

BRAZOS COUNTY, TEXAS HEALTH DISTRICT

Independent Auditors' Report Financial Statements Supplemental Information and Compliance Reports September 30, 2011



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BRAZOS COUNTY HEALTH DISTRICT
For the Year Ended September 30, 2011

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Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the general fund of the Brazos County Health District, (“the Department”) as of and for the year ended September 30, 2011, which collectively comprise the Department’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department’s management. Our responsibility is to express 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Department, as of September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2012, on our consideration of the Department’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements

and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 8 and 32 through 33 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.

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

Bryan, Texas
February 3, 2012

Ingram, Wallis & Company

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

For the Year Ending September 30, 2011

This section of the Brazos County Health District (the "Department") annual financial report presents management's discussion and analysis ("MD&A") of the financial performance of the primary government during the fiscal year ended September 30, 2011. Please read the MD&A in conjunction with the Department's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The total government-wide assets of the Department exceeded the liabilities at September 30, 2011 by \$838,507, and are reported as total net assets of the primary government. Of this amount, \$485,477 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$353,030 is invested in capital assets.
- As of September 30, 2011, the Department governmental fund reported fund balance of \$1,488,858 100% of which is available to meet the Department's current and future needs (unassigned fund balance). The fund balance represents 47% of total governmental fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 15-31 of this report.

Required supplementary information is presented concerning the Department's General Fund budgetary schedule. The Department adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budget and actual figures, has been provided to demonstrate compliance with this budget. Also presented in this section are the Schedule of Funding Progress for the Texas County and District Retirement System and the Schedule of Funding Progress for Other Post Employment Benefits. Required supplementary information regarding budget can be found on pages 32-33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as useful indicators of a government's financial position. In the case of the Department, assets exceeded liabilities by \$838,507 at the close of the most recent fiscal year. Comparative information for fiscal year 2010 and 2011 is presented in the following table.

Brazos County Health District
MD&A – For Year Ended September 30, 2011 (Continued)

Condensed Statement of Net Assets
September 30, 2011
With Comparative Totals September 30, 2010

	2011 Governmental <u>Activities</u>	2010 Governmental <u>Activities</u>
Current assets	\$ 1,581,334	\$ 1,309,728
Capital assets	<u>353,030</u>	<u>320,722</u>
Total assets	1,934,364	1,630,450
Current liabilities	131,343	118,279
Other liabilities	<u>964,514</u>	<u>660,611</u>
Total liabilities	1,095,857	778,890
Net assets:		
Invested in capital assets	353,030	320,722
Unrestricted net assets	<u>485,477</u>	<u>530,838</u>
Total net assets	<u><u>\$ 838,507</u></u>	<u><u>\$ 851,560</u></u>

The largest portion of the Department’s current fiscal year net assets (58%) reflects its unrestricted net assets, which may be used to meet the Department’s ongoing obligations to citizens and creditors.

The remaining balance of the Department’s current fiscal year net assets (42%) represents investment in capital assets (e.g. leasehold improvements, equipment and vehicles). The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending.

At the end of the current fiscal year, the Department reported a decrease of net assets in its governmental activities. The principal component of this decrease (\$13,053) can be attributed to the GASB 45 reporting requirement for “Other Post Employment Benefits.” This expense (\$303,962) was partially offset by an excess of revenues over expenditures in the amount of (\$258,307).

Brazos County Health District
MD&A – For Year Ended September 30, 2011 (Continued)

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

Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 786,680	\$ 758,251
Operating grants and contributions	1,289,998	1,591,150
General revenues:		
Funding from Brazos County	607,964	827,590
Funding from City of Bryan	351,500	351,500
Funding from City of College Station	352,540	352,540
Unrestricted investment earnings	5,754	4,520
Miscellaneous	5,914	3,254
Total revenues	<u>3,400,350</u>	<u>3,888,805</u>
Expenses:		
Administration	400,939	398,399
Environmental	793,983	833,531
Clinic	295,595	76,475
Lab	163,077	175,641
Immunization	1,240,651	1,298,821
Regional health	165,346	494,043
Bioterrorism preparedness	267,927	467,505
Tuberculosis	85,885	105,785
Total expenses	<u>3,413,403</u>	<u>3,850,200</u>
Change in net assets	(13,053)	38,605
Net assets - beginning	851,560	812,955
Net assets - ending	<u>\$ 838,507</u>	<u>\$ 851,560</u>

FINANCIAL ANALYSIS OF FUNDS

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

The General Fund is the only operating fund of the Department. At September 30, 2011, the Department's general fund reported fund balances of \$1,488,858, an increase of \$258,307 in comparison with the prior year. 100% of the fund balance constitutes unassigned fund balance, which is available to meet the Department's current and future needs.

