



Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

April 17, 2019

Brazos County Board of Health
Brazos County Health District

We have audited the financial statements of the governmental activities and the general fund of the Brazos County Health District (the "District") for the year ended September 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 13, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1-D to the financial statements, in fiscal year 2018, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 17, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, pension plan information, other post-employment benefits information, and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the statistical section, which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of management of the District, the Brazos County Board of Health and others within the entity and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


Ingram, Wallis & Company, P.C.

Brazos County Health District
 Cumulative Effect of Passed Audit Adjustments
 For the year ended September 30, 2018

	<u>Statement of Net Position</u>			<u>Statement of Activities</u>	
	Assets	Liabilities	Net Position	Revenue	Expense
To reverse prior year passed audit adjustments	\$ -	\$ -	\$ -	\$ (90,356)	\$ 90,356
Inventory	114,197				
Revenue				114,197	
Unavailable Revenue		(114,197)			
Expense					(114,197)
<i>To record vaccine inventory at 9/30/18</i>					
Total	<u>\$ 114,197</u>	<u>\$ (114,197)</u>	<u>\$ -</u>	<u>\$ 23,841</u>	<u>\$ (23,841)</u>

BRAZOS COUNTY, TEXAS HEALTH DISTRICT

**Financial Statements
September 30, 2018**



Prepared by:

Katie Conner, C.P.A.
County Auditor

Ken E. Bost
Director



**BRAZOS COUNTY HEALTH DISTRICT
For the Year Ended September 30, 2018**

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Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the general fund of the Brazos County Health District (the "District") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District'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 District as of September 30, 2018, 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.

Change in Accounting Principle

As described in Note 1-L to the financial statements, in fiscal year 2018, the District adopted new accounting guidance, *GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion was not modified with respect to this matter.

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 41-44 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 District'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 April 17, 2019, on our consideration of the District'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 solely 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 effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Bryan, Texas
April 17, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

For the Year Ended September 30, 2018

This section of the Brazos County Health District (the "District") 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, 2018. Please read the MD&A in conjunction with the District's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The total government-wide liabilities (and deferred inflows of resources) of the District exceeded the assets (and deferred outflows of resources) at September 30, 2018 by \$2,727,465, and are reported as a net deficit of the primary government.
- As of September 30, 2018, the District governmental fund reported fund balance of \$713,034, 99.45% of which is available to meet the District's current and future needs (unassigned fund balance). The remaining 0.55% is nonspendable for prepaid expenses. The fund balance represents 17.13% of total governmental fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District'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 District 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 District 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 District 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 District include general administration, environmental services, clinic services, lab services, immunization services, infectious disease, tuberculosis services,

regional health programs, bioterrorism preparedness and the Medicaid transformation waiver programs (medical records and HIV testing).

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

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. One OPEB trust fund is presented under this category. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

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 17-40 of this report.

Required Supplementary Information is presented concerning the District's General Fund budgetary schedule. The District 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 pension related schedules required by GASB 68 and the OPEB related schedules required by GASB 75. Required supplementary information can be found on pages 41-44 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 District, liabilities (and deferred inflows of resources) exceeded assets (and deferred outflows of resources) by \$2,727,465 at the close of the most recent fiscal year. Comparative information for fiscal year 2018 and 2017 is presented in the following table.

Condensed Statement of Net Position
September 30, 2018
With Comparative Totals September 30, 2017

	2018	2017
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Current assets	\$ 779,775	\$ 1,178,389
Capital assets	<u>268,271</u>	<u>274,261</u>
Total assets	1,048,046	1,452,650
Deferred outflows of resources	<u>395,461</u>	<u>742,597</u>
Total deferred outflows of resources	395,461	742,597
Current liabilities	133,771	136,372
Long-term liabilities	<u>3,909,406</u>	<u>4,256,793</u>
Total liabilities	4,043,177	4,393,165
Deferred inflows of resources	<u>127,795</u>	<u>54,026</u>
Total deferred inflows of resources	127,795	54,026
Net position (deficit):		
Net investment in capital assets	268,271	274,261
Unrestricted	<u>(2,995,736)</u>	<u>(2,526,205)</u>
Total net position (deficit)	<u><u>\$ (2,727,465)</u></u>	<u><u>\$ (2,251,944)</u></u>

Brazos County Health District
MD&A(Unaudited) – For Year Ended September 30, 2018 (Continued)

The District has a current fiscal year investment of \$268,271 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 \$5,990 decrease in the balance of capital assets net of accumulated depreciation from the previous fiscal year.

The remaining balance of the District’s current fiscal year net deficit represents unrestricted net deficit, which is a \$469,531 increase from the previous fiscal year ending September 30, 2017.

At the end of the current fiscal year, the District reported a decrease of net position in its governmental activities. The principal component of this decrease can be attributed to a prior period adjustment of \$385,369 for the OPEB Obligation per GASB 75.

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

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 833,042	\$ 777,322
Operating grants and contributions	1,041,746	1,128,746
General revenues:		
Funding from Brazos County	1,158,277	1,322,478
Funding from City of Bryan	359,150	326,500
Funding from City of College Station	359,150	331,000
Unrestricted investment earnings	7,613	4,081
Miscellaneous	5,829	3,202
Total revenues	<u>3,764,807</u>	<u>3,893,329</u>
Expenses:		
Administration	610,483	634,792
Environmental	1,210,115	1,363,299
Clinic	740,442	379,610
Lab	257,867	261,419
Immunization	802,197	1,312,282
Infectious Disease	121,223	142,082
Regional health	235,925	265,983
Bioterrorism preparedness	174,770	264,146
Tuberculosis	66,703	131,082
Medical records	14,932	60,000
HIV testing	5,671	9,951
Total expenses	<u>4,240,328</u>	<u>4,824,646</u>
Change in net position (deficit)	(475,521)	(931,317)
Net position (deficit) - beginning	(2,251,944)	(935,258)
Impact of change in accounting principle	-	(385,369)
Net position (deficit) - ending	<u>\$ (2,727,465)</u>	<u>\$ (2,251,944)</u>

In fiscal year 2018, the District's revenues decreased by \$128,522 (3.3%). A lower indirect cost rate percentage for the County resulted in the amount of revenue funded by the County decreasing by \$164,201 and grant contributions decreased by \$87,000. The decrease was offset by an increase in service revenues of \$55,720.

