be displayed in the components: net investment in capital assets; restricted; and unrestricted.

Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** **continued**

**G. Fund Balances and Net Position** **continued**

**Net Position Classifications** **continued**

Restricted – The restricted net position represents the difference between (1) non-capital assets which are restricted and (2) related liabilities. Noncapital assets are considered restricted only if the limitation is externally enforceable. Externally enforceable limitations result from constraints imposed by:

- Parties outside the government (grantors, donors, other governments);
- Constitutional provisions; or
- Enabling legislation (legislation that raises resources from external parties subject to a legally enforceable requirement that those resources “be used only for the specific purpose stipulated in the legislation”).

Unrestricted - Any portion of net position not already classified as either net investment in capital assets or restricted is automatically classified as unrestricted.

**NOTE 2 - BUDGETARY LEGAL COMPLIANCE**

Appropriations for total budget cannot exceed total resources, as forecasted by the Director of the Department, which will be available for the year. This is the legal level of control for the Department’s budget. Expenditures may not exceed budgeted appropriations at the fund level. Administrative control is maintained through the establishment of more detailed line-item budgets. Amendments increasing budget appropriations are restricted to those for “emergency expenditures, in case of grave public necessity, to meet unusual and unforeseen conditions that could not, by reasonably diligent thought and attention, have been included in the original budget.”

The Department establishes a budget for its General Fund. The budget is established on a classified basis. This report details compliance at the classified level. The Director monitors the budget at the required level of legal compliance and will not approve requisitions, purchase orders, or invoices unless appropriated funds are available within the departmental classification.

The budget for the General Fund is legally adopted on a basis consistent with GAAP (modified accrual basis). The Department employs an encumbrance accounting system as a method of accomplishing budgetary control. At year-end, open encumbrances are closed. The Department is required to re-appropriate the funds within the following year’s budget.

The Board must approve the original budget appropriations and subsequent amendments and adjustments. The Director is required to monitor the expenditures in comparison to that which has been appropriated. The following schedule details the changes in the original budget appropriations for the General Fund:

**ORIGINAL BUDGET AS AMENDED**

<b>Classification</b>	<b>Original</b>		
	<b>Budgeted Expenditures</b>	<b>Supplemental Appropriations</b>	<b>Original As Amended</b>
Salary and wages	\$ 1,483,227	\$ 6,443	\$ 1,489,670
Employee benefits	607,796	557	608,353
Departmental support	218,013	(3,804)	214,209
Repairs and maintenance	87,550	(12,496)	75,054
Minor acquisitions	30,000	8,002	38,002
Contract services	22,000	792	22,792
Professional services	154,820	2,590	157,410
Community contracts	133,980	-	133,980
Capital outlay	75,520	(2,084)	73,436
<b>TOTALS</b>	<b>\$ 2,812,906</b>	<b>\$ -</b>	<b>\$ 2,812,906</b>

In addition to the budget for internally generated funds, the Board also approves the anticipated support provided to the Department by member entities and DSHS during the fiscal year. Accordingly, the Department provides free services to member entities, state agencies, and indigents. In-Kind contributions received are included in the financial statements based on values provided by the contributing entities as follows:

**IN-KIND BUDGETARY SUPPORT SCHEDULE**

<b>Classification</b>	<b>Original</b>		
	<b>Budgeted Expenditures</b>	<b>Supplemental Appropriations</b>	<b>Original As Amended</b>
Salary and wages	\$ 418,122	\$ -	\$ 418,122
Departmental support	494,601	2,891	497,492
Minor acquisitions	-	-	-
Professional services	7,900	-	7,900
Facility & equipment rental	109,040	-	109,040
<b>TOTALS</b>	<b>\$ 1,029,663</b>	<b>\$ 2,891</b>	<b>\$ 1,032,554</b>

**NOTE 2 - BUDGETARY LEGAL COMPLIANCE**

**continued**

The In-Kind support provided to the Department by its member entities and DSHS during the fiscal year is included in the actual expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund. The actual support can be broken down as follows:

	<b>Brazos County</b>	<b>Bryan</b>	<b>College Station</b>	<b>DSHS</b>	<b>HHSC</b>	<b>Total</b>
<b><u>Monetary</u></b>	\$ 326,500	\$ 326,500	\$326,500	\$ 467,399	\$ 150,600	\$ 1,597,499
<b><u>In-Kind</u></b>						
Salary and wages	373,939	-	-	-	-	373,939
Departmental support	49,662	-	-	350,404	-	400,066
Professional services	8,254	-	-	-	-	8,254
Facility	108,000	-	4,320	-	-	112,320
<b>Subtotal In-Kind</b>	<b>539,855</b>	<b>-</b>	<b>4,320</b>	<b>350,404</b>	<b>-</b>	<b>894,579</b>
<b>TOTALS</b>	<b>\$ 866,355</b>	<b>\$ 326,500</b>	<b>\$330,820</b>	<b>\$ 817,803</b>	<b>\$ 150,600</b>	<b>\$ 2,492,078</b>

The Department received \$350,404 in immunization and pharmacy supplies from DSHS for the year. This amount is \$97,072 less than originally budgeted for 2014.

**NOTE 3 – CASH, CASH EQUIVALENTS AND TEMPORARY INVESTMENTS**

Chapter 2257 of the Texas Government Code, also known as the Public Funds Collateral Act, provides guidelines for the amount of collateral that is required to secure the deposit of public funds. It requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of the Federal Depository insurance (FDIC) available.

The Department deposits all funds received with the Brazos County Treasurer’s office. The Department, through an Inter-Local Agreement with Brazos County follows the same depository agreement used by Brazos County.

The Brazos County depository agreement with BB&T requires collateralization with a fair market value of at least 110% of County funds in excess of \$250,000 on deposit in the bank. At September 30, 2014, the carrying amounts of the Department’s deposits were \$1,919,369 reported as “Cash and Cash Equivalents” on the balance sheet.

The Department is authorized (by the Texas Public Funds Investment Act, Texas Civil Statutes, and Article 842a-2, as amended) to purchase, sell, and invest its funds and funds under its control. At September 30, 2014, all Department funds were deposited in the County depository and are reflected on the financial statements as cash.

## NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

	Balance at October 1, 2013	Additions	Deletions	Balance at September 30, 2014
<u>Governmental activities:</u>				
Capital assets, being depreciated:				
Leasehold improvements	\$ 846,563	\$ -	\$ -	\$ 846,563
Building	48,000	-	-	48,000
Machinery and equipment	677,163	22,556	(61,357)	638,362
Total capital assets being depreciated	<u>1,571,726</u>	<u>22,556</u>	<u>(61,357)</u>	<u>1,532,925</u>
Less accumulated depreciation for:				
Leasehold improvements	(846,563)	-	-	(846,563)
Building	(14,400)	(2,400)	-	(16,800)
Machinery and equipment	(391,019)	(54,027)	61,357	(383,689)
Total accumulated depreciation	<u>(1,251,982)</u>	<u>(56,427)</u>	<u>61,357</u>	<u>(1,247,052)</u>
Total capital assets, being depreciated, net	<u>\$ 319,744</u>	<u>\$ (33,871)</u>	<u>\$ -</u>	<u>\$ 285,873</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Administration	\$ 3,981
Environmental	5,435
Bioterrorism Preparedness	39,510
Bioterrorism Discretionary	7,501
Total depreciation expense – governmental activities	<u>\$56,427</u>

## NOTE 5 - OPERATING LEASES

The Department has two operating leases currently in force that are not formal. The leases have no minimum annual lease requirement and are for office space. The leases are provided (in-kind) by District members: Brazos County, Texas, a facility with a fair market annual lease value of \$108,000; and the City of College Station, clinic office space with an annual lease value of \$4,320.

## NOTE 6 – OTHER LIABILITIES

### Compensated Absences

The cost of the Department’s liability for compensated absences is calculated at the end of the fiscal year based on the employee’s pay rate and the accumulated vacation hours earned but not taken. It is reported as a current liability in the financial statements due to the fact that the average maturity of the liability is less than one year.

The amount of compensated absences due within one year of the date of the Statement of Net Position of fiscal year 2014 is \$52,333. Changes in compensated absences in the governmental activities for the year ended September 30, 2014 were as follows:

	Balance at October 1, 2013	Earned	Taken/Paid	Balance at September 30, 2014
Governmental Activities	\$ 56,458	\$ 88,522	\$ (92,647)	\$ 52,333
Total	<u>\$ 56,458</u>	<u>\$ 88,522</u>	<u>\$ (92,647)</u>	<u>\$ 52,333</u>

## NOTE 7 – RISK MANAGEMENT

The Department participates in a workers’ compensation pool administered by the Texas Association of Counties along with Brazos County. The Texas Association of Counties handles claims adjusting and related administrative services for the program. Premiums are evaluated annually by position class code at actuarially determined rates. The County’s workers’ compensation program provides medical and indemnity payments as required by law for on-the-job related injuries and is accounted for by the use of departmental expenditures, based on a percentage of payroll.

