BRAZOS COUNTY, TEXAS
HEALTH DISTRICT

Financial Statements
September 30, 2019

Prepared by:

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County Auditor

Santos Navarrette
Director

BRAZOS COUNTY

HEALTH DISTRICT

BRAZOS COUNTY HEALTH DISTRICT
For the Year Ended September 30, 2019

TABLE OF CONTENTS

BRAZOS COUNTY

HEALTH DISTRICT

Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the general fund of the Brazos County Health District (the "District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1, the financial statements present only the Brazos County Health District and are not intended to present fairly the financial position of Brazos County, Texas and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information, and other post employment benefits information on pages 3-8 and 39-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Ingram, Wallis & Company

Bryan, Texas
March 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended September 30, 2019

This section of the Brazos County Health District (the "District") annual financial report presents management's discussion and analysis ("MD&A") of the financial performance of the primary government during the fiscal year ended September 30, 2019. Please read the MD&A in conjunction with the District's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The total government-wide liabilities (and deferred inflows of resources) of the District exceeded the assets (and deferred outflows of resources) at September 30, 2019 by $3,478,184, and are reported as a net deficit of the primary government.

- As of September 30, 2019, the District governmental fund reported fund balance of $360,803, 99.05% of which is available to meet the District's current and future needs (unassigned fund balance). The remaining 0.95% is nonspendable for prepaid expenses. The fund balance represents 8.89% of total governmental fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all District assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The governmental activities of the District include general administration, environmental services, clinic services, lab services, immunization services, infectious disease, tuberculosis services, public health crisis response, National Association of City and County Health Officials (NACCHO) programs, regional health programs, bioterrorism preparedness and the Medicaid transformation waiver programs (medical records, adult immunization, and HIV testing).

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

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

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

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

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 17-38 of this report.

Required Supplementary Information is presented concerning the District's General Fund budgetary schedule. The District adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budget and actual figures, has been provided to demonstrate compliance with this budget. Also presented in this section are the pension related schedules required by GASB 68 and the OPEB related schedules required by GASB 74 and GASB 75. Required supplementary information can be found on pages 39-43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities (and deferred inflows of resources) exceeded assets (and deferred outflows of resources) by $3,478,184 at the close of the most recent fiscal year. Comparative information for fiscal year 2019 and 2018 is presented in the following table.

Condensed Statement of Net Position
September 30, 2019
With Comparative Totals September 30, 2018

	2019 Governmental Activities	2018 Governmental Activities
Current assets	$ 427,474	$ 779,775
Capital assets	223,619	268,271
Total assets	651,093	1,048,046
Deferred outflows of resources	821,966	395,461
Total deferred outflows of resources	821,966	395,461
Current liabilities	119,333	133,771
Other liabilities	4,784,608	3,909,406
Total liabilities	4,903,941	4,043,177
Deferred inflows of resources	47,302	127,795
Total deferred inflows of resources	47,302	127,795
Net position (deficit):		
Net investment in capital assets	223,619	268,271
Unrestricted	(3,701,803)	(2,995,736)
Total net position (deficit)	$ (3,478,184)	$ (2,727,465)

The District has a current fiscal year investment of $223,619 in capital assets (e.g. leasehold improvements, equipment and vehicles). The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. This amount reflects a $44,652 decrease in the balance of capital assets net of accumulated depreciation from the previous fiscal year. The remaining balance of the District's current fiscal year net deficit represents unrestricted net deficit, which is a $706,067 increase from the previous fiscal year ending September 30, 2018.

At the end of the current fiscal year, the District reported a decrease of net position in its governmental activities. The principal component of this decrease can be attributed to an increase of $875,202 in other liabilities due to GASB 75.

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

Changes in Net Position (Deficit)

	Governmental Activities 2019	Governmental Activities 2018
Revenues:		
Program revenues:		
Charges for services	$ 838,553	$ 833,042
Operating grants and contributions	1,141,681	1,041,746
General revenues:		
Funding from Brazos County	920,916	1,158,277
Funding from City of Bryan	395,065	359,150
Funding from City of College Station	395,065	359,150
Unrestricted investment earnings	5,512	7,613
Miscellaneous	11,637	5,829
Total revenues	3,708,429	3,764,807
Expenses:		
Administration	651,640	610,483
Environmental	1,282,366	1,210,115
Clinic	736,893	740,442
Lab	276,674	257,867
Immunization	812,245	802,197
Infectious Disease	128,011	121,223
Public Health Crisis Response	27,735	-
NACCHO Programs	15,932	-
Regional health	250,116	235,925
Bioterrorism preparedness	161,318	174,770
Tuberculosis	70,037	66,703
Medical records	13,367	14,932
Adult Immunization	21,743	-
HIV testing	11,071	5,671
Total expenses	4,459,148	4,240,328
Change in net position (deficit)	(750,719)	(475,521)
Net position (deficit) - beginning	(2,727,465)	(2,251,944)
Net position (deficit) - ending	$ (3,478,184)	$ (2,727,465)

In fiscal year 2019, the District's revenues decreased by $56,378 (1.5%). A lower indirect cost rate percentage for the County resulted in the amount of revenue funded by the County decreasing by $237,361. The decrease was offset by an increase in service revenues of $5,511 and grant contributions of $99,935.