For the year ended September 30, 2018, the decrease in expenses for the District of \$584,300 was primarily due to a decrease in salary expenses.

FINANCIAL ANALYSIS OF FUNDS

Governmental Fund - The District's major general government functions are contained in the General Fund. The focus of the District's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District'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.

At September 30, 2018, the District's general fund reported fund balances of \$713,034 a decrease of \$398,121 in comparison with the prior year. 99.45% of the fund balance constitutes unassigned fund balance, which is available to meet the District's current and future needs. The remaining 0.55% is nonspendable for prepaid expenses.

There was a decrease of \$128,522 in revenues for FY 2018. The total funding from the Department of State Health Services decreased by \$79,920 and there was a decrease of \$164,201 in revenues from Brazos County due to in-kind contributions. This was offset by an increase of \$55,720 in revenues from service fees.

An decrease in In-Kind salary and benefits from Brazos County as well as In-Kind funding from the Department of State Health Services contributed to the decrease in expenditures for FY 2018 of \$209,605.

BUDGETARY HIGHLIGHTS

The District 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 FY2017 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 FY2018 was 44.69%.

At the end of the fiscal year, actual revenues were \$426,866 less than the final amended budgeted amount (which includes all in-kind support).

At the end of the fiscal year, actual expenditures were \$880,989 less than the final amended budgeted amount (which includes all in-kind support).

CAPITAL ASSETS

The District's investment in capital assets for its governmental activities as of September 30, 2018, amounted to \$268,271 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, equipment, and vehicles. The total decrease in the District's investment in capital assets for the current period was \$5,990 or 2.2%. The decrease was due to the purchase of a vehicle for the Environmental division that was offset by depreciation expense.

ECONOMIC FACTORS

The Brazos County Board of Health ("the Board") adopted the 2018-2019 budget on September 24, 2018. The budget was adopted based on estimated balances that would be available at the end of fiscal year 2018 and estimated revenues to be received in fiscal year 2019. The Board considered the following factors:

- In-Kind support from DSHS and Brazos County is projected to be lower for 2019.
- The contribution from Brazos County, City of College Station, and City of Bryan are increased by 10%.
- Revenues from HHSC for the Medicaid transformation waiver programs are projected to be lower for 2019.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District'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, 2018

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 672,247
Prepaid expenditures	3,941
Receivables:	
Texas Department of State Health Services	64,583
Texas Health and Human Services Commission	--
Other	39,004
Total Current Assets	779,775
Noncurrent Assets:	
Capital assets:	
Leasehold improvements	846,563
Buildings	48,000
Machinery and equipment	762,797
Less: Accumulated depreciation	(1,389,089)
Total Noncurrent Assets	268,271
Total Assets	1,048,046
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions after the measurement date	183,621
Change in pension assumptions or inputs	47,615
Differences between expected and actual pension experience	11,494
OPEB contributions after the measurement date	152,731
Total Deferred Outflows of Resources	395,461
LIABILITIES	
Current Liabilities:	
Accounts payable	19,623
Accrued salaries and benefits	41,238
Compensated absences	67,030
Unearned Revenue	5,880
Total Current Liabilities	133,771
Noncurrent Liabilities	
Due in more than one year	3,909,406
Total Noncurrent Liabilities	3,909,406
Total Liabilities	4,043,177
DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual pension experience	40,576
Difference between projected and actual earnings on pension plan	70,522
Difference between projected and actual earnings on OPEB plan	1,907
Change in OPEB allocated share	12,011
Change in pension allocated share	2,779
Total Deferred Inflows of Resources	127,795
NET POSITION (DEFICIT)	
Net investment in capital assets	268,271
Unrestricted	(2,995,736)
Total Net Position (Deficit)	\$ (2,727,465)

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

**BRAZOS COUNTY HEALTH DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018**

<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	\$ 610,483	\$ --	\$ --	\$ (610,483)
Environmental	1,210,115	631,465	--	(578,650)
Clinic	740,442	61,570	--	(678,872)
Lab	257,867	67,180	--	(190,687)
Immunization	802,197	56,317	720,558	(25,322)
Infectious Disease	121,223	--	82,874	(38,349)
Regional Health	235,925	--	88,556	(147,369)
Bioterrorism Preparedness	174,770	--	108,317	(66,453)
Tuberculosis	66,703	16,510	41,441	(8,752)
Medical Records	14,932	--	--	(14,932)
HIV Testing	5,671	--	--	(5,671)
Total	<u>\$ 4,240,328</u>	<u>\$ 833,042</u>	<u>\$ 1,041,746</u>	<u>(2,365,540)</u>

General revenues:

Funding from Brazos County	1,158,277
Funding from City of Bryan	359,150
Funding from City of College Station	359,150
Unrestricted investment earnings	7,613
Miscellaneous	5,829
Total general revenues	<u>1,890,019</u>

Change in net position (deficit)	(475,521)
Net position (deficit) - beginning, as restated	<u>(2,251,944)</u>
Net position (deficit) - ending	<u>\$ (2,727,465)</u>

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

**BRAZOS COUNTY HEALTH DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2018**

	Total Governmental Fund
ASSETS	
Cash	\$ 672,247
Prepaid Expenditures	3,941
Receivables:	
Texas Department of State Health Services	64,583
Other	38,387
Interest	617
TOTAL ASSETS	\$ 779,775
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 19,623
Accrued Salaries and Benefits	41,238
Unearned Revenue	5,880
Total Liabilities	66,741
Fund Balance	
Nonspendable	3,941
Unassigned	709,093
Total Fund Balance	713,034
TOTAL LIABILITIES AND FUND BALANCE	\$ 779,775

