

# **BRAZOS COUNTY, TEXAS HEALTH DEPARTMENT**

## **Independent Auditors' Report Financial Statements Supplemental Information and Compliance Reports September 30, 2009**



Prepared by:

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**BRAZOS COUNTY HEALTH DEPARTMENT**  
**For the Year Ended September 30, 2009**

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

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the general fund of the Brazos County Health Department, ("the Department") as of and for the year ended September 30, 2009, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Brazos County Health Department. 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 Department 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 combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Department, as of September 30, 2009, and the results of its operations 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 March 5, 2010, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

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

The management's discussion and analysis and other required supplementary information on pages 3 through 8 and 31 through 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Bryan, Texas  
March 5, 2010

Ingram, Wallis & Company

# MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

## For the Year Ending September 30, 2009

This section of the Brazos County Health Department (the "Department") annual financial report presents management's discussion and analysis ("MD&A") of the financial performance of the primary government during the fiscal year ended September 30, 2009. 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, 2009 by \$1,153,293, and is reported as total net assets of the primary government. Of this amount, \$820,335 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$332,958 is invested in capital assets.
- As of September 30, 2009, the Department governmental fund reported fund balance of \$868,359 100% of which is available to meet the Department's current and future needs (unreserved fund balance). The fund balance represents 26% 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 15-30 of this report.

Required supplementary information is presented concerning the Department's General Fund budgetary schedule. The Department adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budget and actual figures, has been provided to demonstrate compliance with this budget. Required supplementary information regarding budget can be found on page 31 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 \$1,153,293 at the close of the most recent fiscal year. Comparative information for fiscal year 2008 and 2009 is presented in the following table.



Brazos County Health Department  
 MD&A – For Year Ended September 30, 2009 (Continued)

Condensed Statement of Net Assets  
 September 30, 2009  
 With Comparative Totals September 30, 2008

	2009 Governmental <u>Activities</u>	2008 Governmental <u>Activities</u>
Current assets	\$ 1,049,921	\$ 637,145
Capital assets	<u>332,958</u>	<u>241,209</u>
Total assets	1,382,879	878,354
Current liabilities	181,562	67,100
Other liabilities	<u>48,024</u>	<u>39,957</u>
Total liabilities	229,586	107,057
Net assets:		
Invested in capital assets	332,958	241,209
Unrestricted net assets	<u>820,335</u>	<u>530,088</u>
Total net assets	<u>\$ 1,153,293</u>	<u>\$ 771,297</u>

The largest portion of the Department's current fiscal year net assets (71%) 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 (29%) 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 an increase of net assets in its governmental activities. The principal component of this increase (\$381,996) is due to increased fee revenue in most categories.

Brazos County Health Department  
MD&A – For Year Ended September 30, 2009 (Continued)

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

**Changes in Net Assets**

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
Revenues:		
Program revenues:		
Charges for services	\$ 676,826	\$ 586,255
Operating grants and contributions	1,352,021	1,085,885
General revenues:		
Funding from Brazos County	1,277,310	756,219
Funding from City of Bryan	10,000	10,000
Funding from City of College Station	341,925	212,295
Unrestricted investment earnings	4,330	15,238
Miscellaneous	2,443	670
Total revenues	<u>3,664,855</u>	<u>2,666,562</u>
Expenses:		
Administration	823,677	648,794
Environmental	555,227	527,693
Clinic	58,775	63,069
Lab	135,110	132,826
Immunization	1,086,317	853,418
Regional health	352,687	329,738
Bioterrorism preparedness	194,323	200,584
Tuberculosis	76,743	69,977
Total expenses	<u>3,282,859</u>	<u>2,826,099</u>
Change in net assets	381,996	(159,537)
Net assets - beginning	771,297	930,834
Net assets - ending	<u>\$ 1,153,293</u>	<u>\$ 771,297</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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the only operating fund of the Department. At September 30, 2009, the Department's general fund reported fund balances of \$868,359, an increase of \$298,314 in comparison with the prior year. 100% of the fund balance constitutes unreserved fund balance, which is available to meet the Department's current and future needs.

At September 30, 2009, the General Fund reported revenues of \$3,664,855, an increase of \$998,293 or 37% from the prior year. The increase is primarily due to a 66% increase in funding from member entities' contributions. Additionally grant revenues from the Department of State Health Services increased by 25%.

An increase of \$263,845 or 15% in salaries and benefits was primarily responsible for the \$543,691 increase in total expenditures for 2009.

