

BRAZOS COUNTY, TEXAS HEALTH DISTRICT

**Financial Statements
September 30, 2016**



Prepared by:

Katie Conner, C.P.A.
County Auditor

Ken E. Bost
Director



BRAZOS COUNTY HEALTH DISTRICT
For the Year Ended September 30, 2016

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund.....	11
Reconciliation of Balance Sheet – Governmental Fund to	
Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance	
- Governmental Fund	13
Reconciliation of Changes in Fund Balance – Governmental Fund to	
Changes in Net Position – Governmental Activities	14
Notes to the Basic Financial Statements.....	15-37
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
- Budget and Actual	38
Other Post Employment Benefits Schedule of Funding Progress.....	39
Schedule of Changes in the Department's Net Pension Liability and.....	
Related Ratios	40
Schedule of Department Contributions.....	41
Statistical Section.....	42-46
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 <i>Government Auditing Standards</i> ..	47-48
Schedule of Findings and Questioned Costs	
For the Year Ended September 30, 2016.....	49
Status of Prior Year Findings and Questioned Costs	
For the Year Ended September 30, 2016.....	50





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, 2016, 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, 2016, 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.

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 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, pension plan information, and other post employment benefits information on pages 3-8 and 38-41 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, 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
March 16, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

For the Year Ended September 30, 2016

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, 2016. Please read the MD&A in conjunction with the Department's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The total government-wide liabilities (and deferred inflows of resources) of the Department exceeded the assets (and deferred outflows of resources) at September 30, 2016 by \$935,258, and are reported as a net deficit of the primary government.
- As of September 30, 2016, the Department governmental fund reported fund balance of \$1,590,359, 99.73% of which is available to meet the Department's current and future needs (unassigned fund balance). The remaining 0.27% is nonspendable for prepaid expenses. The fund balance represents 42% 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, liabilities, and deferred inflows/outflows of resources, with the difference 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, infectious disease, tuberculosis services, regional health programs, bioterrorism preparedness and discretionary programs 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 15-37 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 Other Post Employment Benefits and the pension related schedules required by GASB 68. Required supplementary information can be found on pages 38-41 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, liabilities (and deferred inflows of resources) exceeded assets (and deferred outflows of resources) by \$935,258 at the close of the most recent fiscal year. Comparative information for fiscal year 2015 and 2016 is presented in the following table.

Brazos County Health District
MD&A – For Year Ended September 30, 2016 (Continued)

Condensed Statement of Net Position
September 30, 2016
With Comparative Totals September 30, 2015

	2016	2015
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Current assets	\$ 1,704,940	\$ 1,981,668
Capital assets	<u>251,216</u>	<u>263,020</u>
Total assets	1,956,156	2,244,688
Deferred Outflows of Resources	<u>780,780</u>	<u>206,454</u>
Total Deferred Outflows of Resources	780,780	206,454
Current liabilities	183,515	211,890
Other liabilities	<u>3,419,364</u>	<u>2,547,888</u>
Total liabilities	3,602,879	2,759,778
Deferred Inflows of Resources	<u>69,315</u>	<u>16,716</u>
Total Deferred Inflows of Resources	69,315	16,716
Net position (deficit):		
Net investment in capital assets	251,216	263,020
Unrestricted	<u>(1,186,474)</u>	<u>(588,372)</u>
Total net position (deficit)	<u>\$ (935,258)</u>	<u>\$ (325,352)</u>

The Department has a current fiscal year investment of \$251,216 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. This amount reflects a \$11,804 decrease in the balance of capital assets net of accumulated depreciation from the previous fiscal year.

The remaining balance of the Department’s current fiscal year net deficit represents unrestricted net deficit, which is a \$598,102 increase from the previous fiscal year ending September 30, 2015.

Brazos County Health District
MD&A – For Year Ended September 30, 2016 (Continued)

At the end of the current fiscal year, the Department reported a decrease of net position in its governmental activities. The principal component of this decrease (\$609,906) can be attributed to the OPEB Obligation accrued for the year per GASB 45.

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

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 812,518	\$ 795,857
Operating grants and contributions	1,167,792	971,707
General revenues:		
Funding from Brazos County	920,308	830,432
Funding from City of Bryan	326,500	326,500
Funding from City of College Station	331,000	331,000
Unrestricted investment earnings	4,315	4,890
Miscellaneous	4,509	1,540
Total revenues	<u>3,566,942</u>	<u>3,261,926</u>
Expenses:		
Administration	555,142	512,493
Environmental	1,116,177	900,232
Clinic	376,450	339,491
Lab	222,771	195,123
Immunization	1,083,098	995,489
Infectious Disease	80,297	-
Regional health	236,013	204,714
Bioterrorism preparedness	221,209	221,959
Bioterrorism discretionary	30,367	8,939
Tuberculosis	117,970	104,831
Medical records	112,496	31,989
HIV testing	24,858	14,925
Total expenses	<u>4,176,848</u>	<u>3,530,185</u>
Change in net position (deficit)	(609,906)	(268,259)
Net position (deficit) - beginning	(325,352)	(57,093)
Impact of change in accounting principle	-	-
Net position (deficit) - ending	<u>\$ (935,258)</u>	<u>\$ (325,352)</u>

In fiscal year 2016, the Department's revenues increased by \$305,016 (9.35%). A higher indirect cost rate percentage for the County resulted in the amount of revenue funded by the

County increasing by \$89,876. This increase was further the result of an increase in service revenues of \$16,661 and operating grant contributions of \$196,085.