For the year ended September 30, 2019, the increase in expenses for the District of $218,820 was primarily due to an increase in health benefit expenses and grant funded expenditures.

FINANCIAL ANALYSIS OF FUNDS

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

At September 30, 2019, the District's general fund reported fund balances of $360,803 a decrease of $352,231 in comparison with the prior year. 99.05% of the fund balance constitutes unassigned fund balance, which is available to meet the District's current and future needs. The remaining 0.95% is nonspendable for prepaid expenses.

There was a decrease of $56,378 in revenues for fiscal year 2019. There was a decrease of $237,361 in revenues from Brazos County due to in-kind contributions. This was offset by an increase of $44,150 from grant revenue from the Texas Department of State Health Services and an increase in revenues of $5,511 from service fees.

An increase in employee health benefits and grant funded expenditures were the main components in the increase in expenditures for fiscal year 2019 of $102,266.

BUDGETARY HIGHLIGHTS

The District received in-kind support from its member entities and the Texas Department of State Health Services (DSHS). The budget for the County in-kind support for the current fiscal year was based on the fiscal year 2018 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 fiscal year 2019 was 31.99%.

At the end of the fiscal year, actual revenues were $296,493 less than the final amended budgeted amount (which includes all in-kind support).

At the end of the fiscal year, actual expenditures were $839,432 less than the final amended budgeted amount (which includes all in-kind support).

CAPITAL ASSETS

The District's investment in capital assets for its governmental activities as of September 30, 2019, amounted to $223,619 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, equipment, and vehicles. The total decrease in the District's investment in capital assets for the current period was $44,652 or 16.64%. The decrease was due to the disposal of outdated radio equipment and the sale of two vehicles for the Environmental division that was offset by the sale price.

ECONOMIC FACTORS

The Brazos County Board of Health ("the Board") adopted the 2019-2020 budget on September 23, 2019. The budget was adopted based on estimated balances that would be available at the end of fiscal year 2019 and estimated revenues to be received in fiscal year 2020. The Board considered the following factors:

- In-Kind support from DSHS and Brazos County is projected to be lower for 2020.
- The contributions from Brazos County, City of College Station, and City of Bryan will increase by 10%.
- Revenues from fees are projected to increase due to fee schedule changes.
- Revenues from new funding sources such as Medicare Administrative Claiming and 340B Incentive Programs are expected to generate $120,000 in new revenue.

REQUESTS FOR INFORMATION

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

BRAZOS COUNTY HEALTH DISTRICT
BASIC FINANCIAL STATEMENTS

BRAZOS COUNTY

HEALTH DISTRICT

BRAZOS COUNTY HEALTH DISTRICT
STATEMENT OF NET POSITION
September 30, 2019

		Governmental Activities
ASSETS		
Current Assets:		
Cash	$	348,760
Prepaid expenditures		3,413
Receivables:		
Texas Department of State Health Services		67,249
Other		7,778
Interest		274
Total Current Assets		427,474
Noncurrent Assets:		
Capital assets:		
Leasehold improvements		846,563
Buildings		48,000
Machinery and equipment		683,408
Less: Accumulated depreciation		(1,354,352)
Total Noncurrent Assets		223,619
Total Assets		651,093
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions after the measurement date		176,582
Difference between projected and actual earnings on pension plan		509,081
Differences between expected and actual pension experience		7,663
Change in pension assumptions or inputs		27,879
Change in OPEB allocated shares		27,235
Difference between projected and actual earnings on OPEB plan		11,231
Differences between expected and actual OPEB experience		4,368
OPEB contributions after the measurement date		57,927
Total Deferred Outflows of Resources		821,966
LIABILITIES		
Current Liabilities:		
Accounts payable		20,490
Accrued salaries and benefits		46,181
Compensated absences		52,662
Total Current Liabilities		119,333
Noncurrent Liabilities		
Due in more than one year		4,784,608
Total Noncurrent Liabilities		4,784,608
Total Liabilities		4,903,941
DEFERRED INFLOWS OF RESOURCES		
Differences between expected and actual pension experience		33,284
Change in pension allocated share		3,727
Change in OPEB allocated shares		10,291
Total Deferred Inflows of Resources		47,302
NET POSITION (DEFICIT)		
Net investment in capital assets		223,619
Unrestricted		(3,701,803)
Total Net Position (Deficit)	$	(3,478,184)