## **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 FY2008 Consolidated Local Central Services, Cost Allocation Plan & Indirect Cost Rate Proposal for Brazos County, Texas. The indirect cost rate available at the budget time for FY2009 was 14.91%, and the actual indirect cost rate for FY2009 was 26.14%, which was not released until August 5, 2008. The difference between these rates was the key factor for the increased actual in-kind support revenues and expenditures from the amount budgeted from Brazos County. In addition, the in-kind support received from Texas Department of State Health Services was \$321,636 more than originally budgeted for the 2009 fiscal year.

At the end of the fiscal year, actual revenues were \$595,146 more than the final amended budgeted amount (which includes all in-kind support).

At the end of the fiscal year, actual expenditures were \$179,306 more 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, 2009, amounted to \$332,958 (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 \$91,749 or 38.04 percent. The increase was due to the purchase of an additional vehicle for Environmental Services and the purchase of three specially equipped trailers to provide shower and restroom facilities at emergency shelters to be used in the event of an evacuation. These trailers were funded by a federal grant passed through the Department of State Health Services.

### **ECONOMIC FACTORS**

The Brazos County Board of Health ("the Board") adopted the 2009-2010 budget on September 24, 2009. The budget was adopted based on estimated balances that would be available at the end of fiscal year 2009 and estimated revenues to be received in fiscal year 2010. The Board considered the following factors:

- The program revenues are expected to increase 17.59% over the 2009 budgeted revenue;
- The grants awarded by DSHS are expected to increase by \$27,086
- Overall expenditures are anticipated to increase 12.14% from the prior year;
- The contribution from Brazos County is expected to decrease by \$426,296 from the prior year.
- The contribution from the City of College Station is expected to increase by \$10,315
- The contribution from the City of Bryan is expected to increase by \$341,500

### **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 DEPARTMENT  
STATEMENT OF NET ASSETS  
September 30, 2009**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 872,381
Prepaid Expenditures	37
Receivables:	
Department of State Health Services	169,071
Other	8,432
Total Current Assets	1,049,921
 Noncurrent Assets:	
Capital assets:	
Leasehold improvements	846,563
Machinery and equipment	549,865
Less: Accumulated depreciation	(1,063,470)
Total Noncurrent Assets	332,958
 <b>Total Assets</b>	<b>\$ 1,382,879</b>
 <b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 130,888
Accrued salaries and benefits	50,674
Total Current Liabilities	181,562
Compensated absences	48,024
 <b>Total Liabilities</b>	<b>229,586</b>
 <b>NET ASSETS</b>	
Invested in capital assets	332,958
Unrestricted	820,335
 <b>Total Net Assets</b>	<b>\$ 1,153,293</b>

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

**BRAZOS COUNTY HEALTH DEPARTMENT  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary Government</b>				
Governmental activities:				
Administration	\$ 823,677	\$ --	\$ --	\$ (823,677)
Environmental	555,227	458,109	--	(97,118)
Clinic	58,775	22,990	--	(35,785)
Lab	135,110	64,714	--	(70,396)
Immunization	1,086,317	119,673	969,748	3,104
Regional Health	352,687	--	108,097	(244,590)
Bioterrorism	194,323	--	245,515	51,192
Tuberculosis	76,743	11,340	28,661	(36,742)
<b>Total</b>	<u>\$ 3,282,859</u>	<u>\$ 676,826</u>	<u>\$ 1,352,021</u>	<u>(1,254,012)</u>

**General revenues:**

Funding from Brazos County	1,277,310
Funding from City of Bryan	10,000
Funding from City of College Station	341,925
Unrestricted investment earnings	4,330
Miscellaneous	2,443
<b>Total general revenues</b>	<u>1,636,008</u>
Change in net assets	381,996
Net assets - beginning	771,297
<b>Net assets - ending</b>	<u>\$ 1,153,293</u>

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

**BRAZOS COUNTY HEALTH DEPARTMENT  
BALANCE SHEET - GOVERNMENTAL FUND  
September 30, 2009**

	<b>Total Governmental Fund</b>
<b>ASSETS</b>	
Cash	\$ 872,381
Prepaid Expenditures	37
Receivables:	
Department of State Health Services	169,071
Other	8,432
<b>TOTAL ASSETS</b>	<b>\$ 1,049,921</b>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts Payable	\$ 130,888
Accrued Salaries and Benefits	50,674
<b>Total Liabilities</b>	<b>181,562</b>
 <b>Fund Balance</b>	
Unreserved Fund Balance	868,359
<b>Total Fund Balance</b>	<b>868,359</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,049,921</b>