The pool that the County and the Department participate in has reinsurance coverage for excess workers’ compensation and employer’s liability. The Department does not recognize any liability for outstanding losses for incurred but not reported claims. The Texas Association of Counties assumes this responsibility.

Brazos County has established a Health and Life Insurance Internal Service Fund to account for the costs associated with various health related insurance programs. The Department participates with the County through an Inter-Local Agreement. The Internal Service Fund of the County collects the premium payments from the County, the Department, the employee, and the retiree. The fund pays all claims and administrative fees. The Internal Service Fund has purchased reinsurance that provides a \$75,000 stop loss on an individual claim, and an aggregate at \$60,000 after the initial individual claim has reached the \$75,000. Funds are available to pay claims and have been reserved for such purpose.

## **NOTE 7 – RISK MANAGEMENT**

**continued**

The members of the Board are aware that the Department has risk of loss exposure to liability and accidental loss of real and personal property as well as human resources. Department operations involve a variety of high-risk activities. Management has been assigned the responsibility to identify, evaluate, and manage risk in an effort to reduce the liability and accidental loss of property and human services.

The Department employs risk financing activities to include the purchase of insurance for general liability, vehicle liability, and liability from property damage claims (provided by Brazos County). In addition, the property insurance, errors and omissions, and professional liability coverage carried by Brazos County support the Department. The Department supplements this coverage with crime and fidelity coverage. Any liability that arises from the operation of motorized equipment will be considered to fall within the confines of the Texas Tort Claims Act, and thereby limit the Department's exposure. At September 30, 2014, all claims against the Department had been paid or accrued for payment, or the Department's underwriter had accepted responsibility for the claim.

The Department has not made any significant reductions in insurance coverage from the previous fiscal year. No settlements exceeded insurance coverage for the past three fiscal years.

## **NOTE 8 - RETIREMENT PLAN**

### **Plan Description**

The Department, through participation with Brazos County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS or System). The Board of Trustees of the System is responsible for the administration of the statewide agent multiple-employer system consisting of over 500 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report includes the required six-year trend information. To obtain a copy send a written request for the CAFR to the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The Commissioners' Court of Brazos County adopts the plan provisions, within the options available in the Texas State statutes governing TCDRS (TCDRS Act). 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 accumulated contributions must be left in the plan. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the Department.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and Department-financed monetary credits. The governing body of Brazos County, within the actuarial constraints imposed by the TCDRS Act, adopts the level of these monetary credits. Therefore, the resulting benefits can be expected to be adequately financed by the Department's commitment to contribute. At retirement, death, or disability the benefit

**Plan Description**

**continued**

is calculated by converting the sum of the employee’s accumulated contributions and the Department-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS.

**Funding Policy**

Brazos County and the Department have elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The Plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. Brazos County and the Department contributed using the actuarially determined rate of 13.05% for three months and 14.00% for nine months of the fiscal year 2014. For 2014, the employer’s rate is anticipated to remain 14.00%. The employee’s member contribution rate remained at 7.00% for 2014.

**Annual Pension Cost**

For the Department’s fiscal year ending September 30, 2014, the Department’s annual pension cost for the TCDRS plan for its employees was \$181,758. The Department’s annual required contributions were \$181,758, and the Department’s actual contributions were \$181,758.

The annual required contributions for 2014 were actuarially determined as a percent of the covered payroll of the participating employees, and, was in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2011 and December 31, 2012, which is the basis for determining the contribution rate for calendar years 2013 and 2014 respectively. The December 31, 2013, actuarial valuation is the most recent valuation.