For the year ended September 30, 2016, the increase in expenses for the Department of \$646,663 was due to an increase in salary and benefits, as well as, an increase in the expenses for the Medicaid transformation waiver programs from HHSC.

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, 2016, the Department's general fund reported fund balances of \$1,590,359, a decrease of \$230,207 in comparison with the prior year. 99.73% of the fund balance constitutes unassigned fund balance, which is available to meet the Department's current and future needs. The remaining 0.27% is nonspendable for prepaid expenses.

There was an increase of \$297,284 in revenues for FY 2016. The total funding from the Department of State Health Services increased by \$111,023; along with an increase of \$85,062 in revenues from Health and Human Services for the Medicaid transformation waiver programs. The Medicaid transformation waiver programs that began in FY 2013 will continue through FY 2017.

An increase in salary and benefits by the Department and in-kind funding from the Department of State Health Services contributed to the increase in expenditures for FY 2016 of \$463,578.

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 FY2015 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 FY2016 was 22.09%.

At the end of the fiscal year, actual revenues were \$126,879 more than the final amended budgeted amount (which includes all in-kind support).

At the end of the fiscal year, actual expenditures were \$245,255 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, 2016, amounted to \$251,216 (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 \$11,804 or 4.5%. The decrease was due to depreciation expense of \$40,866 offset by the purchase of a vehicle for the Environmental division and equipment for the Hazards division.

ECONOMIC FACTORS

The Brazos County Board of Health ("the Board") adopted the 2016-2017 budget on September 26, 2016. The budget was adopted based on estimated balances that would be available at the end of fiscal year 2016 and estimated revenues to be received in fiscal year 2017. The Board considered the following factors:

- In-Kind support from DSHS and Brazos County is projected to be higher for 2017.
- The contribution from Brazos County, City of College Station, and City of Bryan are expected to remain unchanged.
- Revenues from HHSC for the Medicaid transformation waiver programs are projected to be higher for 2017.

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, 2016**

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 1,549,269
Prepaid expenditures	4,301
Receivables:	
Texas Department of State Health Services	61,733
Texas Health and Human Services Commission	80,300
Other	9,337
Total Current Assets	1,704,940
Noncurrent Assets:	
Capital assets:	
Leasehold improvements	846,563
Buildings	48,000
Machinery and equipment	672,921
Less: Accumulated depreciation	(1,316,268)
Total Noncurrent Assets	251,216
Total Assets	1,956,156
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions after the measurement date	166,916
Difference between projected and actual earnings on pension plan	530,284
Change in assumptions or inputs	61,090
Change in pension allocated share	22,490
Total Deferred Outflows of Resources	780,780
LIABILITIES	
Current Liabilities:	
Accounts payable	70,646
Accrued salaries and benefits	43,935
Compensated absences	68,934
Total Current Liabilities	183,515
Noncurrent Liabilities	
Due in more than one year	3,419,364
Total Noncurrent Liabilities	3,419,364
Total Liabilities	3,602,879
DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual pension experience	69,315
Total Deferred Inflows of Resources	69,315
NET POSITION (DEFICIT)	
Net investment in capital assets	251,216
Unrestricted	(1,186,474)
Total Net Position (Deficit)	\$ (935,258)

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

**BRAZOS COUNTY HEALTH DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016**

<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>	
Primary Government				
Governmental activities:				
Administration	\$ 555,142	\$ --	\$ --	\$ (555,142)
Environmental	1,116,177	608,282	--	(507,895)
Clinic	376,450	51,023	--	(325,427)
Lab	222,771	78,750	--	(144,021)
Immunization	1,083,098	62,338	676,267	(344,493)
Infectious Disease	80,297	--	54,464	(25,833)
Regional Health	236,013	--	91,482	(144,531)
Bioterrorism Preparedness	221,209	--	134,941	(86,268)
Bioterrorism Discretionary	30,367	--	22,815	(7,552)
Tuberculosis	117,970	12,125	46,473	(59,372)
Medical Records	112,496	--	108,000	(4,496)
HIV Testing	24,858	--	33,350	8,492
Total	<u>\$ 4,176,848</u>	<u>\$ 812,518</u>	<u>\$ 1,167,792</u>	<u>(2,196,538)</u>

General revenues:

Funding from Brazos County	920,308
Funding from City of Bryan	326,500
Funding from City of College Station	331,000
Unrestricted investment earnings	4,315
Miscellaneous	4,509
Total general revenues	<u>1,586,632</u>

Change in net position (deficit)	(609,906)
Net position (deficit) - beginning	<u>(325,352)</u>
Net position (deficit) - ending	<u>\$ (935,258)</u>