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

**BRAZOS COUNTY HEALTH DEPARTMENT  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND TO  
STATEMENT OF NET ASSETS  
September 30, 2009**

<b>Total fund balance--governmental fund</b>	<b>\$</b>	<b>868,359</b>
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.		332,958
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:		
Compensated absences		<u>(48,024)</u>
<b>Total net assets--governmental activities</b>	<b>\$</b>	<b><u>1,153,293</u></b>

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



**BRAZOS COUNTY HEALTH DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
For the Year Ended September 30, 2009**

	<b>Total Governmental Fund</b>
<b>REVENUES</b>	
Intergovernmental	
Brazos County	\$ 1,277,310
City of Bryan	10,000
City of College Station	341,925
State of Texas	1,352,021
Program Income	
Health Service Fees	381,255
Clinic	154,003
Environmental	76,854
Laboratory	64,714
Interest	4,330
Other	2,443
<b>TOTAL REVENUES</b>	<b>3,664,855</b>
 <b>EXPENDITURES</b>	
Current	
Salary and Wages	1,608,913
Employee Benefits	413,354
Departmental Support	966,068
Repairs and Maintenance	18,269
Minor Acquisitions	22,009
Contract Services	6,576
Facility	109,040
Professional Services	90,955
Capital Outlay	131,357
<b>TOTAL EXPENDITURES</b>	<b>3,366,541</b>
<b>Excess of Revenues over Expenditures</b>	<b>298,314</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>570,045</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 868,359</b>

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

**BRAZOS COUNTY HEALTH DEPARTMENT  
RECONCILIATION OF CHANGE IN FUND BALANCE - GOVERNMENTAL FUND TO  
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES  
For the year ended September 30, 2009**

<b>Net change in fund balances--governmental fund</b>	<b>\$</b>	<b>298,314</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	91,749	
Certain long-term liabilities are accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as expense in the statement of activities.		<u>(8,067)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>381,996</u></b>

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

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



**BRAZOS COUNTY HEALTH DEPARTMENT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009**

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

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

**A. Reporting Entity**

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

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

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

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

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

### A. Reporting Entity

continued

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

### B. Government-wide Financial Statements

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

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

### C. Fund Level Financial Statements

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

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

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

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

**continued**

**C. Fund Level Financial Statements**

**continued**

***Governmental Fund***

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

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

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

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

**E. Capital Assets**

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

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

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

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

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

**continued**

**E. Capital Assets**

**continued**

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

**F. Compensated Absences**

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

**NOTE 2 - BUDGETARY LEGAL COMPLIANCE**

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

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

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

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



**NOTE 2 - BUDGETARY LEGAL COMPLIANCE**

continued

**ORIGINAL BUDGET AS AMENDED**

<b>Classification</b>	<b>Original Budgeted Expenditures</b>	<b>Supplemental Appropriations</b>	<b>Original As Amended</b>
Salary and wages	\$ 1,341,851	\$ 1,282	\$ 1,343,133
Employee benefits	463,932	260	464,192
Departmental support	233,542	1,841	235,383
Repairs and maintenance	28,300	577	28,877
Minor Acquisitions	19,370	4,678	24,048
Contract services	26,425	(10,730)	15,695
Professional services	93,450	13,654	107,104
Capital Outlay	20,000	112,438	132,438
<b>TOTALS</b>	<b>\$ 2,226,870</b>	<b>\$ 124,000</b>	<b>\$ 2,350,870</b>

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

**IN-KIND BUDGETARY SUPPORT SCHEDULE**

<b>Classification</b>	<b>Original Budgeted Expenditures</b>	<b>Supplemental Appropriations</b>	<b>Original As Amended</b>
Salary and wages	\$ 200,070	\$ -	\$ 200,070
Departmental support	515,201	5,254	520,455
Professional services	9,000	(2,200)	6,800
Facility & equipment rental	109,040	-	109,040
<b>TOTALS</b>	<b>\$ 833,311</b>	<b>\$ 3,054</b>	<b>\$ 836,365</b>