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

BRAZOS COUNTY HEALTH DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
Primary Government				
Governmental activities:				
Administration	$ 651,640	$ --	$ --	$ (651,640)
Environmental	1,282,366	639,949	--	(642,417)
Clinic	736,893	61,437	--	(675,456)
Lab	276,674	61,220	--	(215,454)
Immunization	812,245	54,219	735,486	(22,540)
Infectious Disease	128,011	--	83,122	(44,889)
Public Health Crisis Response	27,735	--	27,735	--
NACCHO Programs	15,932	--	15,932	--
Regional Health	250,116	--	88,162	(161,954)
Bioterrorism Preparedness	161,318	--	109,126	(52,192)
Tuberculosis	70,037	21,728	42,263	(6,046)
Medical Records	13,367	--	3,675	(9,692)
Adult Immunization	21,743	--	20,580	(1,163)
HIV Testing	11,071	--	15,600	4,529
Total	$ 4,459,148	$ 838,553	$ 1,141,681	(2,478,914)

General revenues:	
Funding from Brazos County	920,916
Funding from City of Bryan	395,065
Funding from City of College Station	395,065
Unrestricted investment earnings	5,512
Miscellaneous	11,637
Total general revenues	1,728,195
Change in net position (deficit)	(750,719)
Net position (deficit) - beginning	(2,727,465)
Net position (deficit) - ending	$ (3,478,184)

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

BRAZOS COUNTY HEALTH DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2019

		Total Governmental Fund
ASSETS		
Cash	$	348,760
Prepaid Expenditures		3,413
Receivables:		
Texas Department of State Health Services		67,249
Other		7,778
Interest		274
TOTAL ASSETS	$	427,474
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	$	20,490
Accrued Salaries and Benefits		46,181
Total Liabilities		66,671
Fund Balance		
Nonspendable		3,413
Unassigned		357,390
Total Fund Balance		360,803
TOTAL LIABILITIES AND FUND BALANCE	$	427,474

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

BRAZOS COUNTY HEALTH DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND TO
STATEMENT OF NET POSITION
September 30, 2019

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

Total fund balance--governmental fund		**$**	**360,803**
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			223,619
Deferred outflows of resources represent a consumption of net position that applies to future periods and therefore will not be recognized as an outflow of resources until then. Deferred outflows of resources are not reported in the governmental funds:			
Pension contributions after the measurement date	176,582		
Difference between projected and actual earnings on pension plan	509,081		
Differences between expected and actual pension experience	7,663		
Change in pension assumptions or inputs	27,879		
Change in OPEB allocated shares	27,235		
Difference between projected and actual earnings on OPEB plan	11,231		
Differences between expected and actual OPEB experience	4,368		
OPEB contributions after the measurement date	57,927		
			821,966
Liabilities for compensated absences are due within one year, but are not reported as liabilities in the funds.			(52,662)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:			
Net OPEB liability	(3,303,952)		
Net pension liability	(1,480,656)		
			(4,784,608)
Deferred inflows of resources represent an acquisition of net position that applies to to future periods and therefore will not be recognized as an inflow of resources until then. Deferred inflows of resources are not reported in the governmental funds:			
Differences between expected and actual pension experience	(33,284)		
Change in pension allocated share	(3,727)		
Change in OPEB allocated shares	(10,291)		
			(47,302)
Total net position--governmental activities		**$**	**(3,478,184)**

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, 2019

		Total Governmental Fund
REVENUES		
Intergovernmental		
Brazos County	$	920,916
City of Bryan		395,065
City of College Station		395,065
Texas Department of State Health Services		1,085,896
Texas Health and Human Services Commission		39,855
Program Income		
Health Service Fees		625,740
Clinic		137,384
Environmental		14,209
Laboratory		61,220
National Association of County Health Officials		15,932
340B Drug Program		2,662
Interest		5,512
Other		8,975
TOTAL REVENUES		3,708,431
EXPENDITURES		
Salary and Wages		2,056,905
Employee Benefits		826,711
Departmental Support		792,765
Repairs and Maintenance		37,938
Minor Acquisitions		29,077
Contract Services		16,341
Facility		186,881
Professional Services		73,728
Community Contracts		14,252
Capital Outlay		26,064
TOTAL EXPENDITURES		4,060,662
Net Change in Fund Balance		(352,231)
FUND BALANCE, BEGINNING OF YEAR		713,034
FUND BALANCE, END OF YEAR	$	360,803

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

BRAZOS COUNTY HEALTH DISTRICT
RECONCILIATION OF CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES
For the year ended September 30, 2019