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, 2018**

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

Total fund balance--governmental fund		\$ 713,034
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		268,271
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. Deferred outflows of resources are not reported in the governmental funds:		
Pension contributions after the measurement date	183,621	
Change in pension assumptions or inputs	47,615	
Differences between expected and actual pension experience	11,494	
OPEB contributions after the measurement date	<u>152,731</u>	
		395,461
Liabilities for compensated absences are due within one year, but are not reported as liabilities in the funds.		(67,030)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:		
Net OPEB liability	(3,146,699)	
Net pension liability	<u>(762,707)</u>	
		(3,909,406)
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	(40,576)	
Difference between projected and actual earnings on pension plan	(70,522)	
Difference between projected and actual earnings on OPEB plan	(1,907)	
Change in OPEB allocated share	(12,011)	
Change in pension allocated share	<u>(2,779)</u>	
		<u>(127,795)</u>
Total net position--governmental activities		<u><u>\$ (2,727,465)</u></u>

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, 2018**

	Total Governmental Fund
REVENUES	
Intergovernmental	
Brazos County	\$ 1,158,277
City of Bryan	359,150
City of College Station	359,150
Texas Department of State Health Services	1,041,746
Program Income	
Health Service Fees	618,415
Clinic	134,397
Environmental	13,050
Laboratory	67,180
Interest	7,613
Other	5,829
TOTAL REVENUES	3,764,807
EXPENDITURES	
Salary and Wages	2,264,397
Employee Benefits	796,912
Departmental Support	726,392
Repairs and Maintenance	28,283
Minor Acquisitions	9,183
Contract Services	22,925
Facility	186,881
Professional Services	95,446
Community Contracts	2,583
Capital Outlay	29,926
TOTAL EXPENDITURES	4,162,928
Net Change in Fund Balance	(398,121)
FUND BALANCE, BEGINNING OF YEAR	1,111,155
FUND BALANCE, END OF YEAR	\$ 713,034

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, 2018**

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

Net change in fund balances--governmental fund	\$	(398,121)
<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	29,926	
Depreciation expense	<u>(35,916)</u>	(5,990)
<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>		
		2,109
<p>The net OPEB liability per GASB 75 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>		
		(21,486)
<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>(52,033)</u>
Change in net position of governmental activities	\$	<u>(475,521)</u>

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

**BRAZOS COUNTY HEALTH DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUND
For the Year Ended September 30, 2018**

ASSETS	<u>OPEB Trust Fund</u>
Cash and Cash Equivalents	\$ 102
Investments	
Fixed Income	15,106
Domestic Equities	27,230
Receivables	<u>7</u>
Total Assets	<u><u>\$ 42,445</u></u>
NET POSITION	
Assets Held in Trust for OPEB Benefits	<u>\$ 42,445</u>
Total Net Position	<u><u>\$ 42,445</u></u>

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

**BRAZOS COUNTY HEALTH DISTRICT
STATEMENT OF CHANGE IN NET POSITION
FIDUCIARY FUND
For the Year Ended September 30, 2018**

	OPEB Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 20,000
Investment Earnings:	
Interest and Dividends	852
Net Appreciation in the Fair Value of Investments	1,541
Total Additions	22,393
 DEDUCTIONS	
Administrative Expenses	193
Total Deductions	193
 Change in Net Position	 22,200
Net Position - Beginning	20,245
 Net Position - Ending	 \$ 42,445

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, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Brazos County Health District (the “District”) 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 District are described in the following notes to the financial statements.

A. Reporting Entity

The District 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 District have additional specific requirements as to the services required.

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

The District 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 District 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 District.

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), 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.

The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenues. Expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

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 District 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.

The fiduciary funds are used to account for assets held by a governmental entity for other parties (either as a trustee or as an agent) and cannot be used to finance the governmental entity's own operating programs. They are accounted for using the accrual basis of accounting. These funds are not included in the government-wide statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

C. Fund Level Financial Statements

continued

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each 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 District reports the following funds:

General Fund - The General Fund is the general operating fund of the District. 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.

Fiduciary Fund – The Fiduciary Fund is the Other Postemployment Benefit (OPEB) trust fund. The OPEB trust fund is used to account for resources held in trust for employees and their beneficiaries based on the other postemployment benefit arrangements.

D. Implementation of New Standards

In fiscal year 2018, the District evaluated and/or implemented the following new standards:

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, 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 implementation of GASB 75 had a significant impact on the District’s financial statements for the year ended September 30, 2018. See Note 1-L for further information

GASB Statement No. 83, “Certain Asset Retirement Obligations”, establishes standards of accounting and financial reporting for certain AROs. It was determined that GASB 83 did not have an impact on the District’s financial statements for the year ended September 30, 2018.

GASB Statement No. 85, “Omnibus 2017”, establishes standards of accounting and financial requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits. The implementation of GASB 85 did not have an impact on the District’s financial statements for the year ended September 30, 2018.

GASB Statement No. 86, “Certain Debt Extinguishment Issues”, establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the purpose of extinguishing debt. It was determined that GASB 86 did not have an impact on the District’s financial statements for the year ended September 30, 2018.

E. Cash and Cash Equivalents and Investments

The District 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, highly liquid investments which may be converted to cash (see Note 3). The District 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 District 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.

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 District 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

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

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 District has the following items that qualify for reporting in this category.

- Change in pension assumptions about future economic or demographic factors or of other inputs – This difference is deferred and amortized over a closed 5 year period.
- 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.
- Pension contributions after the measurement date – These contributions are deferred and recognized in the following fiscal year.
- OPEB 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 District 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 5 year period.
- 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.
- Difference between projected and actual earnings on OPEB benefit plan – This difference is deferred and amortized over a closed 5 year period.
- Change in pension allocated share – This change results from the disaggregation of the aggregated District results. It is deferred and recognized over a closed 5 year period.
- Change in OPEB allocated share – This change results from the disaggregation of the aggregated District results. It is deferred and recognized over a closed 7.9828 year period.

H. 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.

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

H. Compensated Absences**continued**

employees. In the event of termination, an employee is entitled to receive accumulated vacation pay but not the accumulated sick leave pay.

Policy provides that only half of the vacation hours accumulated from the previous year can be carried over but must be used first in the current year. The liability for accrued vacation pay is calculated at the end of the fiscal year and reported as “liabilities for compensated absences,” a current liability in the District’s government-wide financial statements due to the fact that the accumulated vacation has an average maturity of less than one year.