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

**NOTE 2 - BUDGETARY LEGAL COMPLIANCE**

**continued**

	<b>Brazos County</b>	<b>College Station</b>	<b>Bryan</b>	<b>DSHS</b>	<b>Total</b>
<b><u>Monetary</u></b>	\$ 777,796	\$ 340,885	\$ 10,000	\$ 561,234	\$ 1,689,915
<b><u>In-Kind</u></b>					
Salary and wages	\$ 333,415	\$ -	\$ -	\$ -	\$ 333,415
Departmental support	51,299	-	-	790,787	842,086
Professional services	6,800	-	-	-	6,800
Facility	108,000	1,040	-	-	109,040
<b>Subtotal In-Kind</b>	<b>\$ 499,514</b>	<b>\$ 1,040</b>	<b>\$ -</b>	<b>\$ 790,787</b>	<b>\$ 1,291,341</b>
<b>TOTALS</b>	<b>\$ 1,277,310</b>	<b>\$ 341,925</b>	<b>\$ 10,000</b>	<b>\$ 1,352,021</b>	<b>\$ 2,981,256</b>

The Department received \$790,787 in immunization and pharmacy supplies from DSHS for the year, of which \$538,468 was funded at the state level and \$252,319 at the federal level. This amount is \$321,636 more than originally budgeted for 2009. This overage caused the actual expenditures to exceed the budgeted expenditures for Departmental Support by \$210,230. The Department also received in-kind support from Brazos County in the Salary and Wage category that exceeded the ordinal budget by \$133,345. This difference caused the category to exceed the budget by \$65,710. The primary cause for this overage is the change in the indirect cost rate used for budget and the rate used in the compilation of the financial statement. The actual rate is not available for budget preparation therefore the prior year is used.

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

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

The Brazos County depository agreement requires collateralization for all funds on deposit. The Federal Deposit Insurance Corporation does not cover deposits. The value of collateral must be equal to or greater than the average daily balance of funds on deposit or 105% of the prior month’s average deposit. State statutes require that the collateral be government securities that are acceptable to the Brazos County Commissioners’ Court. At September 30, 2009, bank balances of deposits were entirely collateralized with securities held at the Federal Reserve Bank in Dallas, Texas in a fiduciary account in the name of Brazos County. These are classified as a Category I credit risk. All deposits and time deposits (less than 90 days) are stated at cost and reflected on the balance sheet as “Cash.”

The Department is authorized (by the Texas Public Funds Investment Act, Texas Civil

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

Statutes, and Article 842a-2, as amended) to purchase, sell, and invest its funds and funds under its control. At September 30, 2009, 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, 2009 was as follows:

	Balance at October 1, 2008	Additions	Deletions	Balance at September 30, 2009
<u>Governmental activities:</u>				
Capital assets, being depreciated:				
Leasehold improvements	\$ 846,562	\$ -	\$ -	\$ 846,562
Building	48,000	-	-	48,000
Machinery and equipment	370,509	131,357	-	501,866
Total capital assets being depreciated	<u>1,265,071</u>	<u>131,357</u>	<u>-</u>	<u>1,396,428</u>
Less accumulated depreciation for:				
Leasehold improvements	(846,562)	-	-	(846,562)
Building	(2,400)	(2,400)	-	(4,800)
Machinery and equipment	(174,900)	(37,208)	-	(212,108)
Total accumulated depreciation	<u>(1,023,862)</u>	<u>(39,608)</u>	<u>-</u>	<u>(1,063,470)</u>
Total capital assets, being depreciated, net	<u>\$ 241,209</u>	<u>\$ 91,749</u>	<u>\$ -</u>	<u>\$ 332,958</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Administration	\$ 2,550
Environmental	6,583
Lab	-
Bioterrorism	<u>30,475</u>
Total depreciation expense – governmental activities	<u>\$ 39,608</u>

## NOTE 5 - OPERATING LEASES

The Department entered into an operating lease during the year ended September 30, 2009, 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>
2010	\$ 5,040
2011	5,040
2012	5,040
2013	4,200
Total	<u><u>\$19,320</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

Changes in compensated absences in the governmental activities for the year ended September 30, 2009 were as follows:

Balance at October 1, 2008	\$ 39,957
Accrued Compensatory Time & Vacation	78,321
Compensatory Time & Vacation Expenditures	<u>(70,254)</u>
Balance at September 30, 2009	<u><u>\$ 48,024</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 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

## **NOTE 7 – RISK MANAGEMENT**

**continued**

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, 2009, all claims against the Department had been paid or accrued for payment, or the Department's underwriter had accepted responsibility for the claim.

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

## **NOTE 8 - RETIREMENT PLAN**

### **Plan Description**

The Department, through participation with Brazos County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS or System). The Board of Trustees of the System is responsible for the administration of the statewide agent multiple-employer system consisting of over 500 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial

**Plan Description****continued**

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 11.8%. For 2010, the employer's rate is anticipated to increase to 11.93%. The employee's member contribution rate remained at 7.00% for 2009.