At September 30, 2011, the General Fund reported revenues of \$3,400,350, a decrease of \$488,455 or 13% from the prior year. The decrease is primarily due to a reduction in grant funding from the Department of State Health Services, which lowered grant revenues by 19%. A reduction in funding by Brazos County can be attributed to a decrease in the Indirect Cost Rate (74%).

The reduction of the Indirect Cost Rate contributed to the \$200,907 or 12% decrease in salary and wages. This change was primarily responsible for the \$384,570 decrease in total expenditures for 2011. A decrease in grant funding from the Department of State Health Services contributed to the reduction in the departmental support category.

BUDGETARY HIGHLIGHTS

The Department received in-kind support from its member entities and the Texas Department of State Health Services (DSHS). The budget for the County in-kind support for the current fiscal year was based on the FY2011 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 FY2011 was 6.82%.

At the end of the fiscal year, actual revenues were \$34,973 more than the final amended budgeted amount (which includes all in-kind support).

At the end of the fiscal year, actual expenditures were \$388,917 less than the final amended budgeted amount (which includes all in-kind support).

CAPITAL ASSETS

The Department's investment in capital assets for its governmental activities as of September 30, 2011, amounted to \$353,030 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, equipment, and vehicles. The total increase in the

Department's investment in capital assets for the current period was \$32,308 or 10%. The increase was due to the purchase of an additional vehicle for Environmental Services and the purchase of equipment to be installed in buses to be used as emergency transportation vehicles. This equipment was purchased by a grant from the Department of State Health Services for the Emergency Preparedness Division. This was offset by the depreciation expense of \$51,429 and the sale of computer equipment.

ECONOMIC FACTORS

The Brazos County Board of Health ("the Board") adopted the 2011-2012 budget on September 21, 2011. The budget was adopted based on estimated balances that would be available at the end of fiscal year 2011 and estimated revenues to be received in fiscal year 2012. The Board considered the following factors:

- The program revenues are expected to increase 6.52% over the 2011 budgeted revenue.
- Overall expenditures are anticipated to increase 8.2% from the prior year.
- The contribution from Brazos County, City of College Station, and City of Bryan will be reduced by \$25,000.

REQUESTS FOR INFORMATION

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

**BRAZOS COUNTY HEALTH DISTRICT
STATEMENT OF NET ASSETS
September 30, 2011**

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 1,505,524
Prepaid Expenditures	1,950
Receivables:	
Department of State Health Services	65,045
Other	8,815
Total Current Assets	1,581,334
Noncurrent Assets:	
Capital assets:	
Leasehold improvements	846,563
Machinery and equipment	646,939
Less: Accumulated depreciation	(1,140,472)
Total Noncurrent Assets	353,030
Total Assets	\$ 1,934,364
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 28,820
Accrued salaries and benefits	63,656
Compensated absences	38,867
Total Current Liabilities	131,343
Noncurrent Liabilities	
Due within one year	9,717
Due in more than one year	954,797
Total Noncurrent Liabilities	964,514
Total Liabilities	1,095,857
NET ASSETS	
Invested in capital assets	353,030
Unrestricted	485,477
Total Net Assets	\$ 838,507

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

**BRAZOS COUNTY HEALTH DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for services</u>	<u>Operating Grants and Contributions</u>	
Primary Government				
Governmental activities:				
Administration	\$ 400,939	\$ --	\$ --	\$ (400,939)
Environmental	793,983	548,595	--	(245,388)
Clinic	295,595	28,586	--	(267,009)
Lab	163,077	69,159	--	(93,918)
Immunization	1,240,651	125,961	927,038	(187,652)
Regional Health	165,346	--	108,081	(57,265)
Bioterrorism	267,927	--	229,338	(38,589)
Tuberculosis	85,885	14,379	25,541	(45,965)
Total	<u>\$ 3,413,403</u>	<u>\$ 786,680</u>	<u>\$ 1,289,998</u>	<u>(1,336,725)</u>

General revenues:

Funding from Brazos County	\$ 607,964
Funding from City of Bryan	351,500
Funding from City of College Station	352,540
Unrestricted investment earnings	5,754
Miscellaneous	5,914
Total general revenues	<u>1,323,672</u>
Change in net assets	(13,053)
Net assets - beginning	<u>851,560</u>
Net assets - ending	<u>\$ 838,507</u>

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

**BRAZOS COUNTY HEALTH DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2011**

		Total Governmental Fund
ASSETS		
Cash	\$	1,505,524
Prepaid Expenditures		1,950
Receivables:		
Department of State Health Services		65,045
Other		8,815
TOTAL ASSETS	\$	1,581,334
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$	28,820
Accrued Salaries and Benefits		63,656
Total Liabilities		92,476
Fund Balance		
Unassigned Fund Balance		1,488,858
Total Fund Balance		1,488,858
TOTAL LIABILITIES AND FUND BALANCE	\$	1,581,334

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 ASSETS
September 30, 2011**