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

**BRAZOS COUNTY HEALTH DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2016**

	Total Governmental Fund
ASSETS	
Cash	\$ 1,549,269
Prepaid Expenditures	4,301
Receivables:	
Texas Department of State Health Services	61,733
Texas Health and Human Services Commission	80,300
Other	9,337
TOTAL ASSETS	\$ 1,704,940
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 70,646
Accrued Salaries and Benefits	43,935
Total Liabilities	114,581
Fund Balance	
Nonspendable	4,301
Unassigned	1,586,058
Total Fund Balance	1,590,359
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,704,940

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, 2016**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance--governmental fund		\$ 1,590,359
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		251,216
Deferred outflows of resources represent a consumption of net position that applies to future periods and therefore will not be recognized as an outflow of resources until then.		
Difference Between Projected and Actual Earnings on Pension Plan	530,284	
Pension Contributions After the Measurement Date	166,916	
Change in assumptions or inputs	61,090	
Change in pension allocated share	22,490	
		780,780
Liabilities for compensated absences are due within one year, but are not reported as liabilities in the funds.		(68,934)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:		
OPEB Obligation		(2,248,846)
Net Pension Liability		(1,170,518)
Deferred inflows of resources represent an acquisition of net position that applies to future periods and therefore will not be recognized as an inflow of resources until then. Deferred inflows of resources are not reported in the governmental funds:		
Differences Between Expected and Actual Pension Experience		(69,315)
Total net position--governmental activities		\$ (935,258)

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, 2016**

	Total Governmental Fund
REVENUES	
Intergovernmental	
Brazos County	\$ 920,308
City of Bryan	326,500
City of College Station	331,000
Texas Department of State Health Services	1,026,442
Texas Health and Human Services Commission	141,350
Program Income	
Health Service Fees	583,477
Clinic	125,486
Environmental	24,805
Laboratory	78,750
Interest	4,315
Other	4,509
TOTAL REVENUES	3,566,942
 EXPENDITURES	
Salary and Wages	1,933,510
Employee Benefits	664,284
Departmental Support	670,862
Repairs and Maintenance	21,275
Minor Acquisitions	28,647
Contract Services	88,640
Facility	191,381
Professional Services	108,220
Community Contracts	61,268
Capital Outlay	29,062
TOTAL EXPENDITURES	3,797,149
Net Change in Fund Balance	(230,207)
FUND BALANCE, BEGINNING OF YEAR	1,820,566
FUND BALANCE, END OF YEAR	\$ 1,590,359

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, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances--governmental fund	\$	(230,207)
<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.</p>		
Capital outlay	29,062	
Depreciation expense	<u>(40,866)</u>	(11,804)
<p>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.</p>		
		(18,146)
<p>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.</p>		
		(331,295)
<p>The net pension liability per GASB 68 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.</p>		
		<u>(18,454)</u>
Change in net position of governmental activities	\$	<u>(609,906)</u>

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, 2016**

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. Implementation of New Standards

In fiscal year 2016, the Department evaluated and implemented the following new standards:

GASB Statement No. 72, "Fair Value Measurement and Application", provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. Implementation of GASB 72 did not have a significant impact on the Department's financial statements for the year ended September 30, 2016.

GASB Statement No.73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", improves financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. Implementation of GASB 73 did not have a significant impact on the Department's financial statements for the year ended September 30, 2016.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", establishes the hierarchy of GAAP for state and local governments. Implementation of GASB 76 did not have a significant impact on the Department's financial statements for the year ended September 30, 2016.

E. 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.

E. Cash and Cash Equivalents and Investments

continued

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.

F. 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:

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

G. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department has the following items that qualify for reporting in this category.

- Difference between projected and actual earnings on pension plan – This difference is deferred and amortized over a closed five year period.
- Changes of assumptions about future economic or demographic factors or of other inputs – This difference is deferred and amortized over a closed five year period.
- Change in pension allocated share – This change results from the disaggregation of the

G. Deferred Inflows/Outflows of Resources**continued**

aggregated County results. It is deferred and recognized over a closed five year period.

- Pension contributions after the measurement date – These contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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. The Department has the following item that qualifies for reporting in this category.

- Difference between expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

H. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows of resources and deferred inflows of resources, and pension expense, Department specific information about its fiduciary net position in the Texas County and District Retirement System (“TCDRS”) and additions to/deductions from the Department’s fiduciary net position have been determined on the same basis as they are reported by TCDRS, administrator of the statewide agent multiple-employer pension plan system. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. 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. Information regarding the Department’s total pension liability is obtained from TCDRS through a report prepared for the Department by TCDRS consulting actuary, Milliman, Inc., in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

I. 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

I. Compensated Absences

continued

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.

J. Fund Balances and Net Position*Fund Balance Classifications*

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:

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.

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

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.

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.”