	<b><u>12/31/11</u></b>	<b><u>12/31/12</u></b>	<b><u>12/31/13</u></b>
Actuarial valuation date	Entry Age	Entry Age	Entry Age
Actuarial cost method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization method	17.2 years	15.0 years	13.4 years
Amortization period in years	SAF: 10yr smoothed value ESF: Fund value	SAF: 10yr smoothed value ESF: Fund value	SAF: 5yr smoothed value ESF: Fund value
Asset valuation method	Actuarial assumptions:		
	8.0%	8.0%	8.0%
Investment return	5.4%	5.4%	4.9%
Projected salary increases	3.5%	3.5%	3.0%
Inflation	0.0%	0.0%	0.0%
Cost-of-living adjustments			

**NOTE 8 - RETIREMENT PLAN**

continued

**Annual Pension Cost**

continued

**Trend Information for the Retirement Plan for the Employees of  
The Brazos County Health District**

<b><u>Fiscal</u></b> <b><u>Year</u></b> <b><u>Ending</u></b>	<b><u>Annual</u></b> <b><u>Pension Cost</u></b> <b><u>(APC)</u></b>	<b><u>Percentage</u></b> <b><u>of APC</u></b> <b><u>Contributed</u></b>	<b><u>Net</u></b> <b><u>Pension</u></b> <b><u>Obligation</u></b>
09/30/12	\$ 146,262	100%	None
09/30/13	\$ 167,091	100%	None
09/30/14	\$ 181,758	100%	None

**Schedule of Funding**

Actuarial Valuation Date	12/31/2013
Actuarial Value of Assets	\$ 112,699,150
Actuarial Accrued Liability (AAL)	\$ 136,403,762
Unfunded Actuarial Accrued Liability (UAAL)	\$ 23,704,612
Funded Ratio	82.62%
Annual Covered Payroll (Actuarial)	\$ 34,655,500
UAAL as Percentage of Covered Payroll	68.40%

The schedule of funding progress, presented as Required Supplementary Information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. This information is provided for all entities that participate in TCDRS through Brazos County. There is no breakout available for the Brazos County Health District.

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)****Post Employment Benefits**

The Department provides health care benefits as required by the Federal government under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”). COBRA requires employers that sponsor group health plans to provide continuation of group coverage to terminated employees and their dependents in circumstances where coverage would normally end. The election to be covered is at the request of the employee. The employee is

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**continued**

**Post Retirement Benefits**

**continued**

then required to pay the premium costs for themselves and their dependents. Expenditures are recognized as claims are submitted. COBRA participants are reimbursed at the same levels as active employees. At September 30, 2014, the Department had been fully reimbursed for costs related to COBRA participants.

The Department participates in the Brazos County Health and Life Insurance Program and the Texas County and District Retirement System. The policies for these programs are determined by the Brazos County Commissioners’ Court in accordance with Texas Local Government Code section 157.101. In conjunction with Brazos County, Texas, the Department began offering post-retirement health care benefits to certain retirees. Department policy allows employees to become eligible for post retirement health care benefits after meeting the service and retirement age requirements of the retirement plan. The post-retirement healthcare benefits include medical, dental and drug care benefits, all of which are provided through the self-insured healthcare plan. The benefit levels are the same as those afforded to active employees.

As of September 30, 2014, Membership consisted of:

Retirees and Beneficiaries Receiving Benefits	5
Active Employees	29
Total	<u>34</u>

**Funding Policy**

The Department follows the County, which uses the Health and Life Insurance Internal Service fund to liquidate the post-retirement benefit obligation. Local Government Code Section 157.102 assigns to Commissioners’ Court the authority to establish and amend contribution requirements of the plan members and the participating employers. The eligible retirees who retired prior to January 1, 2000 may pay a fixed premium amount to maintain coverage through the Department’s healthcare plan. Eligible retirees who were hired before August 30, 2011 and with eight or more years of cumulative service with the Department upon retirement are entitled to the Department’s subsidy and may pay the employee portion of the premium only to maintain coverage. Eligible retirees who were hired before August 30, 2011 but have less than eight years of cumulative service with the Department at retirement must pay the full premium to maintain coverage. Employees hired on or after August 30, 2011 must pay the full premiums to maintain coverage regardless of the years of service. Upon a retiree reaching 65 years of age, the Department’s healthcare plan becomes secondary automatically.

All healthcare benefits are provided through Brazos County’s self-insured health plan. The benefit levels are the same as those afforded to active employees. The Plan rates charged to retirees are set annually by the Brazos County Commissioners’ Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. The total estimated contributions for the year ended September 30, 2014 were \$23,129.

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)****continued****Funding Policy****continued**

Information and amounts presented in the County’s Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles (GASB 45) and does not constitute or imply that the County or the Department is legally obligated to provide OPEB benefits. A copy of the CAFR may be obtained from the Brazos County website at [www.co.brazos.tx.us](http://www.co.brazos.tx.us).

