

BRAZOS COUNTY, TEXAS HEALTH DEPARTMENT

Independent Auditors' Report Financial Statements Supplemental Information and Compliance Reports September 30, 2007



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BRAZOS COUNTY HEALTH DEPARTMENT

For the Year Ended September 30, 2007

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BRAZOS COUNTY HEALTH DEPARTMENT
For the Year Ended September 30, 2007

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Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the general fund of the Brazos County Health Department, ("the Department") as of and for the year ended September 30, 2007, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2008 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and other required supplementary information on pages 3 through 8 and 28 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 express no opinion on it.

Bryan, Texas
February 15, 2008

Ingram, Wallis & Company

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

For the Year Ending September 30, 2007

This section of the Brazos County Health Department (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, 2007. Please read the MD&A in conjunction with the Department's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The total government-wide assets of the Department exceeded the liabilities at September 30, 2007 by \$930,834, and is reported as total net assets of the primary government. Of this amount, \$682,906 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$247,928 is invested in capital assets.
- As of September 30, 2007, the Department governmental fund reported fund balance of \$726,333 100% of which is available to meet the Department's current and future needs (unreserved fund balance). The fund balance represents 27% 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 assets 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 assets presents information on all Department assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The governmental activities of the Department include general administration, environmental services, clinic services, lab services, immunization services, tuberculosis services, regional health programs and the bioterrorism preparedness program.

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 15-27 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. Required supplementary information regarding budget can be found on page 28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as useful indicators of a government's financial position. In the case of the Department, assets exceeded liabilities by \$930,834 at the close of the most recent fiscal year. Comparative information for fiscal year 2006 and 2007 is presented in the following table.

Brazos County Health Department
MD&A – For Year Ended September 30, 2007 (Continued)

Condensed Statement of Net Assets
September 30, 2007
With Comparative Totals September 30, 2006

	2007 Governmental <u>Activities</u>	2006 Governmental <u>Activities</u>
Current assets	\$ 819,982	\$ 860,228
Capital assets	<u>247,928</u>	<u>245,179</u>
Total assets	1,067,910	1,105,407
Current liabilities	93,649	40,437
Other liabilities	<u>43,427</u>	<u>38,453</u>
Total liabilities	137,076	78,890
Net assets:		
Invested in capital assets	247,928	245,179
Unrestricted net assets	<u>682,906</u>	<u>781,338</u>
Total net assets	<u>\$ 930,834</u>	<u>\$ 1,026,517</u>

The largest portion of the Department's current fiscal year net assets (73%) reflects its unrestricted net assets, which may be used to meet the Department's ongoing obligations to citizens and creditors.

The remaining balance of the Department's current fiscal year net assets (27%) represents investment in capital assets (e.g. leasehold improvements, equipment and vehicles). The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending.

At the end of the current fiscal year, the Department reported a decrease of net assets in its governmental activities. The principal component of this decrease (\$95,683) is due to an increase in the cost of vaccines and salary expenses.

Brazos County Health Department
MD&A – For Year Ended September 30, 2007 (Continued)

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

Changes in Net Assets

	Governmental Activities	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 530,747	\$ 496,552
Operating grants and contributions	1,120,923	776,704
General revenues:		
Funding from Brazos County	906,697	1,004,640
Funding from City of Bryan	10,000	10,000
Funding from City of College Station	11,040	11,040
Unrestricted investment earnings	37,656	38,175
Miscellaneous	996	770
Total revenues	2,618,059	2,337,881
Expenses:		
Administration	617,803	724,267
Environmental	452,794	379,771
Clinic	63,321	41,897
Lab	120,658	125,802
Immunization	749,772	574,347
Regional health	298,763	287,016
Bioterrorism preparedness	321,990	186,052
Tuberculosis	88,641	83,420
Total expenses	2,713,742	2,402,572
Change in net assets	(95,683)	(64,691)
Net assets - beginning	1,026,517	1,091,208
Net assets - ending	\$ 930,834	\$ 1,026,517

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Brazos County Health Department
MD&A – For Year Ended September 30, 2007 (Continued)

The General Fund is the only operating fund of the Department. At September 30, 2007, the Department's general fund reported fund balances of \$726,333, a decrease of \$93,458 in comparison with the prior year. 100% of the fund balance constitutes unreserved fund balance, which is available to meet the Department's current and future needs.

At September 30, 2007, the General Fund reported revenues of \$2,618,059, an increase of \$280,178 or 11.98 % from the prior year. The increase is primarily due to a 44.3% increase in grant funding from the Department of State Health Services. This increase was offset slightly by a 23.31% decrease in in-kind support from Brazos County.

An increase of \$171,448 or 32.58% in the Departmental Support expense category and an increase of \$86,852 or 74.68% in the Minor Acquisitions expense category were primarily responsible for the \$365,391 increase in total expenditures for 2007.