NOTE 2 - BUDGETARY LEGAL COMPLIANCE**continued**

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			
Classification	Original Budgeted Expenditures	Supplemental Appropriations	Original As Amended
Salary and wages	\$ 1,665,001	\$ (1,200)	\$ 1,663,801
Employee benefits	740,656	1,200	741,856
Departmental support	310,604	(12,755)	297,849
Repairs and maintenance	72,538	(30,790)	41,748
Minor acquisitions	38,155	4,385	42,540
Contract services	84,650	10,735	95,385
Professional services	106,500	24,330	130,830
Community contracts	106,652	-	106,652
Capital outlay	25,000	4,095	29,095
TOTALS	\$ 3,149,756	\$ -	\$ 3,149,756

NOTE 2 - BUDGETARY LEGAL COMPLIANCE

continued

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

Classification	Original Budgeted Expenditures	Supplemental Appropriations	Original As Amended
Salary and wages	\$ 367,799	\$ -	\$ 367,799
Departmental support	401,529	(1,012)	400,517
Professional services	11,000	1,012	12,012
Facility & equipment rental	112,320	-	112,320
TOTALS	\$ 892,648	\$ -	\$ 892,648

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:

	Brazos County	Bryan	College Station	DSHS	HHSC	Total
<u>Monetary</u>	\$ 326,500	\$ 326,500	\$326,500	\$ 539,900	\$ 141,350	\$1,660,750
<u>In-Kind</u>						
Salary and wages	349,834	-	-	-	-	349,834
Departmental support	45,081	-	-	486,542	-	531,623
Professional services	12,012	-	-	-	-	12,012
Facility	186,881	-	4,500	-	-	191,381
Subtotal In-Kind	593,808	-	4,500	486,542	-	1,084,850
TOTALS	\$ 920,308	\$ 326,500	\$331,000	\$1,026,442	\$ 141,350	\$2,745,600

The Department received \$486,542 in immunization and pharmacy supplies from DSHS for the year. This amount is \$136,138 more than originally budgeted for 2016.

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, 2016, the carrying amounts of the Department’s deposits were \$1,549,269 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, 2016, 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, 2016 was as follows:

	Balance at October 1, 2015	Additions	Deletions	Balance at September 30, 2016
<u>Governmental activities:</u>				
Capital assets, being depreciated:				
Leasehold improvements	\$ 846,563	\$ -	\$ -	\$ 846,563
Building	48,000	-	-	48,000
Machinery and equipment	650,994	29,062	(7,135)	672,921
Total capital assets being depreciated	<u>1,545,557</u>	<u>29,062</u>	<u>(7,135)</u>	<u>1,567,484</u>
Less accumulated depreciation for:				
Leasehold improvements	(846,563)	-	-	(846,563)
Building	(19,200)	(2,400)	-	(21,600)
Machinery and equipment	(416,774)	(38,466)	7,135	(448,105)
Total accumulated depreciation	<u>(1,282,537)</u>	<u>(40,866)</u>	<u>7,135</u>	<u>(1,316,268)</u>
Total capital assets, being depreciated, net	<u>\$ 263,020</u>	<u>\$ (11,804)</u>	<u>\$ -</u>	<u>\$ 251,216</u>

NOTE 4 – CAPITAL ASSETS

continued

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Administration	\$ 3,821
Environmental	9,282
Bioterrorism Preparedness	18,398
Bioterrorism Discretionary	<u>9,365</u>
Total depreciation expense – governmental activities	<u><u>\$40,866</u></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 \$186,881; and the City of College Station, clinic office space with an annual lease value of \$4,500.

NOTE 6 – 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 2016 is \$68,934. Changes in compensated absences in the governmental activities for the year ended September 30, 2016 were as follows:

	Balance at October 1, 2015	Earned	Taken/Paid	Balance at September 30, 2016
Governmental Activities	\$ 50,788	\$ 111,302	\$ (93,156)	\$ 68,934
Total	<u>\$ 50,788</u>	<u>\$ 111,302</u>	<u>\$ (93,156)</u>	<u>\$ 68,934</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.

NOTE 7 – RISK MANAGEMENT

continued

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 \$100,000 stop loss on an individual claim, and an aggregate at \$60,000 after the initial individual claim has reached the \$100,000. Funds are available to pay claims and have been reserved for such purpose.

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 practices risk management activities to include the purchase of insurance for general liability and liability from property damage claims. Vehicle liability is 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, 2016, 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 - PENSION 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.

Plan Description

continued

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.

Benefits Provided

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. Retirement benefits are based on the members’ final account balance and employer matching. Current employer matching is 225%. Members who withdraw their personal contributions in a lump sum are not entitled to any employer matching. Disability retirement benefits are determined in the same manner as retirement benefits. Death benefits are available to the beneficiaries of the members with four or more years of service. Cost-of-living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date are at the discretion of the County Commissioners’ Court.

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 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.

Employees Covered by Benefit Terms

At September 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>32</u>
	48

Contributions

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. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Contributions

continued

The Department is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Brazos County and the Department contributed using the actuarially determined rate of 14.00% for fiscal year 2016 and is anticipated to remain at 14.00% for 2017. The employee’s member contribution rate remained at 7.00% for 2015. Contributions to the pension plan from the Department were \$221,704 for the year ended September 30, 2016.

Net Pension Liability

The Department’s net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 percent, including inflation
Investment rate of return	8.1 percent

In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used.