Total fund balance--governmental fund	\$	1,488,858
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		353,030
Liabilities for compensated absences are due within one year, but are not reported as liabilities in the funds.		(38,867)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:		
Compensated absences		(9,717)
OPEB Obligation		(954,797)
		(964,514)
Total net assets--governmental activities	\$	<u>838,507</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, 2011**

	Total Governmental Fund
REVENUES	
Intergovernmental	
Brazos County	\$ 607,964
City of Bryan	351,500
City of College Station	352,540
State of Texas	1,289,998
Program Income	
Health Service Fees	495,800
Clinic	168,926
Environmental	52,795
Laboratory	69,159
Interest	5,754
Other	5,914
TOTAL REVENUES	3,400,350
EXPENDITURES	
Current	
Salary and Wages	1,423,263
Employee Benefits	448,773
Departmental Support	939,349
Repairs and Maintenance	24,795
Minor Acquisitions	36,135
Contract Services	7,894
Facility	109,040
Professional Services	69,058
Capital Outlay	83,736
TOTAL EXPENDITURES	3,142,043
Excess of Revenues over Expenditures	258,307
FUND BALANCE, BEGINNING OF YEAR	1,230,551
FUND BALANCE, END OF YEAR	\$ 1,488,858

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 ASSETS - GOVERNMENTAL ACTIVITIES
For the year ended September 30, 2011**

Net change in fund balances--governmental fund	\$	258,307
 Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	32,308	
Certain long-term liabilities are accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as expense in the statement of activities.	294	
The OPEB obligation per GASB 45 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.	(303,962)	
 Change in net assets of governmental activities	 \$	 <u>(13,053)</u>

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

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



**BRAZOS COUNTY HEALTH DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

For financial reporting purposes, GASB statement No.14 (The Financial Reporting Entity) defines the reporting entity as the primary government and its component units. The

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

A. Reporting Entity

continued

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

B. Government-wide Financial Statements

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

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

C. Fund Level Financial Statements

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

C. Fund Level Financial Statements

continued

Governmental Fund

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

D. Cash And Cash Equivalents and Investments

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

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

E. Capital Assets

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

E. Capital Assets

continued

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

F. Compensated Absences

All full-time employees are granted vacation and sick leave benefits based on length of service. Non-exempt employees may earn compensatory time off for overtime worked. Employees are entitled to receive accumulated vacation pay earned in a lump sum payment if their employment is terminated. The related accrued vacation payable and accumulated compensatory time has been accrued as an expense and a liability at year-end in the government-wide financial statements. Accumulated sick leave benefits are not recorded, being lost upon termination of employment. 80% of the vacation payable is accrued as “liability for compensated absences” in the government-wide statements at year-end, while 20% is reported as a “noncurrent liability due within one year”. 80% is classified as a current liability because the Department’s policy requires that the vacation hours accumulated from the previous year must be used up first in the current year and 20% represents the maximum possibly accrued in the prior year but not used up in the current year.

G. Fund Balances

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

G. Fund Balances

continued

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

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

Assigned fund balance – Amounts that are constrained by the Department’s intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for governmental funds with positive balances.

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

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

NOTE 2 - BUDGETARY LEGAL COMPLIANCE

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

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

NOTE 2 - BUDGETARY LEGAL COMPLIANCE**continued**

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

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

ORIGINAL BUDGET AS AMENDED

Classification	Original Budgeted Expenditures	Supplemental Appropriations	Original As Amended
Salary and wages	\$ 1,444,621	\$ 50	\$ 1,444,671
Employee benefits	519,147	(50)	519,097
Departmental support	211,542	27,013	238,555
Repairs and maintenance	28,400	6,907	35,307
Minor Acquisitions	22,500	10,582	33,082
Contract services	19,700	(8,482)	11,218
Professional services	99,700	(3,870)	95,830
Capital Outlay	25,000	65,000	90,000
TOTALS	\$ 2,370,610	\$ 97,150	\$ 2,467,760

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

IN-KIND BUDGETARY SUPPORT SCHEDULE

Classification	Original Budgeted Expenditures	Supplemental Appropriations	Original As Amended
Salary and wages	\$ 98,523	\$ -	\$ 98,523
Departmental support	843,837	(2,084)	841,753
Minor Acquisitions	-	5,000	5,000
Professional services	6,800	2,084	8,884
Facility & equipment rental	109,040	-	109,040
TOTALS	\$ 1,058,200	\$ 5,000	\$ 1,063,200

NOTE 2 - BUDGETARY LEGAL COMPLIANCE

continued

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

	Brazos County	College Station	Bryan	DSHS	Total
<u>Monetary</u>	\$ 351,500	\$ 351,500	\$ 351,500	\$ 540,832	\$ 1,595,332
<u>In-Kind</u>					
Salary and wages	90,869	-	-	-	90,869
Departmental support	50,145	-	-	749,166	799,311
Professional services	7,450	-	-	-	7,450
Facility	108,000	1,040	-	-	109,040
Subtotal In-Kind	256,464	1,040	-	749,166	1,006,670
TOTALS	\$ 607,964	\$ 352,540	\$ 351,500	\$ 1,289,998	\$ 2,602,002

The Department received \$749,166 in immunization and pharmacy supplies from DSHS for the year. This amount is \$41,621 less than originally budgeted for 2011.