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 FY2006 Consolidated Local Central Services, Cost Allocation Plan & Indirect Cost Rate Proposal for Brazos County, Texas. The indirect cost rate available at the budget time for FY2007 was 26.61%, and the actual indirect cost rate for FY2007 was 15.72%, which was not released until October 24, 2006. The difference between these rates was the key factor for the reduced actual in-kind support revenues and expenditures from the amount budgeted from Brazos County. In addition, the in-kind support received from Texas Department was \$195,224 more than originally budget for the 2007 fiscal year.

At the end of the fiscal year, actual revenues were \$63,588 more than the final amended budgeted amount (which includes all in-kind support).

At the end of the fiscal year, actual expenditures were \$164,259 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, 2007, amounted to \$247,928 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, equipment, and vehicles. The total increase in the Department's investment in capital assets for the current period was \$2,748 or 1.12 percent. The increase is due to the construction of a communications tower, additions to the telephone system for the department and the purchase of a vehicle for Environmental Services. This was offset by depreciation expense for the year of \$65,604.

ECONOMIC FACTORS

The Brazos County Board of Health (“the Board”) adopted the 2007-2008 budget on September 19, 2007. The budget was adopted based on estimated balances that would be available at the end of fiscal year 2007 and estimated revenues to be received in fiscal year 2008. The Board considered the following factors:

- The program revenues are expected to increase 0.86% over the 2007 budgeted revenue;
- The grants awarded by DSHS are expected to decrease 10.48% from the prior year;
- Overall expenditures are anticipated to decrease 1.34% from the prior year;
- The contribution from Brazos County is expected to decrease by 26.58% from the prior year.
- The contribution from the City of College Station is expected to increase by \$201,555.

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, 300 East 26th Street, Suite 314, Bryan, Texas, 77803.

BRAZOS COUNTY HEALTH DEPARTMENT
STATEMENT OF NET ASSETS
September 30, 2007

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 599,204
Receivables:	
Department of State Health Services	208,517
Other	12,261
Total Current Assets	<u>819,982</u>
Noncurrent Assets:	
Capital assets:	
Leasehold improvements	846,562
Machinery and equipment	365,509
Less: Accumulated depreciation	(964,143)
Total Noncurrent Assets	<u>247,928</u>
Total Assets	<u><u>\$ 1,067,910</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 65,875
Accrued salaries and benefits	27,774
Total Current Liabilities	<u>93,649</u>
Compensated absences	43,427
Total Liabilities	<u>137,076</u>
NET ASSETS	
Invested in capital assets	247,928
Unrestricted	682,906
Total Net Assets	<u><u>\$ 930,834</u></u>

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

**BRAZOS COUNTY HEALTH DEPARTMENT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for services	Operating Grants and Contributions	
Primary Government				
Governmental activities:				
Administration	\$ 617,803	\$ --	\$ --	\$ (617,803)
Environmental	452,794	398,102	--	(54,692)
Clinic	63,321	10,400	--	(52,921)
Lab	120,658	60,323	--	(60,335)
Immunization	749,772	51,222	646,172	(52,378)
Regional Health	298,763	--	105,595	(193,168)
Bioterrorism	321,990	--	341,015	19,025
Tuberculosis	88,641	10,700	28,141	(49,800)
Total	<u>\$ 2,713,742</u>	<u>\$ 530,747</u>	<u>\$ 1,120,923</u>	<u>(1,062,072)</u>

General revenues:

Funding from Brazos County	906,697
Funding from City of Bryan	10,000
Funding from City of College Station	11,040
Unrestricted investment earnings	37,656
Miscellaneous	996
Total general revenues	<u>966,389</u>
Change in net assets	(95,683)
Net assets - beginning	<u>1,026,517</u>
Net assets - ending	<u>\$ 930,834</u>

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

**BRAZOS COUNTY HEALTH DEPARTMENT
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2007**

	Total Governmental Fund
<hr/>	
ASSETS	
Cash	\$ 599,204
Receivables:	
Department of State Health Services	208,517
Other	12,261
TOTAL ASSETS	<hr/> \$ 819,982 <hr/>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 65,875
Accrued Salaries and Benefits	27,774
Total Liabilities	<hr/> 93,649 <hr/>
 Fund Balance	
Unreserved Fund Balance	<hr/> 726,333
Total Fund Balance	<hr/> 726,333 <hr/>
TOTAL LIABILITIES AND FUND BALANCE	<hr/> \$ 819,982 <hr/>

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

**BRAZOS COUNTY HEALTH DEPARTMENT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND TO
STATEMENT OF NET ASSETS
September 30, 2007**