**Annual Pension Cost**

For the Department's fiscal year ending September 30, 2009, the Department's annual pension cost for the TCDRS plan for its employees was \$146,260. The Department's annual required contributions were \$146,260, and the Department's actual contributions were \$146,260. The annual required contributions for 2009 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, 2006 and December 31, 2007, which is the basis for determining the contribution rate for calendar years 2008 and 2009 respectively. The December 31, 2008, actuarial valuation is the most recent valuation.

**NOTE 8 - RETIREMENT PLAN**

**continued**

**Annual Pension Cost**

**continued**

Actuarial valuation date	<u>12/31/06</u>	<u>12/31/07</u>	<u>12/31/08</u>
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage	Level percentage	Level percentage
	of payroll, closed	of payroll, closed	of payroll, closed
Remaining amortization period	12.8 years	11.1 years	20.0 years
Asset valuation method	SAF: 10yr	SAF: 10yr	SAF:10yr
	smoothed value	smoothed value	smoothed value
	ESF: Fund value	ESF: Fund value	ESF: Fund value
Actuarial assumptions:			
Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.3%	5.3%	5.3%
Includes inflation at	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/05	\$ 102,854	100%	None
09/30/06	\$ 104,897	100%	None
09/30/07	\$ 119,366	100%	None
09/30/08	\$ 139,257	100%	None
09/30/09	\$ 146,260	100%	None

Note that this table has been restated for prior years. The information now only reflects information for the Brazos County Health Department and not for Brazos County as a whole.

**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, 2009, the Department had been fully

**NOTE 9 – OTHER EMPLOYMENT BENEFITS**

**continued**

**Post Employment Benefits**

**continued**

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 by applying the standards on a prospective basis to the basic financial statements presented herein and, as such, no net OPEB liability existed at the transition date.

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.

Employees who retire after January 1, 2007 with eight years of cumulative service may have their premiums paid by the Department. 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, 2009, Membership consisted of:	
Retirees and Beneficiaries Receiving Benefits	3
Active Employees	29
Total	<u>32</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, 2009 was \$6,714.



**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, 2009 were as follows:

Annual Required Contribution	\$	347,052
Add interest on Net OPEB Obligation		-
Less adjustment to Annual Required Contribution		-
Annual OPEB Cost		<u>347,052</u>
Less Contributions made		<u>(6,714)</u>
Change in Net OPEB Obligation		340,338
Net OPEB Obligation beginning of the year		-
Net OPEB Obligation end of the year	<u>\$</u>	<u>340,338</u>

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 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

Note that this is the first year of implementation of GASB 45, which requires three years of data in the trend information table.

**Funded Status and Funding Progress**

The funded status of the plan as of October 1, 2007 (most recent actuarial valuation) was as follows:

Actuarial value of assets	-
Actuarial accrued liability (AAL)	1,933,962
Unfunded actuarial accrued liability (UAAL)	1,933,962
Funded ratio (actuarial value of plan assets /AAL)	0%
Covered payroll (active plan members)	949,187
UAAL as percentage of covered payroll	204%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts

**NOTE 9 – OTHER EMPLOYMENT BENEFITS****continued****Funded Status and Funding Progress****continued**

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

**Actuarial Methods and Assumptions**

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

Actuarial Valuation Date	October 1, 2007
Actuarial Cost Method	Unit Credit
Amortization Method	Closed
Remaining Amortization period	29 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**

Texas Local Government Code, Chapter 175 requires counties to make available continued health benefits coverage under certain circumstances to retirees and their dependents beyond the end of an individual’s employment with the County (“Continuation Coverage”) by permitting covered employees to purchase continued health benefits coverage in retirement. Texas law does not require counties to fund all or any portion of such coverage.

Because the County is given the authority to pay OPEB for its retired employees, it may incur a debt obligation to pay for OPEB so long as the County follows the constitutional requirement that it have sufficient taxing authority available at the time such debt is incurred

## **NOTE 9 – OTHER EMPLOYMENT BENEFITS**

**continued**

### **Additional Disclosure**

**continued**

to provide for the payment of the debt and has in fact levied a tax for such purpose concurrently with the incurrence of the debt. Any debt incurred in contravention of this constitutional requirement is considered void and payment will not be due. Brazos County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the cost associated with OPEB on a current “pay as you go” basis for a single fiscal year through an annual appropriation authorized by Commissioners’ Court during the County’s annual budget adoption process. GAAP requires governmental organizations to recognize an actuarially calculated accrued liability for OPEB, even though it may not have a legally enforceable obligation to pay OPEB benefits.