NOTE 3 – CASH, CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

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

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

The Brazos County depository agreement with Citibank, NA requires collateralization with a fair market value to at least 102% of County funds in excess of \$250,000 on deposit in the bank. At September 30, 2011 the carrying amounts of the Department’s deposits were \$1,505,524 reported as “Cash and Cash Equivalents” on the balance sheet.

The Department is authorized (by the Texas Public Funds Investment Act, Texas Civil Statutes, and Article 842a-2, as amended) to purchase, sell, and invest its funds and funds under its control. At September 30, 2011, all Department funds were deposited in the County depository and are reflected on the financial statements as cash.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

	Balance at October 1, 2010	Additions	Deletions	Balance at September 30, 2011
<u>Governmental activities:</u>				
Capital assets, being depreciated:				
Leasehold improvements	\$ 846,563	\$ -	\$ -	\$ 846,563
Building	48,000	-	-	48,000
Machinery and equipment	521,010	83,737	(5,808)	598,939
Total capital assets being depreciated	<u>1,415,573</u>	<u>83,737</u>	<u>(5,808)</u>	<u>1,493,502</u>
Less accumulated depreciation for:				
Leasehold improvements	(846,563)	-	-	(846,563)
Building	(7,200)	(2,400)	-	(9,600)
Machinery and equipment	(241,088)	(49,029)	5,808	(284,309)
Total accumulated depreciation	<u>(1,094,851)</u>	<u>(51,429)</u>	<u>5,808</u>	<u>(1,140,472)</u>
Total capital assets, being depreciated, net	<u>\$ 320,722</u>	<u>\$ 32,308</u>	<u>\$ -</u>	<u>\$ 353,030</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Administration	\$ 2,582
Environmental	6,814
Lab	-
Bioterrorism	42,033
Total depreciation expense – governmental activities	<u>\$ 51,429</u>

NOTE 5 - OPERATING LEASES

The Department entered into an operating lease during the year ended September 30, 2008, for the use of photocopying equipment. The future minimum lease payments for this lease are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2012	\$5,040
2013	<u>4,200</u>
Total	<u><u>\$9,240</u></u>

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

NOTE 6 – OTHER LIABILITIES

Compensated Absences

The cost of the Department’s liability for compensated absences is calculated at the end of the fiscal year based on the employee’s pay rate and the accumulated vacation hours earned but not taken. 80% of the cost is reported as a current liability to the Department and 20% is reported as a noncurrent liability due within one year in the governmental-wide financial statements.

The Department began accruing the associated benefits for compensated absences since fiscal year 2005. Changes in compensated absences in the governmental activities for the year ended September 30, 2011 were as follows:

	Balance at October 1, 2010	Accrued Compensatory Time & Vacation	Compensatory Time & Vacation Expenditures	Balance at September 30, 2011	Amount Due Within One Year
Governmental	<u>\$ 48,878</u>	<u>\$ 81,738</u>	<u>\$ (82,032)</u>	<u>\$ 48,584</u>	<u>\$ 38,867</u>
Total	<u><u>\$ 48,878</u></u>	<u><u>\$ 81,738</u></u>	<u><u>\$ (82,032)</u></u>	<u><u>\$ 48,584</u></u>	<u><u>\$ 38,867</u></u>

NOTE 7 – RISK MANAGEMENT

The Department participates in a worker’s compensation pool administered by the Texas Association of Counties along with Brazos County. The Texas Association of Counties handles claims adjusting and related administrative services for the program. Premiums are evaluated

NOTE 7 – RISK MANAGEMENT

continued

annually by position class code at actuarially determined rates.

The County's workers' compensation program provides medical and indemnity payments as required by law for on-the-job related injuries and is accounted for by the use of departmental expenditures, based on a percentage of payroll. The pool that the County and the Department participate in has reinsurance coverage for excess workers' compensation and employer's liability. The Department does not recognize any liability for outstanding losses for incurred but not reported claims. The Texas Association of Counties assumes this responsibility.

The Department is self-insured for medical claims only. Brazos County has established a Health and Life Insurance Internal Service Fund to account for the costs associated with various health related insurance programs. The Department participates with the County through an Inter-Local Agreement. The Department currently provides medical programs for its employees with basic prescription and life benefits attached. The Department pays the full cost for all qualifying employees and retirees. The individuals pay for dependent premium expense. The Department also pays \$8 dental insurance per month for participating employees.