I. Pensions

For purposes of measuring 1) the net pension liability, 2) pension related deferred inflows/outflows of resources, and 3) pension expense, District specific information about its fiduciary net position in the Texas County and District Retirement System (“TCDRS”) and additions to/deductions from the District’s fiduciary net position have been determined on the same basis as they are reported by TCERS, 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 District’s total pension liability can be obtained from TCERS through a report prepared for Brazos County by TCERS consulting actuary, Milliman, Inc., in compliance with Governmental Accounting Standards Board (GASB) Statement No. 67, Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No.25.

J. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Brazos County Retiree Health Care Plan and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Information regarding the District’s net OPEB liability can be obtained from GRS Retirement Consulting Company, who prepared a report in compliance with Governmental Accounting Standards Board (GASB) Statement No. 74 and Statement No. 75. The address is 5605 North MacArthur Boulevard, Suite 870, Irving, Texas 75038-2631 and the telephone number is (469)524-0000.

K. 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 District's policy to fund current expenditures with current revenues. The District strives to maintain a diversified and stable revenue stream to protect the District from problematic fluctuations in any single revenue source and provide stability to the ongoing services. The District'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 District's unassigned fund balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

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

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

The District 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 adopt a minimum fund balance each year based on budgetary needs for the year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

K. Fund Balances and Net Position

continued

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.

L. Restatement of Beginning Net Position

As a result of the implementation of GASB 75, the beginning net position of the District at October 1, 2017, has been restated for the change in accounting principle.

	<u>Government-Wide Activities</u>
Net position at September 30, 2017, as previously reported	\$ (1,866,575)
Eliminating GASB 45 Net OPEB Obligation as of September 30, 2017	2,601,034
Recording of net OPEB liability as of September 30, 2017	(3,042,688)
Deferral for OPEB contributions made after the measurement date	56,285
Net position at September 30, 2017, as restated	<u>\$ (2,251,944)</u>

NOTE 2 - BUDGETARY LEGAL COMPLIANCE

Appropriations for total budget cannot exceed total resources, as forecasted by the Director of the District, which will be available for the year. This is the legal level of control for the District’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 District 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 District employs an encumbrance accounting system as a method of accomplishing budgetary control. At year-end, open encumbrances are closed. The District 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	\$ 1,872,558	\$ (5,500)	\$ 1,867,058
Employee benefits	937,868	-	937,868
Departmental support	223,497	11,087	234,584
Repairs and maintenance	37,300	-	37,300
Minor acquisitions	39,250	(4,387)	34,863
Contract services	120,000	-	120,000
Professional services	113,550	(1,200)	112,350
Community contracts	80,000	-	80,000
Capital outlay	40,000	-	40,000
TOTALS	\$ 3,464,023	\$ -	\$ 3,464,023

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 District by member entities and DSHS during the fiscal year. Accordingly, the District 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	\$ 836,846	\$ -	\$ 836,846
Departmental support	538,667	-	538,667
Professional services	13,000	-	13,000
Facility & equipment rental	191,381	-	191,381
TOTALS	\$ 1,579,894	\$ -	\$ 1,579,894

The In-Kind support provided to the District 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>	\$ 359,150	\$ 359,150	\$359,150	\$ 499,193	\$ -	\$ 1,576,643
<u>In-Kind</u>						
Salary and wages	548,814	-	-	-	-	548,814
Departmental support	47,932	-	-	542,553	-	590,485
Professional services	15,500	-	-	-	-	15,500
Facility	186,881	-	-	-	-	186,881
Subtotal In-Kind	799,127	-	-	542,553	-	1,341,680
TOTALS	\$ 1,158,277	\$ 359,150	\$359,150	\$1,041,746	\$ -	\$ 2,918,323

The District received \$542,553 in immunization and pharmacy supplies from DSHS for the year. This amount is \$56,011 more than originally budgeted for 2018.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

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

The Brazos County depository agreement with BBVA Compass Bank requires collateralization with a fair value of at least 102% up to 110% of County funds in excess of the FDIC coverage of \$250,000. At September 30, 2018, the carrying amount of the District's deposits were \$672,247 reported as "Cash and Cash Equivalents" on the balance sheet.

The District 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, 2018, all District funds were deposited in the County depository and are reflected on the financial statements as cash.

B. Investments of OPEB Trust Fund

During the budget process for fiscal year 2018, the Board approved contributing into the County's OPEB Trust Fund to partially fund the District's OPEB plan. The County created a board of trustees comprised of the current members of the Brazos County Commissioners' Court. The County also appointed an OPEB Investment Plan Committee to oversee certain policies and procedures related to the operation and administration of the Trust. All OPEB Trust investments will be held by its trustee, US Bank. The trustee is contracted to manage the portfolio in accordance with the trust documents as approved by the Commissioners' Court. The investment policy statement mandates a diversified portfolio in growth assets and income assets. The funds contributed by the District are accounted for separately from the County as well as the earnings.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Balance at October 1, 2017	Additions	Deletions	Balance at September 30, 2018
<u>Governmental activities:</u>				
Capital assets, being depreciated:				
Leasehold improvements	\$ 846,563	\$ -	\$ -	\$ 846,563
Building	48,000	-	-	48,000
Machinery and equipment	732,871	29,926	-	762,797
Total capital assets being depreciated	<u>1,627,434</u>	<u>29,926</u>	<u>-</u>	<u>1,657,360</u>
Less accumulated depreciation for:				
Leasehold improvements	(846,563)	-	-	(846,563)
Building	(24,000)	(2,400)	-	(26,400)
Machinery and equipment	(482,610)	(33,516)	-	(516,126)
Total accumulated depreciation	<u>(1,353,173)</u>	<u>(35,916)</u>	<u>-</u>	<u>(1,389,089)</u>
Total capital assets, being depreciated, net	<u>\$ 274,261</u>	<u>\$ (5,990)</u>	<u>\$ -</u>	<u>\$ 268,271</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Administration	\$ 2,985
Environmental	11,478
Bioterrorism Preparedness	13,703
Bioterrorism Discretionary	7,750
Total depreciation expense – governmental activities	<u>\$35,916</u>

NOTE 5 - OPERATING LEASES

The District has one operating lease currently in force that is not formal. The lease has no minimum annual lease requirement and is for office space. The lease is provided (in-kind) by Brazos County, Texas, for a facility with a fair market annual lease value of \$186,881.

NOTE 6 – COMPENSATED ABSENCES

The cost of the District’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.