**Annual OPEB Costs and Net OPEB Obligation**

The Department’s annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The Department’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2014 were as follows:

Annual required contribution	\$	238,770
Add interest on net OPEB obligation		66,988
Less adjustment to annual required contribution		<u>(62,064)</u>
Annual OPEB cost		243,694
Less estimated contributions made		<u>(23,129)</u>
Change in net OPEB obligation		220,565
Net OPEB obligation beginning of the year		<u>1,488,633</u>
Net OPEB obligation end of the year	\$	<u><u>1,709,198</u></u>

The Department’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

**Trend Information**

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of	
			Annual OPEB Cost Contributed	Net Ending OPEB Obligation
9/30/2012	\$ 288,533	\$ 25,757	8.9%	\$ 1,217,573
9/30/2013	\$ 297,963	\$ 26,903	9.0%	\$ 1,488,633
9/30/2014	\$ 243,694	\$ 23,129	9.5%	\$ 1,709,198

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)****continued****Annual OPEB Costs and Net OPEB Obligation****continued**

The funded status of the plan as of January 1, 2014 (most recent actuarial valuation) was as follows:

Actuarial value of assets	-
Actuarial accrued liability (AAL)	2,331,024
Unfunded actuarial accrued liability (UAAL)	2,331,024
Funded ratio (actuarial value of plan assets /AAL)	0%
Covered payroll (active plan members)	1,067,104
UAAL as percentage of covered payroll	218.4%

**Funded Status and Funding Progress**

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions used in calculating the Department’s UAAL and ARC are elaborated later in this note. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trend and interest rates.

Significant methods and assumptions used for this fiscal year valuation were as follows:

Inflation rate	3.00% per annum
Investment rate of return	4.50% net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year, open amortization
Payroll growth	3.00% per annum
Healthcare cost trend rate	7.50% initial rate; 5.50% ultimate rate
Dental cost trend rate	4.50% per year

**Additional Disclosure**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the ARC of the retiree healthcare plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Deferred Compensation**

The Department participates with Brazos County, Texas in offering its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, as amended, is available to all Department employees, and permits them to defer a portion of their salary until future years. The Plan funds are not available to employees until termination, retirement, death, or emergency. Neither the Department nor Brazos County are the Plan administrator or the trustee, therefore the assets of the Plan are not a reportable fund within the Department's financial statements.

**NOTE 10 - CONTINGENT LIABILITIES**

The Department is not currently a defendant in any lawsuits, nor is the Department aware of any pending litigation. All outstanding issues were resolved by the end of the fiscal year and all had arisen in the normal course of the Department's operations.

The Department is self-insured for employee and dependent health insurance. The Department has completely funded all the current requirements related to current and future liabilities related to health insurance.

The Department receives various grants that are subject to audit and adjustment by the grantor agencies. Any disallowed expenditure will become a liability of the Department. The amount cannot be determined at this time, but the Department expects such amounts, if any, to be immaterial.

**NOTE 11 – COOPERATIVE AGREEMENT**

Annually, the Members of the Department enter a cooperative agreement, which provides that the members provide the Department with supplemental financial support for operations. The supplemental support allows the Department the financial capability to give adequate effect to the health services required in the jurisdiction.

**NOTE 11 – COOPERATIVE AGREEMENT**

**continued**

For the year ended September 30, 2014, the monetary support by jurisdiction was as follows:

<u>Entity</u>	<u>Budget</u>	<u>Actual</u>
Brazos County	\$ 326,500	\$ 326,500
City of Bryan	326,500	326,500
City of College Station	326,500	326,500
<b>TOTALS</b>	<u>\$ 979,500</u>	<u>\$ 979,500</u>

The Agreement also requires the Members of the Department to pay for actual health services provided to the jurisdictions. The agreement for the fiscal year ended September 30, 2014, includes a provision that any unencumbered funds at the end of the fiscal year are to be retained by the Department as “public health funds.” These funds are to be used by the Department in a manner equally beneficial to each of the parties. During the year ended September 30, 2014, the health service fees collected by the Department for each jurisdiction were as follows:

<u>Entity</u>	<u>Budget</u>	<u>Actual</u>
Brazos County	\$ 100,000	\$ 125,115
City of Bryan	175,000	203,712
City of College Station	200,000	234,568
<b>TOTALS</b>	<u>\$ 475,000</u>	<u>\$ 563,395</u>

In addition, the Department tests water samples for the Members and other State agencies at no charge. The value of the water analysis rendered for the year ended September 30, 2014, was as follows:

<u>Entity</u>	<u>Number Of Procedures</u>	<u>Value</u>
City of Bryan	563	\$ 8,445
City of College Station	634	9,510
<b>TOTALS</b>	<u>1,197</u>	<u>\$ 17,955</u>

**BRAZOS COUNTY HEALTH DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**



**BRAZOS COUNTY HEALTH DISTRICT  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>REVENUES</b>			
Intergovernmental			
Brazos County	\$ 907,647	\$ 910,538	\$ 866,355
City of Bryan	326,500	326,500	326,500
City of College Station	327,540	327,540	330,820
Texas Department of State Health Services	916,910	916,910	817,803
Texas Health and Human Services Commission	191,400	191,400	150,600
Program Revenue			
Health Service Fees	475,000	475,000	563,395
Clinic	135,000	135,000	115,490
Environmental	45,000	45,000	36,095
Laboratory	60,000	60,000	60,100
Interest	4,500	4,500	4,685
Other	3,500	3,500	9,302
<b>TOTAL REVENUES</b>	<u>3,392,997</u>	<u>3,395,888</u>	<u>3,281,145</u>
<b>EXPENDITURES</b>			
Salary and Wages	1,901,349	1,907,792	1,700,435
Employee Benefits	607,796	608,353	527,301
Departmental Support	712,614	711,701	518,888
Repairs and Maintenance	87,550	75,054	52,505
Minor Acquisitions	30,000	38,002	17,622
Contract Services	22,000	23,192	16,379
Facility	109,040	109,040	112,320
Professional Services	162,720	165,310	87,916
Community Contracts	133,980	133,980	62,526
Capital Outlay	75,520	73,436	22,556
<b>TOTAL EXPENDITURES</b>	<u>3,842,569</u>	<u>3,845,860</u>	<u>3,118,448</u>
<b>Net Change in Fund Balance</b>	(449,572)	(449,972)	162,697
<b>FUND BALANCE AT OCTOBER 1, 2013</b>	<u>1,721,782</u>	<u>1,721,782</u>	<u>1,721,782</u>
<b>FUND BALANCE AT SEPTEMBER 30, 2014</b>	<u>\$ 1,272,210</u>	<u>\$ 1,271,810</u>	<u>\$ 1,884,479</u>

**BRAZOS COUNTY HEALTH DISTRICT**  
 Required Supplementary Information  
 Texas County and District Retirement System\*  
 Schedule of Funding Progress  
 September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll (1)	UAAL as a Percentage of Covered Payroll
12/31/11	94,715,323	117,217,228	22,501,905	80.80%	32,919,781	68.35%
12/31/12	102,131,870	126,193,283	24,061,413	80.93%	33,042,909	72.82%
12/31/13	112,699,150	136,403,762	23,704,612	82.62%	34,655,500	68.42%

(1) The annual covered payroll is based on the employer contributions received by TCDRS for the year ending with the valuation date.

\* Note this information is provided for all entities that participate in TCDRS through Brazos County. No breakout is available for the Brazos County Health District.

**BRAZOS COUNTY HEALTH DISTRICT**  
 Required Supplementary Information  
 Other Post Employment Benefits  
 Schedule of Funding Progress  
 September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	-	2,323,622	2,323,622	0.00%	1,191,351	195.0%
1/1/2012	-	2,323,622	2,323,622	0.00%	1,191,351	195.0%
1/1/2014	-	2,331,024	2,331,024	0.00%	1,067,104	218.4%

**BRAZOS COUNTY HEALTH DISTRICT  
STATISTICAL SECTION**





**BRAZOS COUNTY HEALTH DISTRICT**  
**COMPARATIVE ANALYSIS OF DIVISIONAL EXPENSES**  
**For The Twelve Month Period Ended September 30, 2014**  
**With Comparative Totals for Years Ended September 30, 2012 and 2013**  
**(Unaudited)**