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 is legally obligated to provide OPEB benefits.

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, permits them to defer a portion of their salary until future years. The Plan funds are not available to employees until termination, retirement, death, or emergency. Neither the Department nor Brazos County are the Plan administrator or the trustee, therefore the assets of the Plan are not a reportable fund within the Department’s financial statements.

## **NOTE 10 - CONTINGENT LIABILITIES**

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

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

The Department receives various grant moneys that are subject to audit and adjustment by the grantor agencies. Any disallowed expenditure will become a liability of the Department.

**NOTE 10 - CONTINGENT LIABILITIES****continued**

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, 2009, the support by jurisdiction was as follows:

<u>Entity</u>	<u>Budget</u>	<u>Actual</u>
City of Bryan	\$ 10,000	\$ 10,000
Brazos County	777,796	777,796
City of College Station	<u>341,185</u>	<u>340,885</u>
<b>TOTALS</b>	<b><u>\$1,128,981</u></b>	<b><u>\$1,128,681</u></b>

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, 2009, 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, 2009, 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	\$ 100,000	\$ 138,049
Brazos County	79,000	91,210
City of College Station	<u>115,000</u>	<u>151,996</u>
<b>TOTALS</b>	<b><u>\$ 294,000</u></b>	<b><u>\$ 381,255</u></b>

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, 2009, was as follows:

<u>Entity</u>	<u>Number Of Procedures</u>	<u>Value</u>
City of Bryan	985	\$ 14,775
City of College Station	<u>1,223</u>	<u>18,345</u>
<b>TOTALS</b>	<b><u>2,208</u></b>	<b><u>\$ 33,120</u></b>

**BRAZOS COUNTY HEALTH DEPARTMENT  
REQUIRED SUPPLEMENTARY INFORMATION**



**BRAZOS COUNTY HEALTH DEPARTMENT  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2009**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Intergovernmental			
Brazos County	\$ 1,140,916	\$ 1,143,970	\$ 1,277,310
City of Bryan	10,000	10,000	10,000
City of College Station	342,225	342,225	341,925
State of Texas	917,214	1,040,214	1,352,021
Program Revenue			
Health Service Fees	294,000	294,000	381,255
Clinic	70,000	70,000	154,003
Environmental	94,000	94,000	76,854
Laboratory	59,000	59,000	64,714
Interest	15,000	15,000	4,330
Other	300	1,300	2,443
<b>TOTAL REVENUES</b>	<b>2,942,655</b>	<b>3,069,709</b>	<b>3,664,855</b>
<b>EXPENDITURES</b>			
Current			
Salary and Wages	1,541,921	1,543,203	1,608,913
Employee Benefits	463,932	464,192	413,354
Departmental Support	748,743	755,838	966,068
Repairs and Maintenance	28,300	28,877	18,269
Minor Acquisitions	19,370	24,048	22,009
Contract Services	26,425	15,695	6,576
Facility	109,040	109,040	109,040
Professional Services	102,450	113,904	90,955
Capital Outlay	20,000	132,438	131,357
<b>TOTAL EXPENDITURES</b>	<b>3,060,181</b>	<b>3,187,235</b>	<b>3,366,541</b>
<b>Excess/(Deficiency) of revenues over/(under) expenditures</b>	<b>(117,526)</b>	<b>(117,526)</b>	<b>298,314</b>
<b>FUND BALANCE AT SEPTEMBER 30, 2008</b>	<b>570,045</b>	<b>570,045</b>	<b>570,045</b>
<b>FUND BALANCE AT SEPTEMBER 30, 2009</b>	<b>\$ 452,519</b>	<b>\$ 452,519</b>	<b>\$ 868,359</b>

**BRAZOS COUNTY HEALTH DEPARTMENT**  
 Required Supplementary Information  
 Retirement System\*

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll (1)	UAAL as a Percentage of Covered Payroll
12/31/06	66,364,299	77,913,376	11,549,077	85.18%	25,073,917	46.06%
12/31/07	72,770,098	84,396,350	11,626,252	86.22%	27,418,935	42.40%
12/31/08	72,672,746	91,172,263	18,499,517	79.71%	29,841,851	61.99%

(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 Department.