NOTE 6 – COMPENSATED ABSENCES**continued**

The amount of compensated absences due within one year of the date of the Statement of Net Position of fiscal year 2018 is \$67,030. Changes in compensated absences in the governmental activities for the year ended September 30, 2018 were as follows:

	Balance at October 1, 2017	Earned	Taken/Paid	Balance at September 30, 2018
Governmental Activities	\$ 69,138	\$ 115,058	\$ (117,166)	\$ 67,030
Total	<u>\$ 69,138</u>	<u>\$ 115,058</u>	<u>\$ (117,166)</u>	<u>\$ 67,030</u>

NOTE 7 – RISK MANAGEMENT

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

The pool that the County and the District participate in has reinsurance coverage for excess workers' compensation and employer's liability. The District 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 District participates with the County through an Inter-Local Agreement. The Internal Service Fund of the County collects the premium payments from the County, the District, the employee, and the retiree. The fund pays all claims and administrative fees. The Internal Service Fund has purchased reinsurance that provides a \$175,000 per individual specific stop loss deductible and an additional aggregating specific annual deductible of \$60,000. Funds are available to pay claims and have been reserved for such purpose.

The members of the Board are aware that the District has risk of loss exposure to liability and accidental loss of real and personal property as well as human resources. District 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 District practices risk management activities to include the purchase of insurance for general liability and liability from property damage claims. Vehicle liability is provided by

NOTE 7 – RISK MANAGEMENT**continued**

Brazos County. In addition, the property insurance, errors and omissions, and professional liability coverage carried by Brazos County support the District. The District 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 District's exposure. At September 30, 2018, all claims against the District had been paid or accrued for payment, or the District's underwriter had accepted responsibility for the claim.

The District 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**A. Plan Description**

The District, 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. 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.

B. 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 District-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 District'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 District-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS.

C. Employees Covered by Benefit Terms

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	9
Active employees	33
	52
	52

D. Contributions

Brazos County and the District 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.

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Brazos County and the District contributed using the actuarially determined rate of 14.25% for calendar year 2018 and 14.50% for calendar year 2019. The employee’s member contribution rate remained at 7.00% for 2018. Contributions to the pension plan from the District were \$243,142 for the year ended September 30, 2018.

E. Net Pension Liability

The District’s net pension liability was measured as of December 31, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.25 percent, including inflation
Investment rate of return	8.10 percent

New mortality assumptions were reflected in the 2017 actuarial valuation as a result of adopting a new projection scale. They are 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale.

E. Net Pension Liability

continued

All other actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2013– December 31, 2016, 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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Geometric Real Rate of Return (Expected - Inflation) (2)</u>
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities - Developed Markets	11.00%	4.55%
International Equities - Emerging Markets	8.00%	5.55%
Investment-Grade Bonds	3.00%	0.75%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships (MLPs)	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%
	<u>100.00%</u>	

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

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

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 District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

E. Net Pension Liability

continued

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.

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2016	\$ 7,685,624	\$ 6,471,519	\$ 1,214,105
Changes for the year:			
Service cost	243,434	-	243,434
Interest on total pension liability	669,885	-	669,885
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(9,097)	-	(9,097)
Effect of assumptions changes or inputs	20,359	-	20,359
Refund of contributions	(21,453)	(21,453)	-
Benefit payments	(326,201)	(326,201)	-
Administrative expenses	-	(5,328)	5,328
Member contributions	-	120,527	(120,527)
Net investment income	-	1,019,512	(1,019,512)
Employer contributions	-	241,053	(241,053)
Other	-	215	(215)
Net Changes	<u>576,927</u>	<u>1,028,325</u>	<u>(451,398)</u>
Balances as of December 31, 2017	<u>\$ 8,262,551</u>	<u>\$ 7,499,844</u>	<u>\$ 762,707</u>

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

The following presents the net pension liability of the District, calculated using the discount rate of 8.10 percent, as well as what the District'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%
District's net pension liability / (asset)	\$ 1,971,291	762,707	(248,179)

NOTE 8 – PENSION PLAN**continued****E. Net Pension Liability****continued*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended September 30, 2018, the District recognized pension expense of \$295,175. At September 30, 2018, the District 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	\$ 11,494	\$ 40,576
Difference between projected and actual earnings on pension plan	-	70,522
Change in assumptions or other inputs	47,615	-
Change in pension allocated share	-	2,779
Pension contributions made after the measurement date	183,621	-
Total	<u>\$ 242,730</u>	<u>\$ 113,877</u>

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,	
2019	\$ 63,251
2020	\$ 49,984
2021	\$ (79,548)
2022	\$ (88,455)
Thereafter	-

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

The District 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, 2018, the District had been fully reimbursed for costs related to COBRA participants.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

continued

A. Post Employment Benefits

continued

The District participates in the Brazos County Retiree Health Care Plan 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 District began offering post-retirement health care benefits to certain retirees. District 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 County's post-retirement benefit plan is a single-employer defined benefit plan. The benefit levels are the same as those afforded to active employees.

As of December 31, 2017, Membership consisted of:

Retirees or Beneficiaries Receiving Benefits	6
Active Employees	31
Total	<u>37</u>

B. Funding Policy

The District follows the County, which uses the Health and Life Insurance Internal Service fund to liquidate the OPEB liabilities. 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 District's healthcare plan. Eligible retirees who were hired before August 30, 2011 and with eight or more years of cumulative service with the District upon retirement are entitled to the District'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 District 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 District's healthcare plan becomes secondary to Medicare automatically.

The District established an OPEB Trust Fund to partially fund its OPEB Plan in 2017. The District contributed \$242,679 in total towards its OPEB obligation for the year ended September 30, 2018, including \$20,000 to the OPEB Trust.

C. Net OPEB Liability

The District's net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

D. Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.50 percent
Salary Increases	0.50 to 5.00 percent, not including wage inflation of 3.25 percent
Investment Rate of Return	6.50 percent
Healthcare Cost Trend Rate	initial rate of 7.50 percent declining to ultimate rates of 5.25 percent after 11 years. ultimate trend rate includes a 1.00 percent adjustment for the excise tax.

For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. Those rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014.