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

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

The Department employs risk financing activities to include the purchase of insurance for general liability, vehicle liability, and liability from property damage claims (provided by Brazos County). In addition, the property insurance, errors and omissions, and professional liability coverage carried by Brazos County support the Department. The Department supplements this coverage with crime and fidelity coverage. Any liability that arises from the operation of motorized equipment will be considered to fall within the confines of the Texas Tort Claims Act, and thereby limit the Department's exposure. At September 30, 2011, all claims against the Department had been paid or accrued for payment, or the Department's underwriter had accepted responsibility for the claim.

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

NOTE 8 - RETIREMENT PLAN

Plan Description

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

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

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

Funding Policy

Brazos County and the Department have elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The Plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. Brazos County and the Department contributed using the actuarially determined rate of 11.93 % for fiscal year 2011. For 2012, the employer's rate is anticipated to remain unchanged at 11.93%. The employee's member contribution rate remained at 7.00% for 2011.

Annual Pension Cost

For the Department's fiscal year ending September 30, 2011, the Department's annual pension cost for the TCDRS plan for its employees was \$150,726. The Department's annual required contributions were \$150,726, and the Department's actual contributions were \$150,726.

The annual required contributions for 2011 were actuarially determined as a percent of the covered payroll of the participating employees, and, was in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2008 and December 31, 2009, which is the basis for determining the contribution rate for calendar years 2010 and 2011 respectively. The December 31, 2010, actuarial valuation is the most recent valuation.

Actuarial valuation date	<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10</u>
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	20.0 years	18.5 years	20.0 years
Asset valuation method	SAF: 10yr smoothed value ESF: Fund value	SAF: 10yr smoothed value ESF: Fund value	SAF: 10yr smoothed value ESF: Fund value
Actuarial assumptions:			
Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.3%	5.4%	5.4%
Includes inflation at	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

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

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
09/30/09	\$ 146,260	100%	None
09/30/10	\$ 149,567	100%	None
09/30/11	\$ 150,726	100%	None

The schedule of funding progress, presented as Required Supplementary Information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 9 – OTHER EMPLOYMENT BENEFITS

Post Employment Benefits

The Department provides health care benefits as required by the Federal government under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”). COBRA requires employers that sponsor group health plans to provide continuation of group coverage to terminated employees and their dependents in circumstances where coverage would normally end. The election to be covered is at the request of the employee. The employee is then required to pay the premium costs for themselves and their dependents. Expenditures are recognized as claims are submitted. COBRA participants are reimbursed at the same levels as active employees. At September 30, 2011, the Department had been fully reimbursed for costs related to COBRA participants. The Department also permits employees to accumulate unused vacation and compensatory time to be added at the employee’s final pay level upon termination of employment.

Post Retirement Benefits

The Department implemented the requirements of GASB Statement No. 45 starting fiscal year 2009. The Department participates in the Brazos County Health and Life Insurance Program and the Texas County and District Retirement System. The policies for these programs are determined by the Brazos County Commissioners’ Court and the Texas County and District Retirement System Board of Trustees.

In conjunction with Brazos County, Texas, the Department began offering post-retirement health care benefits to certain retirees. Department policy allows employees to become eligible for post retirement health care benefits after meeting the service and retirement age requirements of the retirement plan. Department policy restricts post retirement health care benefits to those employees that qualified for health coverage during employment.

Health care benefits are available to full-time employees that normally work 2,080 or more hours annually. The Department opted to extend health care benefits to retirees that maintained coverage through the Department’s health care plan as of January 1, 2000. Eligible retirees who were hired before August 30, 2011, and with eight or more years of cumulative service with the Department upon retirement will maintain premiums as current employees. Eligible retirees who were hired before August 30, 2011 but have less than eight years of cumulative service with the Department at retirement must pay the full premium, County portion as well as employee portion, to maintain coverage. Employees hired on or after August 30, 2011, must pay the full premiums at retirement to maintain coverage regardless of the years of service. All healthcare benefits are provided through Brazos County’s self-insured health plan. The benefit levels are the same as those afforded to active employees.

As of September 30, 2011, Membership consisted of:

Retirees and Beneficiaries Receiving Benefits	3
Active Employees	25
Total	<u>28</u>

Funding Policy

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 Plan rates charged to retirees are set annually by the Brazos County Commissioners' Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. The total contributions for the year ended September 30, 2011 was \$7,746.