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

Net change in fund balances--governmental fund		**$**	**(352,231)**
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.			
Depreciation expense	(31,366)		
			(31,366)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) affecting net position.			(13,286)
The liabilities for compensated absences are accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as expense in the statement of activities.			14,368
The net OPEB liability per GASB 75 is accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as expense in the statement of activities.			(205,596)
The net pension liability per GASB 68 is accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities, reported as expense in the statement of activities.			(162,608)
Change in net position of governmental activities		**$**	**(750,719)**

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

BRAZOS COUNTY HEALTH DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUND
For the Year Ended September 30, 2019

ASSETS		**OPEB Trust Fund**
Cash and Cash Equivalents	$	160
Investments		
Fixed Income		23,604
Domestic Equities		41,798
Total Assets	$	65,562

NET POSITION		
Assets Held in Trust for OPEB Benefits	$	65,562
Total Net Position	$	65,562

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

BRAZOS COUNTY HEALTH DISTRICT
STATEMENT OF CHANGE IN NET POSITION
FIDUCIARY FUND
For the Year Ended September 30, 2019

		OPEB Trust Fund
ADDITIONS		
Contributions:		
Employer	$	20,000
Investment Earnings:		
Interest and Dividends		1,586
Net Appreciation in the Fair Value of Investments		1,837
Total Additions		23,423
DEDUCTIONS		
Administrative Expenses		306
Total Deductions		306
Change in Net Position		23,117
Net Position - Beginning		42,445
Net Position - Ending	$	65,562

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

For financial reporting purposes, GASB Statement No.14 (The Financial Reporting Entity) as amended by GASB Statement No. 61 defines the reporting entity as the primary government and its component units. The District is the primary government. The financial statements include all funds and account groups for which the Board is financially accountable. There are no entities that meet the criteria as a component unit of the District.

B. Government-wide Financial Statements

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

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

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

C. Fund Level Financial Statements

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

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

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

C. Fund Level Financial Statements **continued**

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

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

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

D. Cash and Cash Equivalents and Investments

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

All District funds must be on deposit with the Brazos County depository. The Board may instruct the Director to invest funds as provided by law. Investments are stated at fair value.

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 District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Building improvements with an estimated cost to exceed $100,000 are capitalized.

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

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

E. Capital Assets **continued**

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

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

F. Deferred Inflows/Outflows of Resources

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

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

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category.

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

- Difference between expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Change in pension allocated share – This change results from the disaggregation of the aggregated District results. It is deferred and recognized over a closed 5 year period.
- Change in OPEB allocated share – This change results from the disaggregation of the aggregated District results. It is deferred and recognized over a closed 7.9828 year period.

G. Compensated Absences

All non-exempt employees, except temporary employees, may earn compensatory time based on the FLSA regulations. Compensatory time earned during the fiscal year must be used by the last pay period in September of each fiscal year so that no liability is accrued at year-end.

All employees, except temporary employees, are granted vacation benefits in varying annual amounts up to a maximum allowable accumulation of 240 hours per year. Sick leave benefits are earned by all employees, except temporary employees, at a rate up to 12 days per year and may be accumulated without limit. Sick leave benefits are recognized as they are used by the employees. In the event of termination, an employee is entitled to receive accumulated vacation pay but not the accumulated sick leave pay.

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

H. Pensions

For purposes of measuring 1) the net pension liability, 2) pension related deferred inflows/outflows of resources, and 3) pension expense, District specific information about its fiduciary net position in the Texas County and District Retirement System (“TCDRS”) and additions to/deductions from the District’s fiduciary net position have been determined on the same basis as they are reported by TCDRS, administrator of the statewide agent multiple-employer pension plan system. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the District’s total pension liability can be obtained from TCDRS through a report prepared for Brazos County by TCDRS consulting actuary, Milliman, Inc., in compliance with Governmental Accounting Standards Board (GASB) Statement No. 67, Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25.

I. Postemployment Benefits Other Than Pensions (OPEB)

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

J. Fund Balances and Net Position

Fund Balance Classifications

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

Under GASB 54, fund balances are required to be reported according to the following classifications:

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

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

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

Assigned fund balance – Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Such intent should be expressed by the Board of Health, or by an official to

J. Fund Balances and Net Position continued

whom that authority has been given. Assignments made by the Board of Health or delegated official can occur during the budget process or throughout the year in the normal course of business. Constraints on the use of the assigned amounts can be removed with no formal action.

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

The District currently uses the classifications of unassigned and nonspendable fund balance; however the Board may authorize amounts to be assigned for specific purposes at some future time. It is also authorized to commit amounts for specific purposes. The Board has set a policy to adopt a minimum fund balance each year based on budgetary needs for the year.