For disabled retirees, the gender-distinct RP-2014 Disabled Retiree Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 115%. Those rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014.

For active employees, the gender-distinct RP-2014 Employee Mortality Tables are used for males and females multiplied by 90%. Those rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014.

The demographic assumptions were based on the assumptions that were developed for the defined benefit plan in which the District participates. The assumptions were based on the experience study covering the four-year period ending December 31, 2016 as conducted for the Texas County and District Retirement System (TCDRS).

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) and developed 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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Classes</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth Assets		
Domestic Equity	39%	5.39%
International Equity	21%	5.20%
Income Assets		
Fixed Income	40%	1.98%
Total	<u>100%</u>	

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**continued****D. Actuarial Methods and Assumptions****continued**

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.50%; the municipal bond rate is 3.31% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”); and the resulting single discount rate is 6.50%. The District’s current funding policy is to pay the benefits using its own assets and to contribute \$20,000 per year into the OPEB trust. Based on this funding policy, the plan’s projected assets are never depleted in the projection required to determine the single discount rate. Under this policy, the District does not calculate an actuarially determined contribution. In addition, the contribution requirements are not established statutorily or contractually.

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the year ended December 31, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 14.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Changes in the Net OPEB Liability**Changes in Net OPEB Liability / (Asset)**

	Increase (Decrease)		Net OPEB Liability / (Asset) (a) – (b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
Balances as of December 31, 2016	\$3,062,919	\$20,234	\$3,042,685
Changes for the year:			
Service cost	71,193	-	71,193
Interest on total OPEB liability	198,857	-	198,857
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Benefit payments	(78,364)	(78,364)	-
Administrative expenses	-	(271)	271
Employer contributions	-	159,964	(159,964)
Net investment income	-	6,343	(6,343)
Other	-	-	-
Net Changes	191,686	87,672	104,014
Balances as of December 31, 2017	\$3,254,605	\$107,906	\$3,146,699

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

continued

E. Changes in the Net OPEB Liability

continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, calculated using the discount rate of 6.50 percent, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percent-point lower (5.50 percent) or 1-percent-point higher (7.50 percent) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
District's net OPEB liability / (asset)	\$ 3,667,013	\$ 3,146,699	\$ 2,725,695

The following presents the net OPEB liability of the District, calculated using the assumed trend rates as well as what the District’s net OPEB liability would be if it were calculated using a trend rate that is 1-percent-point lower or 1-percent-point higher than the current rates:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
District's net OPEB liability / (asset)	\$ 2,678,912	\$ 3,146,699	\$ 3,739,034

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

For the year ended September 30, 2018, the District recognized OPEB expense of \$264,165. At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in OPEB plan allocated share	\$ -	\$ 12,011
Difference between projected and actual earnings on OPEB plan	-	1,907
OPEB contributions made after the measurement date	152,731	-
Total	<u>\$ 152,731</u>	<u>\$ 13,918</u>

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

continued

E. Changes in the Net OPEB Liability

continued

Deferred outflows of resources related to OPEB resulting from OPEB contributions made after the measurement date of \$152,731 will be recognized as a reduction of the net OPEB liability in the District’s financial statements for the fiscal year ending September 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB, excluding OPEB contributions made after the measurement date, will be recognized in OPEB expense as follows:

Year ended September 30,	
2019	\$ (2,197)
2020	(2,197)
2021	(2,197)
2022	(2,196)
2023	(1,720)
Thereafter	(3,411)

F. Deferred Compensation

The District 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 District 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 District nor Brazos County are the Plan administrator or the trustee, therefore the assets of the Plan are not a reportable fund within the District’s financial statements.

NOTE 10 - CONTINGENT LIABILITIES

The District is not currently a defendant in any lawsuits, nor is the District 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 District’s operations.

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

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

NOTE 11 – COOPERATIVE AGREEMENT

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

NOTE 11 – COOPERATIVE AGREEMENT

continued

For the year ended September 30, 2018, the monetary support by jurisdiction was as follows:

<u>Entity</u>	<u>Budget</u>	<u>Actual</u>
Brazos County	\$ 359,150	\$ 359,150
City of Bryan	359,150	359,150
City of College Station	359,150	359,150
TOTALS	<u>\$1,077,450</u>	<u>\$1,077,450</u>

The Agreement also requires the Members of the District to pay for actual health services provided to the jurisdictions. The agreement for the fiscal year ended September 30, 2018, includes a provision that any unencumbered funds at the end of the fiscal year are to be retained by the District as “public health funds.” These funds are to be used by the District in a manner equally beneficial to each of the parties. During the year ended September 30, 2018, the health service fees collected by the District for each jurisdiction were as follows:

<u>Entity</u>	<u>Budget</u>	<u>Actual</u>
Brazos County	\$ 118,000	\$ 116,730
City of Bryan	237,500	225,500
City of College Station	272,500	276,185
TOTALS	<u>\$ 628,000</u>	<u>\$ 618,415</u>

In addition, the District 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, 2018, was as follows:

<u>Entity</u>	<u>Number Of Procedures</u>	<u>Value</u>
City of Bryan	1,200	\$ 24,000
City of College Station	1,221	24,420
TOTALS	<u>2,421</u>	<u>\$ 48,420</u>

**BRAZOS COUNTY HEALTH DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**



**BRAZOS COUNTY HEALTH DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Intergovernmental			
Brazos County	\$ 1,448,002	\$ 1,448,002	\$ 1,158,277
City of Bryan	359,150	359,150	359,150
City of College Station	363,650	363,650	359,150
Texas Department of State Health Services	1,014,871	1,014,871	1,041,746
Texas Health and Human Services Commission	160,000	160,000	--
Program Revenue			
Health Service Fees	628,000	628,000	618,415
Clinic	120,000	120,000	134,397
Environmental	25,000	25,000	13,050
Laboratory	65,000	65,000	67,180
Interest	4,500	4,500	7,613
Other	3,500	3,500	5,829
TOTAL REVENUES	<u>4,191,673</u>	<u>4,191,673</u>	<u>3,764,807</u>
EXPENDITURES			
Salary and Wages	2,709,404	2,703,904	2,264,397
Employee Benefits	937,868	937,868	796,912
Departmental Support	762,164	773,251	726,392
Repairs and Maintenance	37,300	37,300	28,283
Minor Acquisitions	39,250	34,863	9,183
Contract Services	120,000	120,000	22,925
Facility	191,381	191,381	186,881
Professional Services	126,550	125,350	95,446
Community Contracts	80,000	80,000	2,583
Capital Outlay	40,000	40,000	29,926
TOTAL EXPENDITURES	<u>5,043,917</u>	<u>5,043,917</u>	<u>4,162,928</u>
Net Change in Fund Balance	(852,244)	(852,244)	(398,121)
FUND BALANCE AT OCTOBER 1, 2017	<u>757,841</u>	<u>757,841</u>	<u>1,111,155</u>
FUND BALANCE AT SEPTEMBER 30, 2018	<u>\$ (94,403)</u>	<u>\$ (94,403)</u>	<u>\$ 713,034</u>