**BRAZOS COUNTY HEALTH DEPARTMENT**  
 Required Supplementary Information  
 Other Post Employment Benefits  
 Schedule of Funding Progress  
 September 30, 2009

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)
9/30/2009	-	1,933,962	1,933,962	0.00%	949,187	203.7%

Note: This is the first year of implementation of GASB45, which requires 3 years of data in this table. Additional years will be added to the disclosure as they become available.



**BRAZOS COUNTY HEALTH DEPARTMENT  
STATISTICAL SECTION**





**BRAZOS COUNTY HEALTH DEPARTMENT  
COMPARATIVE ANALYSIS OF DIVISIONAL EXPENSES  
For The Twelve Month Period Ended September 30, 2009  
With Comparative Totals for Years Ended September 30, 2008 and 2007**

<u>Expenditures</u>	<u>Administration</u>	<u>Environmental</u>	<u>Clinic</u>	<u>Lab</u>	<u>Immunization</u>	<u>OPHP</u>
Salary and Wages	\$ 185,843	\$ 394,178	\$ 7,231	\$ 72,290	\$ 201,512	\$ 254,152
Employment Benefits	62,524	133,736	577	24,260	67,587	78,821
Departmental Support	16,919	11,540	5,644	32,333	25,723	19,219
Repairs & Maintenance	244	5,794	--	105	--	--
Minor Acquisition	16,090	2,946	2,265	--	708	--
Contract Services	5,380	--	--	701	--	495
Facility	--	--	--	--	--	--
Professional Services	25,506	450	43,058	5,421	--	--
Capital Outlay	--	24,919	--	--	--	--
<b>TOTALS</b>	<u>\$ 312,506</u>	<u>\$ 573,563</u>	<u>\$ 58,775</u>	<u>\$ 135,110</u>	<u>\$ 295,530</u>	<u>\$ 352,687</u>
<b>For the Year Ended:</b>						
September 30, 2008	<u>\$ 280,795</u>	<u>\$ 537,107</u>	<u>\$ 63,070</u>	<u>\$ 132,826</u>	<u>\$ 281,512</u>	<u>\$ 329,737</u>
September 30, 2007	<u>\$ 250,713</u>	<u>\$ 467,964</u>	<u>\$ 63,320</u>	<u>\$ 120,658</u>	<u>\$ 280,621</u>	<u>\$ 298,764</u>

<b>Bioterrorism</b>	<b>Tuberculosis</b>	<b>Totals</b>	<b>In-Kind Support</b>			<b>Health Department Totals</b>
			<b>Brazos County</b>	<b>City of College Station</b>	<b>Department of State Health Services</b>	
\$ 112,001	\$ 48,291	\$ 1,275,498	\$ 333,415	\$ --	\$ --	\$ 1,608,913
29,219	16,630	413,354	--	--	--	413,354
7,505	5,099	123,982	51,299	--	790,787	966,068
12,126	--	18,269	--	--	--	18,269
--	--	22,009	--	--	--	22,009
--	--	6,576	--	--	--	6,576
--	--	--	108,000	1,040	--	109,040
2,997	6,723	84,155	6,800	--	--	90,955
106,438	--	131,357	--	--	--	131,357
<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>
<u>\$ 211,771</u>	<u>\$ 69,976</u>	<u>\$ 1,906,794</u>	<u>\$ 343,109</u>	<u>\$ 1,040</u>	<u>\$ 571,907</u>	<u>\$ 2,822,850</u>
<u>\$ 348,390</u>	<u>\$ 88,641</u>	<u>\$ 1,919,071</u>	<u>\$ 322,255</u>	<u>\$ 1,040</u>	<u>\$ 469,151</u>	<u>\$ 2,711,517</u>

**BRAZOS COUNTY HEALTH DEPARTMENT  
COMPARATIVE ANALYSIS OF GRANT FUNDING SUPPORT  
DEPARTMENT OF STATE HEALTH SERVICES  
For The Twelve Month Period Ended August 31, 2009**

<b>Expenditures</b>	<b>DSHS Program: OPHP/BIOTERR (1)</b>			<b>DSHS Program: OPHP/LPHS</b>		
	<b>DSHS Budget</b>	<b>DSHS Expense Support</b>	<b>Department Expense Support</b>	<b>DSHS Budget</b>	<b>DSHS Expense Support</b>	<b>Department Expense Support</b>
Personnel	\$ 106,394	\$ 106,394	\$ --	\$ 82,337	\$ 82,337	\$ 11,297
Fringe Benefits	26,875	26,875	531	26,008	26,008	6,054
Travel	--	--	625	--	--	1,271
Equipment	--	--	--	--	--	--
Supplies	--	--	233	--	--	3,685
Contractual	--	--	3,823	--	--	--
Other	--	--	15,143	--	--	12,216
<b>TOTALS</b>	<b>\$ 133,269</b>	<b>\$ 133,269</b>	<b>\$ 20,355</b>	<b>\$ 108,345</b>	<b>\$ 108,345</b>	<b>\$ 34,523</b>