All other actuarial assumptions used in the December 31, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

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 building-block method allows the development of the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of geometric real rates of return for each major asset class are summarized in the following table:

NOTE 8 – PENSION PLAN**continued****Net Pension Liability****continued**

<u>Asset Class</u>	<u>Target Allocation(1)</u>	<u>Geometric Real Rate of Return (Expected - Inflation)(2)</u>
US Equities	14.50%	5.45%
Private Equity	14.00%	8.45%
Global Equities	1.50%	5.75%
International Equities - Developed	10.00%	5.45%
International Equities - Emerging	8.00%	6.45%
Investment-Grade Bonds	3.00%	1.00%
High-Yield Bonds	3.00%	5.10%
Opportunistic Credit	2.00%	5.09%
Direct Lending	5.00%	6.40%
Distressed Debt	3.00%	8.10%
REIT Equities	3.00%	4.00%
Master Limited Partnerships (MLPs)	3.00%	6.80%
Private Real Estate Partnerships	5.00%	6.90%
Hedge Funds	25.00%	5.25%
	100.00%	

(1) Target asset allocation adopted at the April 2016 TCDRS meeting.

(2) Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 capital market assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 8.10 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Department contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 – PENSION PLAN

continued

Net Pension Liability

continued

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		Net Pension Liability / (Asset) (a) – (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balances as of December 31, 2014	\$ 6,634,995	\$ 6,004,658	\$ 630,337
Changes for the year:			
Service cost	211,535	-	211,535
Interest on total pension liability	562,710	-	562,710
Effect of plan changes	(42,724)	-	(42,724)
Effect of economic/demographic gains or losses	(70,214)	-	(70,214)
Effect of assumptions changes or inputs	76,363	-	76,363
Refund of contributions	(16,773)	(16,773)	-
Benefit payments	(246,779)	(246,779)	-
Change in pension allocated share	-	(30,500)	30,500
Administrative expenses	-	(4,519)	4,519
Member contributions	-	104,206	(104,206)
Net investment income	-	(81,668)	81,668
Employer contributions	-	205,969	(205,969)
Other	-	4,001	(4,001)
Net Changes	474,118	(66,063)	540,181
Balances as of December 31, 2015	\$ 7,109,113	\$ 5,938,595	\$ 1,170,518

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Department, calculated using the discount rate of 8.10 percent, as well as what the Department’s net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (7.10 percent) or 1-percent-point higher (9.10 percent) than the current rate:

	1% Decrease 7.10%	Current Discount Rate (8.10%)	1% Increase 9.10%
Department's net pension liability / (asset)	2,212,798	1,170,518	310,594

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the Department recognized pension expense of \$244,149. At September 30, 2016, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 69,315
Difference between projected and actual earnings on pension plan investments	530,284	
Change in assumptions or other inputs	61,090	-
Change in pension allocated share	22,490	-
Pension contributions made after the measurement date	166,916	
Total	<u>\$ 780,780</u>	<u>\$ 69,315</u>

Deferred outflows of resources related to pensions resulting from pension contributions made after the measurement date of \$166,916 will be recognized as a reduction of the net pension liability in the Department's financial statements for the fiscal year ending September 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended September 30,	
2017	\$ 139,034
2018	\$ 139,034
2019	\$ 139,034
2020	\$ 127,447
Thereafter	-

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 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, 2016, the Department had been fully reimbursed for costs related to COBRA participants.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

continued

Post Employment Benefits

continued

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 January 1, 2016, Membership consisted of:	
Retirees and Beneficiaries Receiving Benefits	4
Active Employees	23
Total	<u>27</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 to Medicare 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, 2016 were \$32,801.

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, 2016 were as follows:

Annual required contribution	\$	362,115
Add interest on net OPEB obligation		76,702
Less adjustment to annual required contribution		(74,721)
Annual OPEB cost		<u>364,096</u>
Less estimated contributions made		<u>(32,801)</u>
Change in net OPEB obligation		331,295
Net OPEB obligation beginning of the year		<u>1,917,551</u>
Net OPEB obligation end of the year	\$	<u><u>2,248,846</u></u>

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for September 30, 2016 and the preceding two fiscal years were as follows:

Trend Information

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation
9/30/2014	\$ 243,694	\$ 23,129	9.5%	\$ 1,709,198
9/30/2015	\$ 251,587	\$ 43,234	17.2%	\$ 1,917,551
9/30/2016	\$ 364,096	\$ 32,801	9.0%	\$ 2,248,846

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2016 (most recent actuarial valuation) was as follows:

Actuarial value of assets	-
Actuarial accrued liability (AAL)	3,754,103
Unfunded actuarial accrued liability (UAAL)	3,754,103
Funded ratio (actuarial value of plan assets /AAL)	0%
Covered payroll (active plan members)	1,370,780
UAAL as percentage of covered payroll	273.9%

Under the reporting parameters, the Department's post-retirement healthcare plan is 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$3,754,103 at January 1, 2016. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 273.9%.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the annual required contribution of the employer (ARC) for the County's post-retirement healthcare plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The annual ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of benefits are based on the plan as understood by the Department and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Department and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Inflation rate	2.50% per annum
Investment rate of return	4.00% 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; 5.25% ultimate rate
Dental cost trend rate	4.00% per year

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

continued

Actuarial Methods and Assumptions

continued

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.