Total fund balance--governmental fund	\$ 726,333
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	247,928
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:	
Compensated absences	<u>(43,427)</u>
Total net assets--governmental activities	<u>\$ 930,834</u>

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

**BRAZOS COUNTY HEALTH DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended September 30, 2007**

	Total Governmental Fund
REVENUES	
Intergovernmental	
Brazos County	\$ 906,697
City of Bryan	10,000
City of College Station	11,040
State of Texas	1,120,923
Program Income	
Health Service Fees	297,872
Clinic	72,322
Environmental	100,230
Laboratory	60,323
Interest	37,656
Other	996
TOTAL REVENUES	2,618,059
 EXPENDITURES	
Current	
Salary and Wages	1,198,826
Employee Benefits	344,737
Employment Services	40,455
Departmental Support	697,718
Repairs and Maintenance	19,236
Minor Acquisitions	116,297
Contract Services	30,073
Facility	109,735
Professional Services	86,088
Capital Outlay	68,352
TOTAL EXPENDITURES	2,711,517
Deficiency of Revenues over Expenditures	(93,458)
FUND BALANCE, BEGINNING OF YEAR	819,791
FUND BALANCE, END OF YEAR	\$ 726,333

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

**BRAZOS COUNTY HEALTH DEPARTMENT
RECONCILIATION OF CHANGE IN FUND BALANCE - GOVERNMENTAL FUND TO
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES
For the year ended September 30, 2007**

Net change in fund balances--governmental fund	\$ (93,458)
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Amounts reported for governmental activities in the statement of activities are different because:

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 capital outlays exceeded depreciation expense in the current period.	2,748
Certain long-term liabilities 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.	<u>(4,973)</u>
Change in net assets of governmental activities	<u><u>\$ (95,683)</u></u>

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

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



**BRAZOS COUNTY HEALTH DEPARTMENT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Brazos County Health Department (“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 Department. 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) defines the reporting entity as the primary government and its component units. The

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

A. Reporting Entity

continued

Department is the primary government. The 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 Assets 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) 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 any un-liquidated items are reported at year-end as a reservation of fund balance. All governmental funds are accounted for on a spending "financial flow" 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.

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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

C. Fund Level Financial Statements

continued

Governmental Fund

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

D. Cash And Cash Equivalents and Investments

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

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

E. Capital Assets

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

E. Capital Assets

continued

Buildings and improvements	20 - 40 years
Machinery and equipment	3 - 10 years
Infrastructure	10 - 50 years

F. Compensated Absences

All full-time employees are granted vacation and sick leave benefits based on length of service. Non-exempt employees may earn compensatory time off for overtime worked. Employees are entitled to receive accumulated vacation pay earned in a lump sum payment if their employment is terminated. The related accrued vacation payable and accumulated compensatory time has been accrued as an expense and a liability at year-end in the government-wide financial statements. Accumulated sick leave benefits are not recorded, being lost upon termination of employment.

NOTE 2 - BUDGETARY LEGAL COMPLIANCE

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

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

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

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

NOTE 2 - BUDGETARY LEGAL COMPLIANCE

continued

ORIGINAL BUDGET AS AMENDED

<u>Classification</u>	<u>Original Budgeted Expenditures</u>	<u>Supplemental Appropriations</u>	<u>Original As Amended</u>
Salary and wages	\$ 1,108,644	\$ 5,199	\$ 1,113,843
Employee benefits	372,789	8,914	381,703
Employment services	15,000	30,632	45,632
Departmental support	273,864	(15,415)	258,449
Repairs and maintenance	21,050	1,299	22,349
Minor Acquisitions	82,077	44,129	126,206
Contract services	51,185	(12,063)	39,122
Professional services	92,218	(1,712)	90,506
Capital Outlay	<u>63,000</u>	<u>5,584</u>	<u>68,584</u>
TOTALS	\$ <u>2,079,827</u>	\$ <u>66,567</u>	\$ <u>2,146,394</u>

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

	<u>Original Budgeted Expenditures</u>	<u>Supplemental Appropriations</u>	<u>Original As Amended</u>
Salary and wages	\$ 295,010	\$ --	\$ 295,010
Departmental support	314,877	2,985	317,862
Professional services	9,000	(1,530)	7,470
Facility & equipment rental	<u>109,040</u>	<u>--</u>	<u>109,040</u>
TOTALS	\$ <u>727,927</u>	\$ <u>1,455</u>	\$ <u>729,382</u>

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:

NOTE 2 - BUDGETARY LEGAL COMPLIANCE**continued**

	<u>Brazos County</u>	<u>College Station</u>	<u>Bryan</u>	<u>DSHS</u>	<u>Total</u>
<u>Monetary</u>	\$ <u>584,442</u>	\$ <u>10,000</u>	\$ <u>10,000</u>	\$ <u>651,772</u>	\$ <u>1,256,214</u>
<u>In-Kind</u>					
Salary and wages	\$ 162,855	\$ --	\$ --	\$ --	\$ 162,855
Departmental support	43,935	--	--	469,151	513,086
Professional services	7,465	--	--	--	7,465
Facility	<u>108,000</u>	<u>1,040</u>	<u>--</u>	<u>--</u>	<u>109,040</u>
Subtotal In-Kind	\$ <u>322,255</u>	\$ <u>1,040</u>	\$ <u>--</u>	\$ <u>469,151</u>	\$ <u>792,446</u>
TOTALS	\$ <u>906,697</u>	\$ <u>11,040</u>	\$ <u>10,000</u>	\$ <u>1,120,923</u>	\$ <u>2,048,660</u>

The Department received \$469,151 in immunization and pharmacy supplies from DSHS for the year, of which \$141,165 was funded at the state level and \$327,986 at the federal level.

NOTE 3 – CASH, CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

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 requires collateralization for all funds on deposit. The Federal Deposit Insurance Corporation does not cover deposits. The value of collateral must be equal to or greater than the average daily balance of funds on deposit or 105% of the prior month's average deposit. State statutes require that the collateral be government securities that are acceptable to the Brazos County Commissioners' Court. At September 30, 2007, bank balances of deposits were entirely collateralized with securities held at the Federal Reserve Bank in Dallas, Texas in a fiduciary account in the name of Brazos County. These are classified as a Category I credit risk. All deposits and time deposits (less than 90 days) are stated at cost and reflected on the balance sheet as "Cash."

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, 2007, 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, 2007 was as follows:

	Balance at October 1, 2006	Additions	Deletions	Balance at September 30, 2007
<u>Governmental activities:</u>				
Capital assets, being depreciated:				
Leasehold improvements	\$ 846,562	\$ --	\$ --	\$ 846,562
Machinery and equipment	<u>310,907</u>	<u>68,352</u>	<u>(13,750)</u>	<u>365,509</u>
Total capital assets being depreciated	1,157,469	68,352	(13,750)	1,212,071
Less accumulated depreciation for:				
Leasehold improvements	(779,543)	(42,328)	--	(821,871)
Machinery and equipment	<u>(132,747)</u>	<u>(23,275)</u>	<u>13,750</u>	<u>(142,272)</u>
Total accumulated depreciation	<u>(912,290)</u>	<u>(65,603)</u>	<u>13,750</u>	<u>(964,143)</u>
Total capital assets, being depreciated, net	<u>\$ 245,179</u>	<u>\$ 2,749</u>	<u>\$ --</u>	<u>\$ 247,928</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Administration	\$ 44,189
Environmental	(186)
Lab	--
Bioterrorism	<u>21,600</u>
Total depreciation expense – governmental activities	<u>65,603</u>

NOTE 5 - OPERATING LEASES

The Department entered into an operating lease during the year ended September 30, 2004, for the use of photocopying equipment. The future minimum lease payments for this lease are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2008	<u>5,160</u>
Total	<u>\$ 5,160</u>

The Department has two additional operating leases currently in force that are not formal. The leases have no minimum annual lease requirement and are for office space. The leases are provided (in-kind) by District members: Brazos County, Texas, a facility with a fair market annual lease value of \$108,000; and the City of College Station, clinic office space with an annual lease value of \$1,040.

NOTE 6 – OTHER LIABILITIES

Compensated Absences

Changes in compensated absences in the governmental activities for the year ended September 30, 2007 were as follows:

Balance at October 1, 2006	\$ 38,453
Accrued Compensatory Time & Vacation	65,789
Compensatory Time & Vacation Expenditures	<u>(60,815)</u>
Balance at September 30, 2007	<u>\$ 43,427</u>

NOTE 7 – RISK MANAGEMENT

The Department participates in a worker's compensation pool administered by the Texas Association of Counties along with Brazos County. The Texas Association of Counties handles claims adjusting and related administrative services for the program. Premiums are evaluated annually by position class code at actuarially determined rates. The County's workers' compensation program provides medical and indemnity payments as required by law for on-the-job related injuries and is accounted for by the use of departmental expenditures, based on a percentage of payroll. The pool that the County and the Department participate in has reinsurance coverage for excess workers' compensation and employer's liability. The Department does not recognize any liability for outstanding losses for incurred but not reported claims. The Texas Association of Counties assumes this responsibility.

The Department is self-insured for medical claims only. 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 Department currently provides medical programs for its employees with basic prescription and life benefits attached. The Department pays the full cost for all qualifying employees and retirees. The individuals pay for dependent premium expense. The Department also pays \$8 dental insurance per month for participating employees.