Net Position Classifications

The government-wide financial statements utilize a net position presentation. Net position represents the difference between all other elements in a statement of financial position and should be displayed in the components: net investment in capital assets; restricted; and unrestricted.

Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation.

Restricted – The restricted net position represents the difference between (1) non-capital assets which are restricted and (2) related liabilities. Noncapital assets are considered restricted only if the limitation is externally enforceable. Externally enforceable limitations result from constraints imposed by:

- Parties outside the government (grantors, donors, other governments);
- Constitutional provisions; or
- Enabling legislation (legislation that raises resources from external parties subject to a legally enforceable requirement that those resources “be used only for the specific purpose stipulated in the legislation”).

Unrestricted - Any portion of net position not already classified as either net investment in capital assets or restricted is automatically classified as unrestricted.

NOTE 2 - BUDGETARY LEGAL COMPLIANCE

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

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

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

The Board must approve the original budget appropriations and subsequent amendments and adjustments. The Director is required to monitor the expenditures in comparison to that which has been appropriated.

The following schedule details the changes in the original budget appropriations for the General Fund:

ORIGINAL BUDGET AS AMENDED

Classification	Original Budgeted Expenditures	Supplemental Appropriations	Original As Amended
Salary and wages	$ 1,943,504	$ -	$ 1,943,504
Employee benefits	1,011,306	-	1,011,306
Departmental support	201,996	46,721	248,717
Repairs and maintenance	42,500	4,500	47,000
Minor acquisitions	38,250	5,907	44,157
Contract services	79,488	(8,900)	70,588
Professional services	117,550	(14,100)	103,450
Community contracts	13,000	5,700	18,700
Capital outlay	10,000	42,939	52,939
TOTALS	$ 3,457,594	$ 82,767	$ 3,540,361

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

IN-KIND BUDGETARY SUPPORT SCHEDULE

Classification	Original Budgeted Expenditures	Supplemental Appropriations	Original As Amended
Salary and wages	$ 621,727	$ -	$ 621,727
Departmental support	537,125	-	537,125
Professional services	13,000	1,000	14,000
Facility & equipment rental	186,881	-	186,881
TOTALS	$ 1,358,733	$ 1,000	$ 1,359,733

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

	Brazos County	Bryan	College Station	DSHS	HHSC	Total
Monetary	$ 395,065	$ 395,065	$395,065	$ 531,221	$ 39,855	$1,756,271
In-Kind						
Salary and wages	282,181	-	-	-	-	282,181
Departmental support	42,789	-	-	554,675	-	597,464
Professional services	14,000	-	-	-	-	14,000
Facility	186,881	-	-	-	-	186,881
Subtotal In-Kind	525,851	-	-	554,675	-	1,080,526
TOTALS	$ 920,916	$ 395,065	$395,065	$1,085,896	$ 39,855	$2,836,797

The District received $554,675 in immunization and pharmacy supplies from DSHS for the year. This amount is $69,675 more than originally budgeted for 2019.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

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

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

A. Cash and Cash Equivalents continued

The Brazos County depository agreement with BBVA Compass Bank requires collateralization with a fair value of at least 102% up to 110% of County funds in excess of the FDIC coverage of $250,000. At September 30, 2019, the carrying amount of the District's deposits were $348,760 reported as "Cash" on the balance sheet.

The District is authorized (by the Texas Public Funds Investment Act, Texas Civil Statutes, and Article 842a-2, as amended) to purchase, sell, and invest its funds and funds under its control. At September 30, 2019, all District funds were deposited in the County depository and are reflected on the financial statements as cash.

B. Investments of OPEB Trust Fund

During the budget process for fiscal year 2019, the Board approved contributing into the County's OPEB Trust Fund to partially fund the District's OPEB plan. The County created a board of trustees comprised of the current members of the Brazos County Commissioners' Court. The County also appointed an OPEB Investment Plan Committee to oversee certain policies and procedures related to the operation and administration of the Trust. All OPEB Trust investments will be held by its trustee, US Bank. The trustee is contracted to manage the portfolio in accordance with the trust documents as approved by the Commissioners' Court. The investment policy statement mandates a diversified portfolio in growth assets and income assets. The funds contributed by the District are accounted for separately from the County as well as the earnings.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance at October 1, 2018	Additions	Deletions	Balance at September 30, 2019
Governmental activities:				
Capital assets, being depreciated:				
Leasehold improvements	$ 846,563	$ -	$ -	$ 846,563
Building	48,000	-	-	48,000
Machinery and equipment	762,797	-	(79,389)	683,408
Total capital assets being depreciated	1,657,360	-	(79,389)	1,577,971
Less accumulated depreciation for:				
Leasehold improvements	(846,563)	-	-	(846,563)
Building	(26,400)	(2,400)	-	(28,800)
Machinery and equipment	(516,126)	(28,966)	66,103	(478,989)
Total accumulated depreciation	(1,389,089)	(31,366)	66,103	(1,354,352)
Total capital assets, being depreciated, net	$ 268,271	$ (31,366)	$ (13,286)	$ 223,619