<u>Expenditures</u>	<u>Administration</u>	<u>Environmental</u>	<u>Clinic</u>	<u>Lab</u>	<u>Immunization</u>	<u>Regional Health</u>	<u>HHSC Med Records</u>	<u>HHSC HIV Testing</u>
Salary and Wages	\$ 187,857	\$ 428,633	\$ 148,020	\$ 62,196	\$ 255,709	\$ 96,809	\$ --	\$ --
Employment Benefits	91,521	180,615	50,642	20,717	94,299	39,379	--	--
Departmental Support	21,128	8,440	7,087	28,324	13,976	22,763	--	9,269
Repairs & Maintenance	27,384	16,459	20	--	--	--	--	--
Minor Acquisition	16,229	--	--	--	--	1,393	--	--
Contract Services	10,152	400	--	5,407	--	420	--	--
Facility	--	--	--	--	--	--	--	--
Professional Services	13,987	975	40,775	16,163	--	--	--	--
Community Contracts	--	--	--	--	--	--	51,182	11,344
Capital Outlay	--	22,556	--	--	--	--	--	--
<b>TOTALS</b>	<b><u>\$ 368,258</u></b>	<b><u>\$ 658,078</u></b>	<b><u>\$ 246,544</u></b>	<b><u>\$ 132,807</u></b>	<b><u>\$ 363,984</u></b>	<b><u>\$ 160,764</u></b>	<b><u>\$ 51,182</u></b>	<b><u>\$ 20,613</u></b>
<b>For the Year Ended:</b>								
September 30, 2013	<b><u>\$ 394,190</u></b>	<b><u>\$ 616,887</u></b>	<b><u>\$ 242,655</u></b>	<b><u>\$ 135,317</u></b>	<b><u>\$ 384,614</u></b>	<b><u>\$ 170,045</u></b>	<b><u>\$ --</u></b>	<b><u>\$ --</u></b>
September 30, 2012	<b><u>\$ 354,054</u></b>	<b><u>\$ 601,416</u></b>	<b><u>\$ 231,518</u></b>	<b><u>\$ 145,062</u></b>	<b><u>\$ 343,836</u></b>	<b><u>\$ 155,079</u></b>	<b><u>\$ --</u></b>	<b><u>\$ --</u></b>

<b>Bioterrorism Preparedness</b>	<b>Bioterrorism Discretionary</b>	<b>Tuberculosis</b>	<b>Totals</b>	<b>In-Kind Support</b>			<b>Health District Totals</b>
				<b>Brazos County</b>	<b>City of College Station</b>	<b>Department of State Health Services</b>	
\$ 99,482	\$ --	\$ 47,790	\$ 1,326,496	\$ 373,939	\$ --	\$ --	\$ 1,700,435
30,964	--	19,164	527,301	--	--	--	527,301
2,877	--	4,958	118,822	49,662	--	350,404	518,888
8,642	--	--	52,505	--	--	--	52,505
--	--	--	17,622	--	--	--	17,622
--	--	--	16,379	--	--	--	16,379
--	--	--	--	108,000	4,320	--	112,320
--	--	7,762	79,662	8,254	--	--	87,916
--	--	--	62,526	--	--	--	62,526
--	--	--	22,556	--	--	--	22,556
<u>\$ 141,965</u>	<u>\$ --</u>	<u>\$ 79,674</u>	<u>\$ 2,223,869</u>	<u>\$ 539,855</u>	<u>\$ 4,320</u>	<u>\$ 350,404</u>	<u>\$ 3,118,448</u>
<u>\$ 157,194</u>	<u>\$ 45,000</u>	<u>\$ 74,874</u>	<u>\$ 2,220,776</u>	<u>\$ 565,914</u>	<u>\$ 4,500</u>	<u>\$ 404,301</u>	<u>\$ 3,195,491</u>
<u>\$ 147,273</u>	<u>\$ --</u>	<u>\$ 68,333</u>	<u>\$ 2,046,571</u>	<u>\$ 299,861</u>	<u>\$ 1,040</u>	<u>\$ 447,476</u>	<u>\$ 2,794,948</u>

**BRAZOS COUNTY HEALTH DISTRICT  
COMPARATIVE ANALYSIS OF GRANT FUNDING SUPPORT  
DEPARTMENT OF STATE HEALTH SERVICES  
For The Twelve Month Period Ended August 31, 2014  
(Unaudited)**