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

Annual OPEB Costs and Net OPEB Obligation

The Department's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2011 were as follows:

Annual Required Contribution	\$	322,522
Add interest on Net OPEB Obligation		26,033
Less adjustment to Annual Required Contribution		(36,847)
Annual OPEB Cost		<u>311,708</u>
Less Contributions made		(7,746)
Change in Net OPEB Obligation		<u>303,962</u>
Net OPEB Obligation beginning of the year		<u>650,835</u>
Net OPEB Obligation end of the year	\$	<u><u>954,797</u></u>

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

The Department’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Trend Information

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation
9/30/2009	\$ 347,052	\$ 6,714	1.9%	\$ 340,338
9/30/2010	\$ 317,211	\$ 6,714	2.1%	\$ 650,835
9/30/2011	\$ 311,708	\$ 7,746	2.5%	\$ 954,797

Funded Status and Funding Progress

The funded status of the plan as of September 30, 2009 (most recent actuarial valuation) was as follows:

Actuarial value of assets	-
Actuarial accrued liability (AAL)	2,118,432
Unfunded actuarial accrued liability (UAAL)	2,118,432
Funded ratio (actuarial value of plan assets /AAL)	0%
Covered payroll (active plan members)	1,056,653
UAAL as percentage of covered payroll	200.5%

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

Actuarial Methods and Assumptions

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

NOTE 9 – OTHER EMPLOYMENT BENEFITS

continued

Actuarial Methods and Assumptions

continued

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

Actuarial Valuation Date	September 30, 2009
Actuarial Cost Method	Unprojected Unit Credit
Amortization Method	Closed
Remaining Amortization period	28 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Discount Rate for Valuing Liabilities	4%
Projected Salary Increases	N/A
Healthcare Inflation Rate (5-year) - Medical	6.5% initial rate, 6.2% ultimate rate
Healthcare Inflation Rate (5-year) - Dental	5.8% initial rate, 5.3% ultimate rate

Additional Disclosure

The schedule of funding progress, presented as Required Supplementary Information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Deferred Compensation

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

NOTE 10 - CONTINGENT LIABILITIES

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

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

NOTE 10 - CONTINGENT LIABILITIES**continued**

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

NOTE 11 – COOPERATIVE AGREEMENT

Annually, the Members of the Department enter a cooperative agreement, which provides that the members provide the Department with supplemental financial support for operations. The supplemental support allows the Department the financial capability to give adequate effect to the health services required in the jurisdiction. For the year ended September 30, 2011, the monetary support by jurisdiction was as follows:

<u>Entity</u>	<u>Budget</u>	<u>Actual</u>
City of Bryan	\$ 351,500	\$ 351,500
Brazos County	351,500	351,500
City of College Station	<u>351,500</u>	<u>351,500</u>
TOTALS	<u>\$1,054,500</u>	<u>\$1,054,500</u>

The Agreement also requires the Members of the Department to pay for actual health services provided to the jurisdictions. The agreement for the fiscal year ended September 30, 2011, includes a provision that any unencumbered funds at the end of the fiscal year are to be retained by the Department as “public health funds.” These funds are to be used by the Department in a manner equally beneficial to each of the parties. During the year ended September 30, 2011, the health service fees collected by the Department for each jurisdiction were as follows:

<u>Entity</u>	<u>Budget</u>	<u>Actual</u>
City of Bryan	\$ 166,000	\$ 188,100
Brazos County	80,000	106,410
City of College Station	<u>180,000</u>	<u>201,290</u>
TOTALS	<u>\$ 426,000</u>	<u>\$ 495,800</u>

In addition, the Department tests water samples for the Members and other State agencies at no charge. The value of the water analysis rendered for the year ended September 30, 2011, was as follows:

<u>Entity</u>	<u>Number Of Procedures</u>	<u>Value</u>
City of Bryan	1,040	\$ 15,600
City of College Station	<u>1,228</u>	<u>18,420</u>
TOTALS	<u>2,268</u>	<u>\$ 34,020</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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Intergovernmental			
Brazos County	\$ 617,873	\$ 622,873	\$ 607,964
City of Bryan	351,500	351,500	351,500
City of College Station	352,540	352,540	352,540
State of Texas	1,262,814	1,357,464	1,289,998
Program Revenue			
Health Service Fees	426,000	426,000	495,800
Clinic	130,000	130,000	168,926
Environmental	60,000	60,000	52,795
Laboratory	59,000	59,000	69,159
Interest	3,000	3,000	5,754
Other	500	3,000	5,914
TOTAL REVENUES	<u>3,263,227</u>	<u>3,365,377</u>	<u>3,400,350</u>
EXPENDITURES			
Current			
Salary and Wages	1,543,144	1,543,194	1,423,263
Employee Benefits	519,147	519,097	448,773
Departmental Support	1,055,379	1,080,308	939,349
Repairs and Maintenance	28,400	35,307	24,795
Minor Acquisitions	22,500	38,082	36,135
Contract Services	19,700	11,218	7,894
Facility	109,040	109,040	109,040
Professional Services	106,500	104,714	69,058
Capital Outlay	25,000	90,000	83,736
TOTAL EXPENDITURES	<u>3,428,810</u>	<u>3,530,960</u>	<u>3,142,043</u>
Excess/(Deficiency) of revenues over/(under) expenditures	(165,583)	(165,583)	258,307
FUND BALANCE AT SEPTEMBER 30, 2010	<u>396,109</u>	<u>396,109</u>	<u>1,230,551</u>
FUND BALANCE AT SEPTEMBER 30, 2011	<u>\$ 230,526</u>	<u>\$ 230,526</u>	<u>\$ 1,488,858</u>