The Internal Service Fund of the County acts as a clearing account to collect the premium payments from the County, the Department, the employee, and the retiree. The fund pays all claims and administrative fees. The Internal Service Fund has purchased reinsurance that provides a \$75,000 stop loss on an individual claim, and an aggregate at \$60,000 after the initial individual claim has reached the \$75,000. Funds are available to pay claims and have been reserved for such purpose.

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.

NOTE 7 – RISK MANAGEMENT

continued

The Department employs risk financing activities to include the purchase of insurance for general liability, vehicle liability, and liability from property damage claims (provided by Brazos County). In addition, the property insurance, errors and omissions, and professional liability coverage carried by Brazos County support the Department. The Department supplements this coverage with crime and fidelity coverage. Any liability that arises from the operation of motorized equipment will be considered to fall within the confines of the Texas Tort Claims Act, and thereby limit the Department's exposure. At September 30, 2006, 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 coverage in the previous fiscal year. No settlements exceeded insurance coverage for the past three fiscal years.

NOTE 8 - RETIREMENT PLAN

Plan Description

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

The Commissioners' Court of Brazos County adopts the plan provisions, within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but accumulated contributions must be left in the plan. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the Department.

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

NOTE 8 - RETIREMENT PLAN**continued****Funding Policy**

Brazos County and the Department have elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The Plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. Brazos County and the Department contributed using the actuarially determined rate of 11.8%. For 2008, the employer's rate is anticipated to remain at 11.8%. The employee's member contribution rate remained at 7.00% for 2007.

Annual Pension Cost

For the Department's fiscal year ending September 30, 2007, the Department's annual pension cost for the TCDRS plan for its employees was \$119,366. The Department's annual required contributions were \$119,366, and the Department's actual contributions were \$119,366. The annual required contributions for 2007 were actuarially determined as a percent of the covered payroll of the participating employees, and, was in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2004 and December 31, 2005, which is the basis for determining the contribution rate for calendar years 2006 and 2007 respectively. The December 31, 2006, actuarial valuation is the most recent valuation.

	<u>12/31/04</u>	<u>12/31/05</u>	<u>12/31/06</u>
Actuarial valuation date	Entry Age	Entry Age	Entry Age
Actuarial cost method	Level percentage	Level percentage	Level percentage
Amortization method	of payroll, open	of payroll, open	of payroll, closed
Remaining amortization period	20 years	16.5 years	11.6 years
Asset valuation method	Long-term	Long-term	SAF: 10yr
	appreciation with	appreciation with	smoothed value
	adjustment	adjustment	ESF: Fund value
Actuarial assumptions:			
Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.5%	5.5%	5.3%
Includes inflation at	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/03	\$ 2,125,644	100%	None
09/30/04	\$ 2,325,093	100%	None
09/30/05	\$ 2,317,063	100%	None
09/30/06	\$ 2,467,522	100%	None
09/30/07	\$ 2,881,077	100%	None

NOTE 9 – OTHER EMPLOYMENT BENEFITS

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, 2007, the Department had been fully reimbursed for costs related to COBRA participants. The Department also permits employees to accumulate unused vacation and compensatory time to be added at the employee’s final pay level upon termination of employment.

Post Retirement Benefits

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 and the Texas County and District Retirement System Board of Trustees.

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. Department policy restricts post retirement health care benefits to those employees that qualified for health coverage during employment.

Health care benefits are available to employees that normally work 1,664 or more hours annually. The Department opted to extend health care benefits to retirees that maintained coverage through the Department’s health care plan as of January 1, 2000. Funding for the post retirement health care benefits is provided by the Department. The Department recognizes expenditures for post retirement health care benefits as paid. Currently, there are 3

NOTE 9 – OTHER EMPLOYMENT BENEFITS

continued

Post Retirement Benefits (Continued)

retirees receiving benefits and 2 active Department employees that qualify for retiree health 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, 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 grant moneys 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, 2007, the support by jurisdiction was as follows:

<u>Entity</u>	<u>Budget</u>	<u>Actual</u>
City of Bryan	\$ 10,000	\$ 10,000
Brazos County	584,442	584,442
City of College Station	<u>10,000</u>	<u>10,000</u>
TOTALS	\$ <u>604,442</u>	\$ <u>604,442</u>

NOTE 11 – COOPERATIVE AGREEMENT**continued**

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, 2007, 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, 2007, the health service fees collected by the Department for each jurisdiction were as follows:

<u>Entity</u>	<u>Budget</u>	<u>Actual</u>
City of Bryan	\$ 89,540	\$ 100,252
Brazos County	76,200	73,003
City of College Station	<u>97,700</u>	<u>124,617</u>
TOTALS	\$ <u>263,440</u>	\$ <u>297,872</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, 2007, was as follows:

<u>Entity</u>	<u>Number Of Procedures</u>	<u>Value</u>
City of Bryan	974	\$ 14,610
City of College Station	<u>1,150</u>	<u>17,250</u>
TOTALS	<u>2,124</u>	\$ <u>31,860</u>



**BRAZOS COUNTY HEALTH DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION**



**BRAZOS COUNTY HEALTH DEPARTMENT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended September 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Intergovernmental			
Brazos County	\$ 1,037,402	\$ 1,038,857	\$ 906,697
City of Bryan	10,000	10,000	10,000
City of College Station	11,040	11,040	11,040
State of Texas	902,007	968,574	1,120,923
Program Revenue			
Health Service Fees	263,440	263,440	297,872
Clinic	88,800	88,800	72,322
Environmental	78,150	78,150	100,230
Laboratory	60,830	60,830	60,323
Interest	34,000	34,000	37,656
Other	780	780	996
TOTAL REVENUES	<u>2,486,449</u>	<u>2,554,471</u>	<u>2,618,059</u>
EXPENDITURES			
Current			
Salary and Wages	1,403,654	1,408,853	1,198,826
Employee Benefits	372,789	381,703	344,737
Employment Services	15,000	45,632	40,455
Departmental Support	588,741	576,311	697,718
Repairs and Maintenance	21,050	22,349	19,236
Minor Acquisitions	82,077	126,206	116,297
Contract Services	51,185	39,122	30,073
Facility	109,040	109,040	109,735
Professional Services	101,218	97,976	86,088
Capital Outlay	63,000	68,584	68,352
TOTAL EXPENDITURES	<u>2,807,754</u>	<u>2,875,776</u>	<u>2,711,517</u>
Deficiency of revenues over expenditures	(321,305)	(321,305)	(93,458)
FUND BALANCE AT SEPTEMBER 30, 2006	<u>819,791</u>	<u>819,791</u>	<u>819,791</u>
FUND BALANCE AT SEPTEMBER 30, 2007	<u><u>\$ 498,486</u></u>	<u><u>\$ 498,486</u></u>	<u><u>\$ 726,333</u></u>

BRAZOS COUNTY HEALTH DEPARTMENT
Required Supplementary Information
Retirement System

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll (1)	UAAL as a Percentage of Covered Payroll
12/31/96	22,756,204	29,946,254	7,190,050	75.99%	13,287,813	54.11%
12/31/97 (2)	25,596,813	34,465,968	8,869,155	74.27%	14,554,927	60.94%
12/31/98	28,670,100	38,192,134	9,522,034	75.07%	15,418,101	61.76%
12/31/99	32,951,466	42,652,282	9,700,816	77.26%	16,620,858	58.37%
12/31/00	37,287,534	47,146,262	9,858,728	79.09%	17,804,155	55.37%
12/31/01	40,804,100	51,952,718	11,148,618	78.54%	19,149,679	58.22%
12/31/02	44,733,516	57,057,239	12,323,723	78.40%	20,610,362	59.79%
12/31/03	50,448,656	62,151,023	11,702,367	81.17%	21,311,160	54.91%
12/31/04	53,265,455	65,034,345	11,768,890	81.90%	22,451,645	52.42%
12/31/05	58,722,885	71,434,678	12,711,793	82.21%	22,848,273	55.64%
12/31/06	66,364,299	77,158,127	10,793,828	86.01%	25,073,917	43.05%

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

(2) Valuation reflects revised economic and demographic assumptions due to experience review.

**BRAZOS COUNTY HEALTH DEPARTMENT
STATISTICAL SECTION**





BRAZOS COUNTY HEALTH DEPARTMENT
COMPARATIVE ANALYSIS OF DIVISIONAL EXPENSES
For The Twelve Month Period Ended September 30, 2007
With Comparative Totals for Years Ended September 30, 2006 and 2005

<u>Expenditures</u>	<u>Administration</u>	<u>Environmental</u>	<u>Clinic</u>	<u>Lab</u>	<u>Immunization</u>	<u>OPHP</u>
Salary and Wages	\$ 139,195	\$ 309,442	\$ --	\$ 63,376	\$ 160,384	\$ 210,614
Employment Benefits	48,335	110,507	--	21,527	50,784	68,285
Employment Services	22,513	9,679	8,263	--	--	--
Departmental Support	12,401	7,346	5,249	29,279	58,458	18,069
Repairs & Maintenance	1,365	5,533	317	--	--	--
Minor Acquisition	6,389	6,964	--	--	10,995	1,255
Contract Services	5,388	--	736	528	--	421
Facility	--	695	--	--	--	--
Professional Services	9,759	2,814	48,755	5,948	--	120
Capital Outlay	5,368	14,984	--	--	--	--
TOTALS	<u><u>\$ 250,713</u></u>	<u><u>\$ 467,964</u></u>	<u><u>\$ 63,320</u></u>	<u><u>\$ 120,658</u></u>	<u><u>\$ 280,621</u></u>	<u><u>\$ 298,764</u></u>
For the Year Ended:						
September 30, 2006	<u><u>\$ 260,786</u></u>	<u><u>\$ 387,223</u></u>	<u><u>\$ 41,897</u></u>	<u><u>\$ 125,802</u></u>	<u><u>\$ 218,221</u></u>	<u><u>\$ 287,016</u></u>
September 30, 2005	<u><u>\$ 157,802</u></u>	<u><u>\$ 366,556</u></u>	<u><u>\$ 41,207</u></u>	<u><u>\$ 114,615</u></u>	<u><u>\$ 221,652</u></u>	<u><u>\$ 336,685</u></u>