BRAZOS COUNTY HEALTH DISTRICT
 Required Supplementary Information
 Schedule of Changes in the District's Net Pension Liability and Related Ratios
 September 30, 2018

	<u>Year Ended December 31, 2017</u>	<u>Year Ended December 31, 2016</u>	<u>Year Ended December 31, 2015</u>	<u>Year Ended December 31, 2014</u>
Total pension liability				
Service cost	\$ 243,434	\$ 239,918	\$ 211,535	\$ 196,938
Interest on total pension liability	669,885	614,986	562,710	499,832
Effect of plan changes	-	-	(42,724)	-
Effect of economic/demographic gains or losses	(9,097)	19,157	(70,214)	(20,895)
Effect of assumptions changes or inputs	20,359	-	76,363	-
Benefit payments/refunds of contributions	<u>(347,654)</u>	<u>(297,550)</u>	<u>(263,552)</u>	<u>(225,789)</u>
Net change in total pension liability	576,927	576,511	474,118	450,086
Total pension liability - beginning	<u>7,685,624</u>	<u>7,109,113</u>	<u>6,634,995</u>	<u>6,184,909</u>
Total pension liability - ending (a)	<u><u>\$ 8,262,551</u></u>	<u><u>\$ 7,685,624</u></u>	<u><u>\$ 7,109,113</u></u>	<u><u>\$ 6,634,995</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 241,053	\$ 265,863	\$ 205,969	\$ 185,708
Contributions - employee	120,527	113,496	104,206	92,830
Net investment income	1,019,512	474,795	(81,668)	376,031
Benefit payments/refunds of contributions	(347,654)	(297,550)	(263,552)	(225,789)
Administrative expenses	(5,328)	(5,165)	(4,519)	(4,466)
Effect of change in proportion	-	(30,013)	(30,500)	-
Other	215	11,498	4,001	(5,127)
Net change in plan fiduciary net position	<u>1,028,325</u>	<u>532,924</u>	<u>(66,063)</u>	<u>419,187</u>
Plan fiduciary net position - beginning	<u>6,471,519</u>	<u>5,938,595</u>	<u>6,004,658</u>	<u>5,585,471</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 7,499,844</u></u>	<u><u>\$ 6,471,519</u></u>	<u><u>\$ 5,938,595</u></u>	<u><u>\$ 6,004,658</u></u>
District's net pension liability - ending (a) - (b)	\$ 762,707	\$ 1,214,105	\$ 1,170,518	\$ 630,337
Plan fiduciary net position as a percentage of the total pension liability	90.77%	84.20%	83.53%	90.50%
Covered payroll	\$ 1,721,807	\$ 1,625,812	\$ 1,374,391	\$ 1,326,371
District's net pension liability as a percentage of covered payroll	44.30%	74.68%	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 District Pension Contributions
 September 30, 2018

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
2017	213,764	276,200	(62,436)	1,673,939	16.5%
2018	\$ 235,027	\$ 243,142	\$ (8,115)	\$ 1,736,729	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	12.0 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2004 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale after 2014.
Changes in assumptions and methods reflected in the schedule of employer contributions	New mortality assumptions were reflected.
Changes in plan provisions reflected in the schedule	New Annuity Purchase Rates were reflected for benefits earned after 2017

BRAZOS COUNTY HEALTH DISTRICT

Required Supplementary Information

Schedule of Changes in the Districts's Net OPEB Liability and Related Ratios

September 30, 2018

	Year Ended December 31, 2017
	<hr/>
Total OPEB liability	
Service cost	\$ 71,193
Interest on total OPEB liability	198,857
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(78,364)
Net change in total OPEB liability	<hr/> 191,686
Total OPEB liability - beginning	3,062,919
Total OPEB liability - ending (a)	<hr/> <hr/> \$ 3,254,605
Plan fiduciary net position	
Employer contributions	\$ 159,964
Net investment income	6,343
Benefit payments	(78,364)
Administrative expense	(271)
Other	-
Net change in plan fiduciary net position	<hr/> 87,672
Plan fiduciary net position - beginning	20,234
Plan fiduciary net position - ending (b)	<hr/> <hr/> \$ 107,906
District's net OPEB liability - ending (a) - (b)	\$ 3,146,699
Plan fiduciary net position as a percentage of the total OPEB liability	3.32%
Covered-employee payroll	\$ 1,547,426
District's net OPEB liability as a percentage of covered-employee payroll	203.35%

NOTE: The schedule represents only the years for which the new GASB statements have been implemented.