NOTE 4 – CAPITAL ASSETS **continued**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Administration	$ 2,941
Environmental	13,266
Bioterrorism Preparedness	13,044
Bioterrorism Discretionary	2,115
Total depreciation expense – governmental activities	$31,366

NOTE 5 - OPERATING LEASES

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

NOTE 6 – COMPENSATED ABSENCES

The cost of the District's liability for compensated absences is calculated at the end of the fiscal year based on the employee's pay rate and the accumulated vacation hours earned but not taken. It is reported as a current liability in the financial statements due to the fact that the average maturity of the liability is less than one year.

The amount of compensated absences due within one year of the date of the Statement of Net Position of fiscal year 2019 is $52,662. Changes in compensated absences in the governmental activities for the year ended September 30, 2019 were as follows:

	Balance at October 1, 2018	Earned	Taken/Paid	Balance at September 30, 2019
Governmental Activities	$ 67,030	$ 105,452	$ (119,820)	$ 52,662
Total	$ 67,030	$ 105,452	$ (119,820)	$ 52,662

NOTE 7 – RISK MANAGEMENT

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

The pool that the County and the District participate in has reinsurance coverage for excess workers' compensation and employer's liability. The District does not recognize any liability for outstanding losses for incurred but not reported claims. The Texas Association of Counties assumes this responsibility.

Brazos County has established a Health and Life Insurance Internal Service Fund to account for the costs associated with various health related insurance programs. The District participates with the County through an Inter-Local Agreement. The Internal Service Fund of the County collects the premium payments from the County, the District, the employee, and the retiree. The fund pays all claims and administrative fees. The Internal Service Fund has purchased reinsurance that provides a $175,000 per individual specific stop loss deductible and an additional aggregating specific annual deductible of $60,000. Funds are available to pay claims and have been reserved for such purpose.

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

The District practices risk management activities to include the purchase of insurance for general liability and liability from property damage claims. Vehicle liability is provided by Brazos County. In addition, the property insurance, errors and omissions, and professional liability coverage carried by Brazos County support the District. The District supplements this coverage with crime and fidelity coverage. Any liability that arises from the operation of motorized equipment will be considered to fall within the confines of the Texas Tort Claims Act, and thereby limit the District’s exposure. At September 30, 2019, all claims against the District had been paid or accrued for payment, or the District’s underwriter had accepted responsibility for the claim.

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

NOTE 8 - PENSION PLAN

A. Plan Description

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

B. Benefits Provided

The Commissioners’ Court of Brazos County adopts the plan provisions, within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but accumulated contributions must be left in the plan. Retirement benefits

B. Benefits Provided **continued**

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

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

C. Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	8
Active employees	33
	53

D. Contributions

Brazos County and the District have elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The Plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Brazos County and the District contributed using the actuarially determined rate of 14.50% for calendar year 2019 and is 15.25% for calendar year 2020. The employee's member contribution rate remained at 7.00% for 2019. Contributions to the pension plan from the District were $254,734 for the year ended September 30, 2019.

E. Net Pension Liability

The District's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

E. Net Pension Liability continued

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

New mortality assumptions were reflected in the 2018 actuarial valuation as a result of adopting a new projection scale. They are 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale.

All other actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2013– December 31, 2016, except where required to be different by GASB 68.

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

Asset Class	Target Allocation (1)	Geometric Real Rate of Return (Expected - Inflation) (2)
US Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities - Developed Markets	10.00%	5.40%
International Equities - Emerging Markets	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%
	100.00%	

(1) Target asset allocation adopted at the April 2019 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70%, per Cliffwater's 2019 capital market assumptions.

E. Net Pension Liability **continued**

Discount Rate

The discount rate used to measure the total pension liability was 8.10 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2017	$8,262,551	$7,499,844	$762,707
Changes for the year:			
Service cost	254,529	-	254,529
Interest on total pension liability	716,969	-	716,969
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(16,779)	-	(16,779)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(15,905)	(15,905)	-
Benefit payments	(345,479)	(345,479)	-
Administrative expenses	-	(6,335)	6,335
Member contributions	-	128,590	(128,590)
Net investment income	-	(148,927)	148,927
Employer contributions	-	261,774	(261,774)
Other	-	1,668	(1,668)
Net Changes	593,335	(124,614)	717,949
Balances as of December 31, 2018	$8,855,886	$7,375,230	$1,480,656

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

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
District's net pension liability	$ 2,759,369	$ 1,480,656	$ 411,629