Bioterrorism	Tuberculosis	Totals	In-Kind Support			Health Department Totals
			Brazos County	City of College Station	Department of State Health Services	
\$ 97,075	\$ 55,885	\$ 1,035,971	\$ 162,855	\$ --	\$ --	\$ 1,198,826
25,436	19,863	344,737	--	--	--	\$ 344,737
--	--	40,455	--	--	--	\$ 40,455
47,889	5,941	184,632	43,935	--	469,151	\$ 697,718
12,021	--	19,236	--	--	--	\$ 19,236
90,694	--	116,297	--	--	--	\$ 116,297
23,000	--	30,073	--	--	--	\$ 30,073
--	--	695	108,000	1,040	--	\$ 109,735
4,275	6,952	78,623	7,465	--	--	\$ 86,088
48,000	--	68,352	--	--	--	\$ 68,352
<u>\$ 348,390</u>	<u>\$ 88,641</u>	<u>\$ 1,919,071</u>	<u>\$ 322,255</u>	<u>\$ 1,040</u>	<u>\$ 469,151</u>	<u>\$ 2,711,517</u>
<u>\$ 164,397</u>	<u>\$ 83,420</u>	<u>\$ 1,568,762</u>	<u>\$ 420,198</u>	<u>\$ 1,040</u>	<u>\$ 356,126</u>	<u>\$ 2,346,126</u>
<u>\$ 217,608</u>	<u>\$ 71,845</u>	<u>\$ 1,527,970</u>	<u>\$ 415,126</u>	<u>\$ 1,040</u>	<u>\$ 273,927</u>	<u>\$ 2,218,063</u>

**BRAZOS COUNTY HEALTH DEPARTMENT
COMPARATIVE ANALYSIS OF GRANT FUNDING SUPPORT
DEPARTMENT OF STATE HEALTH SERVICES
For The Twelve Month Period Ended August 31, 2007**

Expenditures	DSHS Program: OPHP/BIOTERR (1)			DSHS Program: OPHP/LPHS		
	DSHS Budget	DSHS Expense Support	Department Expense Support	DSHS Budget	DSHS Expense Support	Department Expense Support
Personnel	\$ 180,596	\$ 93,367	\$ --	\$ 81,608	\$ 81,608	\$ 10,478
Fringe Benefits	61,063	24,235	--	26,737	26,737	2,895
Travel	11,996	2,303	--	--	--	2,297
Equipment	49,358	49,358	--	--	--	--
Supplies	121,842	124,296	--	--	--	2,967
Contractual	64,450	27,200	--	--	--	--
Other	50,829	26,458	--	--	--	13,257
TOTALS	\$ 540,134	\$ 347,217	\$ --	\$ 108,345	\$ 108,345	\$ 31,894

Expenditures	DSHS Program: IMM/LOCALS			DSHS Program: TB/PC		
	DSHS Budget	DSHS Expense Support	Department Expense Support	DSHS Budget	DSHS Expense Support	Department Expense Support
Personnel	\$ 99,327	\$ 102,385	\$ 51,113	\$ 25,754	\$ 25,752	\$ --
Fringe Benefits	33,371	34,805	12,736	--	--	--
Travel	5,325	1,653	--	--	--	--
Equipment	3,000	3,000	784	--	--	--
Supplies	15,402	15,402	27,969	--	--	--
Contractual	--	--	--	--	--	--
Other	24,270	22,836	--	--	--	--
TOTALS	\$ 180,695	\$ 180,081	\$ 92,602	\$ 25,754	\$ 25,752	\$ --

- (1) The contract term for the OPHP/Bioterror grant is for the period 09/01/2005 - 08/31/2007.
The budget shown is for the two year period 09/01/2005 - 08/31/07. The expenditures are for the period 09/01/2006 - 08/31/07.