BRAZOS COUNTY HEALTH DISTRICT
 Required Supplementary Information
 Texas County and District Retirement System*
 Schedule of Funding Progress
 September 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll (1)	UAAL as a Percentage of Covered Payroll
12/31/08	72,672,746	91,172,263	18,499,517	79.71%	29,841,851	61.99%
12/31/09	82,845,882	101,254,691	18,408,809	81.82%	33,133,259	55.56%
12/31/10	89,262,180	109,342,184	20,080,004	81.64%	32,905,193	61.02%

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

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

BRAZOS COUNTY HEALTH DISTRICT
 Required Supplementary Information
 Other Post Employment Benefits
 Schedule of Funding Progress
 September 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2007	-	1,933,962	1,933,962	0.00%	949,187	203.7%
9/30/2009	-	2,118,432	2,118,432	0.00%	1,056,653	200.5%
9/30/2009	-	2,118,432	2,118,432	0.00%	1,056,653	200.5%

**BRAZOS COUNTY HEALTH DISTRICT
STATISTICAL SECTION**





**BRAZOS COUNTY HEALTH DISTRICT
COMPARATIVE ANALYSIS OF DIVISIONAL EXPENSES
For The Twelve Month Period Ended September 30, 2011
With Comparative Totals for Years Ended September 30, 2009 and 2010**

<u>Expenditures</u>	<u>Administration</u>	<u>Environmental</u>	<u>Clinic</u>	<u>Lab</u>	<u>Immunization</u>	<u>RLSS</u>
Salary and Wages	\$ 184,541	\$ 428,298	\$ 151,017	\$ 67,235	\$ 259,059	\$ 85,972
Employment Benefits	65,180	158,415	41,193	24,864	83,192	32,637
Departmental Support	17,838	9,394	3,598	33,772	39,230	10,006
Repairs & Maintenance	7,675	9,593	--	406	--	--
Minor Acquisition	28,782	569	--	--	--	--
Contract Services	6,620	--	--	704	--	570
Facility	--	--	--	--	--	--
Professional Services	10,394	750	36,266	7,818	--	--
Capital Outlay	--	18,746	--	--	--	--
TOTALS	<u>\$ 321,030</u>	<u>\$ 625,765</u>	<u>\$ 232,074</u>	<u>\$ 134,799</u>	<u>\$ 381,481</u>	<u>\$ 129,185</u>
For the Year Ended:						
September 30, 2010	<u>\$ 283,550</u>	<u>\$ 576,201</u>	<u>\$ 64,287</u>	<u>\$ 132,253</u>	<u>\$ 296,871</u>	<u>\$ 342,792</u>
September 30, 2009	<u>\$ 312,506</u>	<u>\$ 573,563</u>	<u>\$ 58,775</u>	<u>\$ 135,110</u>	<u>\$ 295,530</u>	<u>\$ 352,687</u>

Bioterrorism	Tuberculosis	Totals	In-Kind Support			Health Department Totals
			Brazos County	City of College Station	Department of State Health Services	
\$ 111,163	\$ 45,109	\$ 1,332,394	\$ 90,869	\$ --	\$ --	\$ 1,423,263
30,369	12,923	448,773	--	--	--	448,773
28,700	2,500	145,038	45,145	--	749,166	939,349
7,121	--	24,795	--	--	--	24,795
1,784	--	31,135	5,000	--	--	36,135
--	--	7,894	--	--	--	7,894
--	--	--	108,000	1,040	--	109,040
--	6,380	61,608	7,450	--	--	69,058
64,990	--	83,736	--	--	--	83,736
<u>\$ 244,127</u>	<u>\$ 66,912</u>	<u>\$ 2,135,373</u>	<u>\$ 256,464</u>	<u>\$ 1,040</u>	<u>\$ 749,166</u>	<u>\$ 3,142,043</u>
<u>\$ 396,761</u>	<u>\$ 76,771</u>	<u>\$ 2,169,486</u>	<u>\$ 476,090</u>	<u>\$ 1,040</u>	<u>\$ 879,997</u>	<u>\$ 3,526,613</u>
<u>\$ 270,286</u>	<u>\$ 76,743</u>	<u>\$ 2,075,200</u>	<u>\$ 499,514</u>	<u>\$ 1,040</u>	<u>\$ 790,787</u>	<u>\$ 3,366,541</u>

**BRAZOS COUNTY HEALTH DISTRICT
COMPARATIVE ANALYSIS OF GRANT FUNDING SUPPORT
DEPARTMENT OF STATE HEALTH SERVICES
For The Twelve Month Period Ended August 31, 2011**