E. Net Pension Liability continued

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

For the year ended September 30, 2019, the District recognized pension expense of $417,343. At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,663	$ 33,284
Difference between projected and actual earnings on pension plan investments	509,081	
Change in assumptions or other inputs	27,879	-
Change in pension allocated share	-	3,727
Pension contributions made after the measurement date	176,582	-
Changes in economic/demographic gain	-	-
Total	$ 721,205	$ 37,011

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended September 30,	
2020	$ 206,392
2021	76,860
2022	67,954
2023	156,406
Thereafter	-

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Postemployment Benefits

The District provides health care benefits as required by the Federal government under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”). COBRA requires employers that sponsor group health plans to provide continuation of group coverage to terminated employees and their dependents in circumstances where coverage would normally end. The election to be covered is at the request of the employee. The employee is then required to pay the premium costs for themselves and their dependents. Expenditures are recognized as claims are submitted. COBRA participants are reimbursed at the same levels as active employees. At September 30, 2019, the District had been fully reimbursed for costs related to COBRA participants.

A. <u>Postemployment Benefits</u> **continued**

The District participates in the Brazos County Retiree Health Care Plan and the Texas County and District Retirement System. The policies for these programs are determined by the Brazos County Commissioners' Court in accordance with Texas Local Government Code section 157.101. In conjunction with Brazos County, Texas, the District began offering post-retirement health care benefits to certain retirees. District policy allows employees to become eligible for post-retirement health care benefits after meeting the service and retirement age requirements of the retirement plan. The post-retirement healthcare benefits include medical, dental and drug care benefits, all of which are provided through the self-insured healthcare plan. The County's post-retirement benefit plan is a single-employer defined benefit plan. The benefit levels are the same as those afforded to active employees.

As of December 31, 2018, Membership consisted of:	
Retirees and Beneficiaries Receiving Benefits	7
Active Employees	34
Total	41

B. <u>Funding Policy</u>

The District follows the County, which uses the Health and Life Insurance Internal Service fund to liquidate the OPEB liabilities. Local Government Code Section 157.102 assigns to Commissioners' Court the authority to establish and amend contribution requirements of the plan members and the participating employers. The eligible retirees who retired prior to January 1, 2000 may pay a fixed premium amount to maintain coverage through the District's healthcare plan. Eligible retirees who were hired before August 30, 2011 and with eight or more years of cumulative service with the District upon retirement are entitled to the District's subsidy and may pay the employee portion of the premium only to maintain coverage. Eligible retirees who were hired before August 30, 2011 but have less than eight years of cumulative service with the District at retirement must pay the full premium to maintain coverage. Employees hired on or after August 30, 2011 must pay the full premiums to maintain coverage regardless of the years of service. Upon a retiree reaching 65 years of age, the District's healthcare plan becomes secondary to Medicare automatically.

The District established an OPEB Trust Fund to partially fund its OPEB Plan in 2017. The District contributed $76,202 in total towards its OPEB obligation for the year ended September 30, 2019, including $20,000 to the OPEB Trust.

C. <u>Net OPEB Liability</u>

The District's net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017.

D. Actuarial Methods and Assumptions

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

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

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

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

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

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

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

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

D. Actuarial Methods and Assumptions continued

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.50%; the municipal bond rate is 3.71% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting single discount rate is 6.50%. The District's current funding policy is to pay the benefits using its own assets and to contribute $20,000 per year into the OPEB trust. Based on this funding policy, the plan's projected assets are never depleted in the projection required to determine the single discount rate. Under this policy, the District does not calculate an actuarially determined contribution. In addition, the contribution requirements are not established statutorily or contractually.

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

For the year ended December 31, 2018, the annual money-weighted rate of return on investments, net of investment expense, was -6.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Changes in the Net OPEB Liability

Changes in Net OPEB Liability / (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability / (Asset) (a) – (b)
Balances as of December 31, 2017	$3,254,605	$107,906	$3,146,699
Changes for the year:			
Service cost	73,329	-	73,329
Interest on total OPEB liability	210,713	-	210,713
Changes of benefit terms	-	-	-
Difference between expected and actual experience	4,993	-	4,993
Changes of assumptions	-	-	-
Benefit payments	(99,071)	(99,071)	-
Administrative expenses	-	(584)	584
Employer contributions	-	139,871	(139,871)
Net investment income	-	(7,505)	7,505
Other	-	-	-
Net Changes	189,964	32,711	157,253
Balances as of December 31, 2018	$3,444,569	$140,617	$3,303,952

E. Changes in the Net OPEB Liability continued

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
District's net OPEB liability	$ 3,843,357	$ 3,303,952	$ 2,866,661

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

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
District's net OPEB liability	$ 2,793,038	$ 3,303,952	$ 3,951,399