**BRAZOS COUNTY HEALTH DISTRICT
STATISTICAL SECTION**





BRAZOS COUNTY HEALTH DISTRICT
COMPARATIVE ANALYSIS OF DIVISIONAL EXPENSES
For The Twelve Month Period Ended September 30, 2018
With Comparative Totals for Years Ended September 30, 2016 and 2017
(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	\$ 247,416	\$ 592,612	\$ 363,108	\$ 109,201	\$ 127,273	\$ 61,922	\$ 108,081	\$ --
Employment Benefits	176,509	269,455	146,879	36,567	51,977	26,305	48,546	--
Departmental Support	12,243	13,036	12,963	40,183	15,655	1,392	24,323	1,877
Repairs & Maintenance	3,627	21,696	208	523	--	106	--	--
Minor Acquisition	7,226	--	959	998	--	--	--	--
Contract Services	6,781	400	--	2,689	--	--	--	13,055
Facility	--	--	--	--	--	--	--	--
Professional Services	29,956	-	31,626	12,160	--	--	--	--
Community Contracts	--	--	--	--	--	--	--	--
Capital Outlay	--	29,926	--	--	--	--	--	--
TOTALS	<u>\$ 483,758</u>	<u>\$ 927,125</u>	<u>\$ 555,743</u>	<u>\$ 202,321</u>	<u>\$ 194,905</u>	<u>\$ 89,725</u>	<u>\$ 180,950</u>	<u>\$ 14,932</u>
For the Year Ended:								
September 30, 2017	<u>\$ 475,188</u>	<u>\$ 877,806</u>	<u>\$ 239,732</u>	<u>\$ 181,298</u>	<u>\$ 455,215</u>	<u>\$ 89,819</u>	<u>\$ 173,791</u>	<u>\$ 60,000</u>
September 30, 2016	<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>

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	
\$ --	\$ 76,367	\$ --	\$ 29,602	\$ 1,715,582	\$ 548,815	\$ --	\$ --	\$ 2,264,397
--	29,089	--	11,585	796,912	--	--	--	796,912
3,088	6,894	--	4,254	135,908	47,931	--	542,553	726,392
--	2,123	--	--	28,283	--	--	--	28,283
--	--	--	--	9,183	--	--	--	9,183
--	--	--	--	22,925	--	--	--	22,925
--	--	--	--	--	186,881	--	--	186,881
--	--	--	6,204	79,946	15,500	--	--	95,446
2,583	--	--	--	2,583	--	--	--	2,583
--	--	--	--	29,926	--	--	--	29,926
<u>\$ 5,671</u>	<u>\$ 114,473</u>	<u>\$ --</u>	<u>\$ 51,645</u>	<u>\$ 2,821,248</u>	<u>\$ 799,127</u>	<u>\$ --</u>	<u>\$ 542,553</u>	<u>\$ 4,162,928</u>
<u>\$ 9,951</u>	<u>\$ 147,226</u>	<u>\$ --</u>	<u>\$ 85,501</u>	<u>\$ 2,795,527</u>	<u>\$ 995,976</u>	<u>\$ 4,500</u>	<u>\$ 576,530</u>	<u>\$ 4,372,533</u>
<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>\$ 6,509,448</u>

**BRAZOS COUNTY HEALTH DISTRICT
COMPARATIVE ANALYSIS OF GRANT FUNDING SUPPORT
DEPARTMENT OF STATE HEALTH SERVICES
For The Twelve Month Period Ended August 31, 2018
(Unaudited)**

Expenditures	DSHS Program: CPS/HAZARDS			DSHS Program: RLSS/LPHS		
	DSHS Budget	DSHS Expense Support	Department Expense Support	DSHS Budget	DSHS Expense Support	Department Expense Support
Personnel	\$ 96,624	\$ 85,168	\$ --	\$ 61,611	\$ 61,611	\$ 46,547
Fringe Benefits	33,818	30,957	--	26,148	26,148	21,390
Travel	--	12	--	--	--	1,284
Equipment	--	--	--	--	--	--
Supplies	1,932	5,052	--	--	--	348
Contractual	--	--	--	--	--	--
Other	3,050	2,698	--	--	--	22,815
TOTALS	\$ 135,424	\$ 123,887	\$ --	\$ 87,759	\$ 87,759	\$ 92,384

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	\$ 124,667	\$ 124,667	\$ 86,257	\$ 13,480	\$ 13,480	\$ 6,508
Fringe Benefits	56,028	56,028	27,708	5,623	5,623	2,972
Travel	--	--	896	--	--	--
Equipment	--	--	--	--	--	--
Supplies	--	--	7,342	--	--	--
Contractual	--	--	--	--	--	--
Other	--	--	853	--	--	3,899
TOTALS	\$ 180,695	\$ 180,695	\$ 123,056	\$ 19,103	\$ 19,103	\$ 13,379

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	\$ 14,196	\$ 61,622	\$ 61,622	\$ 343
Fringe Benefits	\$ 6,726	\$ 6,726	\$ 4,927	\$ 19,078	\$ 19,380	\$ 6,468
Travel	\$ -	\$ -	\$ --	\$ 1,050	\$ 988	\$ --
Equipment	\$ -	\$ -	\$ --	\$ --	\$ --	\$ --
Supplies	\$ -	\$ -	\$ --	\$ 750	\$ 510	\$ --
Contractual	\$ -	\$ -	\$ --	\$ --	\$ --	\$ --
Other	\$ -	\$ -	\$ 5,292	\$ --	\$ --	\$ --
TOTALS	\$ 22,848	\$ 22,848	\$ 24,415	\$ 82,500	\$ 82,500	\$ 6,811

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

<u>Activity</u>		For The Years Ended September 30,				2014
		2018	2017	2016	2015	2014
Personal Health Services	Immunizations and Inoculations	7,700	8,541	8,771	7,842	6,958
	TB Tests	954	1,032	1,070	888	714
	STD Clinic	2,357	2,080	2,415	2,146	1,931
	Home Visits	174	166	386	395	357
Environmental Health Services	Inspections:					
	Restaurant	3,129	2,824	2,830	2,850	2,781
	Child Care	133	90	101	86	114
	Septic Systems	693	635	657	607	607
	Swimming Pools	7	8	3	10	3
	Substandard Building	19	3	7	6	2
	Subdivision Reviews	18	23	12	24	24
	TCEQ Applications	75	275	310	261	291
	Foodhandlers Registered	931	987	1,181	1,177	1,489
	Complaints	505	527	617	548	353
Letters Issued	2,897	980	924	789	761	
Laboratory Services	Water Samples Tested	5,821	5,950	6,264	6,342	6,418
	STD Testing	6,996	7,148	7,296	7,236	6,410
TOTALS		<u>32,409</u>	<u>31,269</u>	<u>32,844</u>	<u>31,207</u>	<u>29,213</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 "District") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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
April 17, 2019

A handwritten signature in cursive script that reads "Doyen, Walker, Company". The signature is written in dark ink and is positioned to the right of the typed text.

BRAZOS COUNTY HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
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 AND STATE AWARD FINDINGS AND QUESTIONED COSTS

N/A