Expenditures	DSHS Program: CPS/BIOTERR (1)			DSHS Program: RLSS/LPHS		
	DSHS Budget	DSHS Expense Support	Department Expense Support	DSHS Budget	DSHS Expense Support	Department Expense Support
Personnel	\$ 107,553	\$ 108,023	\$ --	\$ 86,607	\$ 86,607	\$ 6,531
Fringe Benefits	33,503	29,359	--	21,738	21,738	11,191
Travel	1,850	1,444	--	--	--	1,801
Equipment	--	--	--	--	--	--
Supplies	4,687	3,752	--	--	--	852
Contractual	--	--	--	--	--	--
Other	13,320	8,638	--	--	--	11,362
TOTALS	\$ 160,913	\$ 151,216	\$ --	\$ 108,345	\$ 108,345	\$ 31,737

Expenditures	DSHS Program: IMM/LOCALS			DSHS Program: TB/PC		
	DSHS Budget	DSHS Expense Support	Department Expense Support	DSHS Budget	DSHS Expense Support	Department Expense Support
Personnel	\$ 132,330	\$ 132,330	\$ 52,367	\$ 22,074	\$ 22,074	\$ --
Fringe Benefits	48,365	48,365	13,745	--	--	--
Travel	--	--	531	--	--	--
Equipment	--	--	486	--	--	--
Supplies	--	--	4,832	--	--	--
Contractual	--	--	--	--	--	--
Other	--	--	940	--	--	--
TOTALS	\$ 180,695	\$ 180,695	\$ 72,901	\$ 22,074	\$ 22,074	\$ --

Expenditures	DSHS Program: PPCPS/BTDFP1 (2)			DSHS Program: PPCPS/PHER-FA1		
	DSHS Budget	DSHS Expense Support	Department Expense Support	DSHS Budget	DSHS Expense Support	Department Expense Support
Personnel	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Fringe Benefits	--	--	--	--	--	--
Travel	--	--	--	--	--	--
Equipment	65,000	64,990	--	2,400	1,784	--
Supplies	--	--	--	17,250	12,187	--
Contractual	4,000	--	5,000	--	--	--
Other	--	--	--	10,000	9,199	--
TOTALS	\$ 69,000	\$ 64,990	\$ 5,000	\$ 29,650	\$ 23,170	\$ --

- (1) The contract term for the OPHP/Bioterror grant is for the period 08/01/2010 - 07/31/2011.
(2) The contract term for the PPCPS/BTDFP1 is 07/01/2010 - 07/31/2011.

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

		For The Years Ending September 30,				
Activity		2011	2010	2009	2008	2007
Personal Health Services	Immunizations and					
	Inoculations	14,337	21,968	22,634	18,948	15,698
	TB Tests	1,236	1,303	1,290	1,481	2,272
	STD Clinic	1,641	1,593	1,598	2,153	2,024
	Home Visits	83	159	316	229	413
Environmental Health Services	Inspections:					
	Restaurant	2,671	2,417	2,307	2,194	2,257
	Child Care	88	98	84	88	90
	Septic Systems	550	557	623	781	872
	Swimming Pools	11	7	3	5	4
	Substandard Building	9	9	24	33	39
	Subdivision Reviews	9	14	14	18	21
	Other	--	--	--	--	--
	TCEQ Applications	237	240	254	360	326
	Foodhandlers Registered	2,069	2,415	3,290	4,559	4,528
Complaints	435	528	538	539	721	
Letters Issued	2,219	2,545	7,069	3,652	3,202	
Laboratory Services	Water Samples Tested	7,351	6,844	6,549	6,435	6,136
	STD Testing	6,738	6,235	6,044	6,376	6,265
TOTALS		39,684	46,932	52,637	47,851	44,868



COMPLIANCE REPORTS





Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities and the general fund of the Brazos County Health District (the “Department”) as of and for the year ended September 30, 2011, which collectively comprise the Department’s basic financial statements and have issued our report thereon dated February 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department’s financial statements will not be prevented, or detected and corrected on a timely basis.

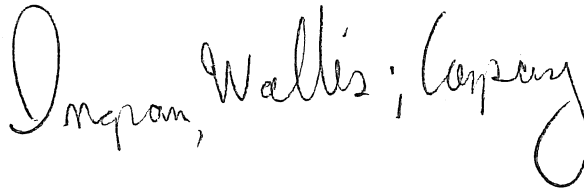
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the 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.

Bryan, Texas
February 3, 2012

A handwritten signature in cursive script that reads "Impron, Wallis; 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, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified
that are not considered to be
material weaknesses? none
 yes reported

Noncompliance material to financial
statements noted? yes no

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

BRAZOS COUNTY HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal findings and questioned costs which are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