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.

For the year ended September 30, 2016, 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
TOTALS	<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, 2016, 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, 2016, 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	\$ 110,000	\$ 135,320
City of Bryan	180,000	205,060
City of College Station	210,000	243,097
TOTALS	<u>\$ 500,000</u>	<u>\$ 583,477</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, 2016, was as follows:

<u>Entity</u>	<u>Number Of Procedures</u>	<u>Value</u>
City of Bryan	1,069	\$ 21,380
City of College Station	1,245	24,900
TOTALS	<u>2,314</u>	<u>\$ 46,280</u>

NOTE 12 – NEW ACCOUNTING PRONOUNCEMENTS

The following new GASB pronouncements will be effective for the Department for the fiscal year ending September 30, 2018:

- The Governmental Accounting Standards Board has issued Statement No. 75 (“GASB 75”), “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” which will be effective for the Department in the fiscal year ending September 30, 2018. This Statement replaces the requirements of Statements No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, as amended, and No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. GASB 75 is expected to have a significant impact on the Department, however the full effect is not known at this time.



**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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Intergovernmental			
Brazos County	\$ 864,424	\$ 864,424	\$ 920,308
City of Bryan	326,500	326,500	326,500
City of College Station	330,820	330,820	331,000
Texas Department of State Health Services	996,905	996,905	1,026,442
Texas Health and Human Services Commission	188,414	188,414	141,350
Program Revenue			
Health Service Fees	500,000	500,000	583,477
Clinic	125,000	125,000	125,486
Environmental	40,000	40,000	24,805
Laboratory	60,000	60,000	78,750
Interest	4,500	4,500	4,315
Other	3,500	3,500	4,509
TOTAL REVENUES	<u>3,440,063</u>	<u>3,440,063</u>	<u>3,566,942</u>
EXPENDITURES			
Salary and Wages	2,032,800	2,031,600	1,933,510
Employee Benefits	740,656	741,856	664,284
Departmental Support	712,133	698,366	670,862
Repairs and Maintenance	72,538	41,747	21,275
Minor Acquisitions	38,155	42,540	28,647
Contract Services	84,650	95,385	88,640
Facility	112,320	112,320	191,381
Professional Services	117,500	142,843	108,220
Community Contracts	106,652	106,652	61,268
Capital Outlay	25,000	29,095	29,062
TOTAL EXPENDITURES	<u>4,042,404</u>	<u>4,042,404</u>	<u>3,797,149</u>
Net Change in Fund Balance	(602,341)	(602,341)	(230,207)
FUND BALANCE AT OCTOBER 1, 2015	<u>1,820,566</u>	<u>1,820,566</u>	<u>1,820,566</u>
FUND BALANCE AT SEPTEMBER 30, 2016	<u>\$ 1,218,225</u>	<u>\$ 1,218,225</u>	<u>\$ 1,590,359</u>

BRAZOS COUNTY HEALTH DISTRICT

Required Supplementary Information

Other Post Employment Benefits

Schedule of Funding Progress

September 30, 2016

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
1/1/2014	-	2,331,024	2,331,024	0.00%	1,067,104	218.4%
1/1/2014	-	2,331,024	2,331,024	0.00%	1,067,104	218.4%
1/1/2016	-	3,754,103	3,754,103	0.00%	1,370,780	273.9%

BRAZOS COUNTY HEALTH DISTRICT

Required Supplementary Information

Schedule of Changes in the Department's Net Pension Liability and Related Ratios

September 30, 2016

	<u>Year Ended December 31, 2015</u>	<u>Year Ended December 31, 2014</u>
Total pension liability		
Service cost	\$ 211,535	\$ 196,938
Interest on total pension liability	562,710	499,832
Effect of plan changes	(42,724)	-
Effect of economic/demographic gains or losses	(70,214)	(20,895)
Effect of assumptions changes or inputs	76,363	-
Benefit payments/refunds of contributions	<u>(263,552)</u>	<u>(225,789)</u>
Net change in total pension liability	474,118	450,086
Total pension liability - beginning	<u>6,634,995</u>	<u>6,184,909</u>
Total pension liability - ending (a)	<u><u>\$ 7,109,113</u></u>	<u><u>\$ 6,634,995</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 205,968.59	\$ 185,708.00
Contributions - employee	104,206	92,830
Net investment income	(81,668)	376,031
Benefit payments/refunds of contributions	(263,552)	(225,789)
Administrative expenses	(4,519)	(4,466)
Effect of change in proportion	(30,500)	-
Other	<u>4,001</u>	<u>(5,127)</u>
Net change in plan fiduciary net position	(66,063)	419,187
Plan fiduciary net position - beginning	<u>6,004,658</u>	<u>5,585,471</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 5,938,594.62</u></u>	<u><u>\$ 6,004,658.00</u></u>
Department's net pension liability - ending (a) - (b)	\$ 1,170,518	\$ 630,337
Plan fiduciary net position as a percentage of the total pension liability	83.53%	90.50%
Covered-employee payroll	\$ 1,374,391	\$ 1,326,371
Department's net pension liability as a percentage of covered-employee payroll	85.17%	47.52%

Note: This schedule represents only the years for which the new GASB statements have been implemented.