<b>Expenditures</b>	<b>DSHS Program: IMM/LOCALS</b>			<b>DSHS Program: TB/PC</b>		
	<b>DSHS Budget</b>	<b>DSHS Expense Support</b>	<b>Department Expense Support</b>	<b>DSHS Budget</b>	<b>DSHS Expense Support</b>	<b>Department Expense Support</b>
Personnel	\$ 133,493	\$ 133,493	\$ 43,081	\$ 28,662	\$ 28,661	\$ --
Fringe Benefits	47,202	47,202	10,079	--	--	--
Travel	--	--	1,797	--	--	--
Equipment	--	--	--	--	--	--
Supplies	--	--	16,483	--	--	--
Contractual	--	--	--	--	--	--
Other	--	--	3,051	--	--	--
<b>TOTALS</b>	<b>\$ 180,695</b>	<b>\$ 180,695</b>	<b>\$ 74,491</b>	<b>\$ 28,662</b>	<b>\$ 28,661</b>	<b>\$ --</b>

<b>Expenditures</b>	<b>DSHS Program: CPS/BTDFP1 (2)</b>		
	<b>DSHS Budget</b>	<b>DSHS Expense Support</b>	<b>Department Expense Support</b>
Personnel	\$ --	\$ --	\$ --
Fringe Benefits	--	--	--
Travel	--	--	--
Equipment	107,438	106,438	--
Supplies	7,162	4,333	--
Contractual	3,000	--	--
Other	5,400	--	--
<b>TOTALS</b>	<b>\$ 123,000</b>	<b>\$ 110,771</b>	<b>\$ --</b>

- (1) The contract term for the OPHP/Bioterror grant is for the period 08/01/2008 - 07/31/2009.  
(2) The contract term for the CPS/BTDFP1 is 06/01/2009 - 11/30/2009. Expenditures shown through 9/30/2009.

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

		For The Years Ending September 30,				
Activity		2009	2008	2007	2006	2005
<b>Personal Health Services</b>	Immunizations and Inoculations	22,634	18,948	15,698	15,655	14,586
	TB Tests	1,290	1,481	2,272	2,201	2,171
	STD Clinic	1,598	2,153	2,024	1,718	1,681
	Home Visits	316	229	413	201	325
<b>Environmental Health Services</b>	Inspections:					
	Restaurant	2,307	2,194	2,257	2,405	1,785
	Child Care	84	88	90	88	82
	Septic Systems	623	781	872	732	664
	Swimming Pools	3	5	4	--	2
	Substandard Building	24	33	39	26	16
	Subdivision Reviews	14	18	21	16	31
	Other	--	--	--	--	--
	TCEQ Applications	254	360	326	338	362
	Foodhandlers Registered	3,290	4,559	4,528	3,725	4,109
Complaints	538	539	721	497	417	
Letters Issued	7,069	3,652	3,202	2,001	3,462	
<b>Laboratory Services</b>	Water Samples Tested	6,549	6,435	6,136	6,146	5,830
	STD Testing	6,044	6,376	6,265	6,936	6,492
<b>TOTALS</b>		<b>52,637</b>	<b>47,851</b>	<b>44,868</b>	<b>42,685</b>	<b>42,015</b>





# **COMPLIANCE REPORTS**





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

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the Brazos County Health Department (the "Department") as of and for the year ended September 30, 2009, and have issued our report thereon dated March 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control.

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

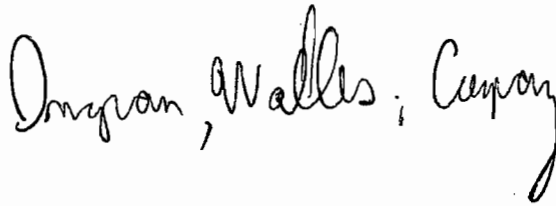
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Brazos County Board of Health, and the Brazos County Commissioner's Court, and is not intended to be and should not be used by anyone other than these specified parties.

Bryan, Texas  
March 5, 2010

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

BRAZOS COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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?                             yes     none 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 DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

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

STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no findings related to the state awards which are required to be reported in accordance with Section 510(a) of the State of Texas Single Audit Circular.