BRAZOS COUNTY HEALTH DEPARTMENT
FUNCTIONAL DEMOGRAPHICS - INTERNAL PROCEDURES
Service Area and Activity

		For The Years Ending September 30,				
Activity		2007	2006	2005	2004	2003
Personal Health Services	Immunizations and					
	Inoculations	15,698	15,655	14,586	9,157	10,797
	TB Tests	2,272	2,201	2,171	1,929	2,060
	STD Clinic	2,024	1,718	1,681	1,247	1,113
	Home Visits	413	201	325	296	727
Environmental Health Services	Inspections:					
	Restaurant	2,257	2,405	1,785	3,242	2,945
	Child Care	90	88	82	96	84
	Septic Systems	872	732	664	553	454
	Swimming Pools	4	--	2	3	--
	Substandard Building	39	26	16	--	--
	Subdivision Reviews	21	16	31	92	43
	Other	--	--	--	204	120
	TCEQ Applications	326	338	362	358	453
	Foodhandlers Registered	4,528	3,725	4,109	3,548	3,011
	Complaints	721	497	417	632	658
	Letters Issued	3,202	2,001	3,462	3,047	3,140
Laboratory Services	Water Samples Tested	6,136	6,146	5,830	3,408	3,291
	STD Testing	6,265	6,936	6,492	4,888	4,438
TOTALS		44,868	42,685	42,015	32,700	33,334



COMPLIANCE REPORTS





Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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 Department
Bryan, Texas

We have audited the financial statements of the Brazos County Health Department (the "Department") as of and for the year ended September 30, 2007, and have issued our report thereon dated February 15, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

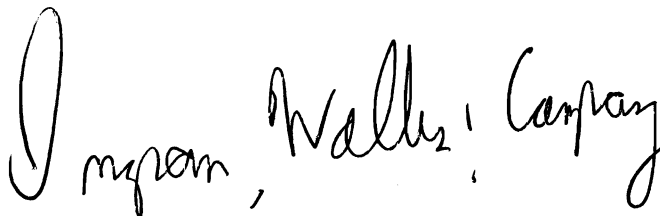
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of 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*.

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 15, 2008
Bryan, Texas

A handwritten signature in black ink that reads "Ingram, Wallis, Company". The signature is written in a cursive, flowing style.



Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Brazos County Health Department (the "Department") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2007. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on its major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 15, 2008
Bryan, Texas

J. Ryan, Walls ; Company

**BRAZOS COUNTY HEALTH DEPARTMENT
DEPARTMENT OF STATE HEALTH SERVICES
Schedule of Expenditures of Federal and State Awards
For The Year Ended September 30, 2007**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
<u>Passed through Department of State Health Services</u>			
Immunization Grants*	93.268	N/A	\$ 327,986
Centers for Disease Control and Federal and Prevention- Investigations and Technical Assistance	93.283	7460004330-2006-04D	341,015
Immunization Grants	93.268	2007-021256-002A	55,762
Preventive Health and Health Services Block Grant	93.991	7460004330-2007-01	11,235
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 735,998
State Grantor/ Program Title			
<u>Department of State Health Services</u>			
Pharmacy Division*	N/A	N/A	\$ 141,165
Immunization Division	N/A	2007-021256-002A	121,259
Region/Local Health	N/A	7460004330-2007-01	94,360
Tuberculosis - Prevention and Control	N/A	7460004330-2007	28,141
TOTAL EXPENDITURES OF STATE AWARDS			\$ 384,925
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ 1,120,923

* In-Kind Support from Department of State Health Services.

BRAZOS COUNTY DEPARTMENT OF HEALTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

General - The accompanying Schedule of Expenditures of Federal and State Awards presents all federal and state expenditures of Brazos County Department of Health (the "Department").

Basis of Accounting - The expenditures on the accompanying Schedule of Expenditures of Federal and State Awards are presented on the accrual basis.

Relationship to General-Purpose Financial Statements - Expenditures of federal and state awards are reported in the Department's general-purpose financial statements on the accrual basis.

Relationship to Federal Financial Reports - Amounts reported in the accompanying Schedule of Expenditures of Federal and State Awards agree with the amounts reported in the related federal and state financial reports in all significant respects.

BRAZOS COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? none
___ yes X reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? none
___ yes X reported

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.283	BIOTERRORISM GRANTS
NONE	IN-KIND IMMUNIZATION CONTRIBUTIONS

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ___ yes X no

BRAZOS COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

continued

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

There were no findings related to the federal awards which are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

BRAZOS COUNTY HEALTH DEPARTMENT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

FINANCIAL STATEMENT FINDINGS

No single audit was required for the year ending 9/30/2006; therefore, there were no findings related to the financial statements which were required to be reported in accordance with *Government Auditing Standards*.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No single audit was required for the year ending 9/30/2006; therefore, there were no findings related to the federal awards which were required to be reported by Section 510(a) of OMB Circular A-133.