BRAZOS COUNTY HEALTH DISTRICT
Required Supplementary Information
Schedule of Department Contributions
September 30, 2016

Benefit payments/refunds of contributions					
Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2007	\$ 104,977	\$ 118,735	\$ (13,757)	\$ 1,006,227	11.8%
2008	123,969	138,149	(14,180)	1,170,752	11.8%
2009	131,862	145,992	(14,130)	1,237,219	11.8%
2010	141,354	148,923	(7,568)	1,251,452	11.9%
2011	149,958	150,210	(253)	1,259,098	11.9%
2012	140,292	146,069	(5,778)	1,180,836	12.4%
2013	125,075	166,213	(41,138)	1,273,663	13.1%
2014	167,594	180,150	(12,556)	1,286,788	14.0%
2015	180,121	192,415	(12,294)	1,374,391	14.0%
2016	\$ 196,994	\$ 227,614	\$ (30,619)	\$ 1,625,812	14.0%

Notes to Schedule

Valuation timing: Actuarially determined contribution rates are calculated as of 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	13.9 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8%, net of 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	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table with Scale AA to 2014.
Changes in the plan provisions reflected in the schedule	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

**BRAZOS COUNTY HEALTH DISTRICT
STATISTICAL SECTION**





BRAZOS COUNTY HEALTH DISTRICT
COMPARATIVE ANALYSIS OF DIVISIONAL EXPENSES
For The Twelve Month Period Ended September 30, 2016
With Comparative Totals for Years Ended September 30, 2014 and 2015
(Unaudited)

<u>Expenditures</u>	<u>Administration</u>	<u>Environmental</u>	<u>Clinic</u>	<u>Lab</u>	<u>Immunization</u>	<u>Infectious Disease</u>	<u>Regional Health</u>	<u>HHSC Med Records</u>
Salary and Wages	\$ 203,875	\$ 532,788	\$ 169,106	\$ 82,499	\$ 290,156	\$ 41,085	\$ 106,817	\$ --
Employment Benefits	113,700	231,604	62,743	30,154	114,492	9,443	45,504	--
Departmental Support	19,990	8,362	8,097	39,751	14,534	3,396	20,053	1,685
Repairs & Maintenance	1,759	14,019	--	338	--	--	--	--
Minor Acquisition	11,956	--	935	1,660	--	1,894	--	2,849
Contract Services	24,896	500	--	3,244	--	--	--	60,000
Facility	--	--	--	--	--	--	--	--
Professional Services	35,530	2,184	34,815	15,973	--	--	--	--
Community Contracts	--	--	--	--	--	--	--	47,962
Capital Outlay	--	24,967	--	--	--	--	--	--
TOTALS	<u>\$ 411,706</u>	<u>\$ 814,424</u>	<u>\$ 275,696</u>	<u>\$ 173,619</u>	<u>\$ 419,182</u>	<u>\$ 55,818</u>	<u>\$ 172,374</u>	<u>\$ 112,496</u>
For the Year Ended:								
September 30, 2015	<u>\$ 414,100</u>	<u>\$ 695,326</u>	<u>\$ 262,341</u>	<u>\$ 154,812</u>	<u>\$ 400,396</u>	<u>\$ --</u>	<u>\$ 157,914</u>	<u>\$ 31,989</u>
September 30, 2014	<u>\$ 368,258</u>	<u>\$ 658,078</u>	<u>\$ 246,544</u>	<u>\$ 132,807</u>	<u>\$ 363,984</u>	<u>\$ --</u>	<u>\$ 160,764</u>	<u>\$ 51,182</u>

HHSC HIV Testing	Bioterrorism Preparedness	Bioterrorism Discretionary	Tuberculosis	Totals	In-Kind Support			Health District Totals
					Brazos County	City of College Station	Department of State Health Services	
\$ --	\$ 104,285	\$ --	\$ 53,065	\$ 1,583,676	\$ 349,834	\$ --	\$ --	\$ 1,933,510
--	34,512	--	22,132	664,284	--	--	--	664,284
11,552	152	8,216	3,451	139,239	45,081	--	486,542	670,862
--	1,727	3,432	--	21,275	--	--	--	21,275
--	--	9,353	--	28,647	--	--	--	28,647
--	--	--	--	88,640	--	--	--	88,640
--	--	--	--	--	186,881	4,500	--	191,381
--	--	--	7,706	96,208	12,012	--	--	108,220
13,306	--	--	--	61,268	--	--	--	61,268
--	--	4,095	--	29,062	--	--	--	29,062
<u>\$ 24,858</u>	<u>\$ 140,676</u>	<u>\$ 25,096</u>	<u>\$ 86,354</u>	<u>\$ 2,712,299</u>	<u>\$ 593,808</u>	<u>\$ 4,500</u>	<u>\$ 486,542</u>	<u>\$ 3,797,149</u>
<u>\$ 14,925</u>	<u>\$ 141,577</u>	<u>\$ 13,793</u>	<u>\$ 80,386</u>	<u>\$ 2,367,559</u>	<u>\$ 503,932</u>	<u>\$ 4,500</u>	<u>\$ 457,580</u>	<u>\$ 3,333,571</u>
<u>\$ 20,613</u>	<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>