<b>Expenditures</b>	<b>DSHS Program: PPCPS/HAZARDS</b>			<b>DSHS Program: RLSS/LPHS</b>		
	<b>DSHS Budget</b>	<b>DSHS Expense Support</b>	<b>Department Expense Support</b>	<b>DSHS Budget</b>	<b>DSHS Expense Support</b>	<b>Department Expense Support</b>
Personnel	\$ 94,002	\$ 92,247	\$ --	\$ 76,836	\$ 76,836	\$ 12,792
Fringe Benefits	28,191	28,609	--	31,509	31,509	5,646
Travel	--	26	--	--	--	942
Equipment	--	--	--	--	--	1,394
Supplies	1,495	--	--	--	--	677
Contractual	--	--	--	--	--	--
Other	10,093	11,682	--	--	--	15,202
<b>TOTALS</b>	<b>\$ 133,781</b>	<b>\$ 132,564</b>	<b>\$ --</b>	<b>\$ 108,345</b>	<b>\$ 108,345</b>	<b>\$ 36,653</b>

<b>Expenditures</b>	<b>DSHS Program: IMM/LOCALS</b>			<b>DSHS Program: TB/PC Federal</b>		
	<b>DSHS Budget</b>	<b>DSHS Expense Support</b>	<b>Department Expense Support</b>	<b>DSHS Budget</b>	<b>DSHS Expense Support</b>	<b>Department Expense Support</b>
Personnel	\$ 127,772	\$ 129,555	\$ 23,337	\$ 15,009	\$ 12,886	\$ 770
Fringe Benefits	52,923	51,140	--	6,217	5,045	--
Travel	--	--	1,082	--	--	330
Equipment	--	--	462	--	--	--
Supplies	--	--	7,990	--	--	161
Contractual	--	--	--	--	--	--
Other	--	--	460	--	--	6,918
<b>TOTALS</b>	<b>\$ 180,695</b>	<b>\$ 180,695</b>	<b>\$ 33,331</b>	<b>\$ 21,226</b>	<b>\$ 17,931</b>	<b>\$ 8,179</b>

<b>Expenditures</b>	<b>DSHS Program: TB/PC State</b>		
	<b>DSHS Budget</b>	<b>DSHS Expense Support</b>	<b>Department Expense Support</b>
Personnel	\$ 17,951	\$ 18,281	\$ 445
Fringe Benefits	7,436	7,106	--
Travel	--	--	798
Equipment	--	--	--
Supplies	--	--	1
Contractual	--	--	--
Other	--	--	3,139
<b>TOTALS</b>	<b>\$ 25,387</b>	<b>\$ 25,387</b>	<b>\$ 4,383</b>

**BRAZOS COUNTY HEALTH DISTRICT**  
**FUNCTIONAL DEMOGRAPHICS - INTERNAL PROCEDURES**  
**Service Area and Activity**  
**(Unaudited)**

<b>Activity</b>		<b>For The Years Ended September 30,</b>				<b>2010</b>
		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	
<b>Personal Health Services</b>	Immunizations and Inoculations	6,958	7,854	9,936	14,337	21,968
	TB Tests	210	1,059	1,032	1,236	1,303
	STD Clinic	865	1,598	1,644	1,641	1,593
	Home Visits	78	207	110	83	159
<b>Environmental Health Services</b>	Inspections:					
	Restaurant	1,424	2,733	2,560	2,671	2,417
	Child Care	45	95	90	88	98
	Septic Systems	235	566	663	550	557
	Swimming Pools	--	5	16	11	7
	Substandard Building	3	8	--	9	9
	Subdivision Reviews	12	15	3	9	14
	TCEQ Applications	116	257	268	237	240
	Foodhandlers Registered	742	1,546	1,845	2,069	2,415
	Complaints	142	408	411	435	528
Letters Issued	350	909	1,984	2,219	2,545	
<b>Laboratory Services</b>	Water Samples Tested	2,995	6,231	6,353	7,351	6,844
	STD Testing	3,010	5,405	5,805	6,738	6,235
<b>TOTALS</b>		<b>17,185</b>	<b>28,896</b>	<b>32,720</b>	<b>39,684</b>	<b>46,932</b>



# **COMPLIANCE REPORTS**





## Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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

Brazos County Board of Health  
Brazos County Health District  
Bryan, 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 and the general fund of the Brazos County Health District (the "Department") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated February 16, 2015.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 Department's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## 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.

*Dunham, Walker & Company*

Bryan, Texas  
February 16, 2015



BRAZOS COUNTY HEALTH DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

N/A