**BRAZOS COUNTY HEALTH DISTRICT
COMPARATIVE ANALYSIS OF GRANT FUNDING SUPPORT
DEPARTMENT OF STATE HEALTH SERVICES
For The Twelve Month Period Ended August 31, 2016
(Unaudited)**

Expenditures	DSHS Program: PPCPS/HAZARDS			DSHS Program: RLSS/LPHS		
	DSHS Budget	DSHS Expense Support	Department Expense Support	DSHS Budget	DSHS Expense Support	Department Expense Support
Personnel	\$ 99,314	\$ 95,907	\$ --	\$ 61,612	\$ 61,612	\$ 37,655
Fringe Benefits	32,853	31,996	--	26,148	26,148	17,573
Travel	--	--	--	--	--	834
Equipment	--	--	--	--	--	--
Supplies	--	264	--	--	--	994
Contractual	--	--	--	--	--	--
Other	3,257	1,872	--	--	--	15,984
TOTALS	\$ 135,424	\$ 130,039	\$ --	\$ 87,760	\$ 87,760	\$ 73,040

Expenditures	DSHS Program: IMM/LOCALS			DSHS Program: TB/PC Federal		
	DSHS Budget	DSHS Expense Support	Department Expense Support	DSHS Budget	DSHS Expense Support	Department Expense Support
Personnel	\$ 127,498	\$ 127,498	\$ 43,248	\$ 14,978	\$ 14,978	\$ 4,089
Fringe Benefits	53,197	53,197	11,304	6,248	6,248	1,003
Travel	--	--	1,010	--	--	--
Equipment	--	--	--	--	--	--
Supplies	--	--	6,725	--	--	--
Contractual	--	--	--	--	--	--
Other	--	--	2,763	--	--	4,377
TOTALS	\$ 180,695	\$ 180,695	\$ 65,050	\$ 21,226	\$ 21,226	\$ 9,469

Expenditures	DSHS Program: TB/PC State			DSHS Program: IDCU/SUREB		
	DSHS Budget	DSHS Expense Support	Department Expense Support	DSHS Budget	DSHS Expense Support	Department Expense Support
Personnel	\$ 16,122	\$ 16,122	\$ 9,392	\$ 98,875	\$ 36,292	\$ --
Fringe Benefits	6,726	6,726	4,161	42,875	8,342	--
Travel	--	--	619	3,900	2,698	--
Equipment	--	--	--	--	--	--
Supplies	--	--	902	9,850	2,592	--
Contractual	--	--	--	7,500	--	--
Other	--	--	4,229	2,000	--	--
TOTALS	\$ 22,848	\$ 22,848	\$ 19,303	\$ 165,000	\$ 49,924	\$ --

**BRAZOS COUNTY HEALTH DISTRICT
 COMPARATIVE ANALYSIS OF GRANT FUNDING SUPPORT
 DEPARTMENT OF STATE HEALTH SERVICES
 For The Twelve Month Period Ended August 31, 2016
 (Unaudited)**

DSHS Program: CPS/OT-Unique			
Expenditures	DSHS Budget	DSHS Expense Support	Department Expense Support
Personnel	\$ --	\$ --	\$ --
Fringe Benefits	--	--	--
Travel	6,751	674	--
Equipment	--	--	--
Supplies	19,440	14,754	--
Contractual	--	--	--
Other	9,481	9,668	--
TOTALS	\$ 35,672	\$ 25,096	\$ --

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

<u>Activity</u>		For The Years Ended September 30,				2012
		2016	2015	2014	2013	2012
Personal Health Services	Immunizations and Inoculations	8,771	7,842	6,958	7,854	9,936
	TB Tests	1,070	888	714	1,059	1,032
	STD Clinic	2,415	2,146	1,931	1,598	1,644
	Home Visits	386	395	357	207	110
Environmental Health Services	Inspections:					
	Restaurant	2,830	2,850	2,781	2,733	2,560
	Child Care	101	86	114	95	90
	Septic Systems	657	607	607	566	663
	Swimming Pools	3	10	3	5	16
	Substandard Building	7	6	2	8	--
	Subdivision Reviews	12	24	24	15	3
	TCEQ Applications	310	261	291	257	268
	Foodhandlers Registered	1,181	1,177	1,489	1,546	1,845
	Complaints	617	548	353	408	411
Letters Issued	924	789	761	909	1,984	
Laboratory Services	Water Samples Tested	6,264	6,342	6,418	6,231	6,353
	STD Testing	7,296	7,236	6,410	5,405	5,805
TOTALS		<u>32,844</u>	<u>31,207</u>	<u>29,213</u>	<u>28,896</u>	<u>32,720</u>

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, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated March 16, 2017.

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.

Bryan, Texas
March 16, 2017

Impron, Wallis; Caspay

BRAZOS COUNTY HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
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