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

For the year ended September 30, 2019, the District recognized OPEB expense of $281,798. At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in OPEB plan allocated share	$ 27,235	$ 10,291
Difference between projected and actual earnings on OPEB plan	11,231	-
Difference between expected and actual OPEB experience	4,368	-
OPEB contributions after the measurement date	57,927	-
Total	$ 100,761	$ 10,291

E. <u>Changes in the Net OPEB Liability</u> continued

Deferred outflows of resources related to OPEB resulting from OPEB contributions made after the measurement date of $57,927 will be recognized as a reduction of the net OPEB liability in the District's financial statements for the fiscal year ending September 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB, excluding OPEB contributions made after the measurement date, will be recognized in OPEB expense as follows:

Year ended September 30,		
2020	$	5,493
2021		5,493
2022		5,494
2023		5,971
2024		2,805
Thereafter		7,287

F. <u>Deferred Compensation</u>

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

NOTE 10 - CONTINGENT LIABILITIES

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

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

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

NOTE 11 – COOPERATIVE AGREEMENT

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

For the year ended September 30, 2019, the monetary support by jurisdiction was as follows:

Entity	Budget	Actual
Brazos County	$ 395,065	$ 395,065
City of Bryan	395,065	395,065
City of College Station	395,065	395,065
TOTALS	$1,185,195	$1,185,195

The Agreement also requires the Members of the District to pay for actual health services provided to the jurisdictions. The agreement for the fiscal year ended September 30, 2019, includes a provision that any unencumbered funds at the end of the fiscal year are to be retained by the District as "public health funds." These funds are to be used by the District in a manner equally beneficial to each of the parties. During the year ended September 30, 2019, the health service fees collected by the District for each jurisdiction were as follows:

Entity	Budget	Actual
Brazos County	$ 115,000	$ 105,960
City of Bryan	237,500	237,830
City of College Station	262,500	281,950
TOTALS	$ 615,000	$ 625,740

In addition, the District tests water samples for the Members and other State agencies at no charge. The value of the water analysis rendered for the year ended September 30, 2019, was as follows:

Entity	Number Of Procedures	Value
City of Bryan	1,325	$ 26,500
City of College Station	1,307	26,140
TOTALS	2,632	$ 52,640

BRAZOS COUNTY HEALTH DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

BRAZOS COUNTY

HEALTH DISTRICT

BRAZOS COUNTY HEALTH DISTRICT
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental			
Brazos County	$ 1,268,798	$ 1,269,798	$ 920,916
City of Bryan	395,065	395,065	395,065
City of College Station	395,065	395,065	395,065
Texas Department of State Health Services	1,013,329	1,079,496	1,085,896
Texas Health and Human Services Commission	29,400	29,400	39,855
Program Revenue			
Health Service Fees	615,000	615,000	625,740
Clinic	118,000	118,000	137,384
Environmental	15,000	15,000	14,209
Laboratory	65,000	65,000	61,220
NACCHO Programs	--	16,000	15,932
340B Drug Program	--	--	2,662
Interest	4,000	4,000	5,512
Other	2,500	3,100	8,975
TOTAL REVENUES	3,921,157	4,004,924	3,708,431
EXPENDITURES			
Salary and Wages	2,565,231	2,565,231	2,056,905
Employee Benefits	1,011,306	1,011,306	826,711
Departmental Support	739,121	785,842	792,765
Repairs and Maintenance	42,500	47,000	37,938
Minor Acquisitions	38,250	44,157	29,077
Contract Services	79,488	70,588	16,341
Facility	186,881	186,881	186,881
Professional Services	130,550	117,450	73,728
Community Contracts	13,000	18,700	14,252
Capital Outlay	10,000	52,939	26,064
TOTAL EXPENDITURES	4,816,327	4,900,094	4,060,662
Net Change in Fund Balance	(895,170)	(895,170)	(352,231)
FUND BALANCE AT OCTOBER 1, 2018	713,034	713,034	713,034
FUND BALANCE AT SEPTEMBER 30, 2019	$ (182,136)	$ (182,136)	$ 360,803

BRAZOS COUNTY HEALTH DISTRICT
Required Supplementary Information
Schedule of Changes in the District's Net Pension Liability and Related Ratios
September 30, 2019

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total pension liability					
Service cost	$ 254,529	$ 243,434	$ 239,918	$ 211,535	$ 196,938
Interest on total pension liability	716,969	669,885	614,986	562,710	499,832
Effect of plan changes	-	-	-	(42,724)	-
Effect of economic/demographic gains or losses	(16,779)	(9,097)	19,157	(70,214)	(20,895)
Effect of assumptions changes or inputs	-	20,359	-	76,363	-
Benefit payments/refunds of contributions	(361,384)	(347,654)	(297,550)	(263,552)	(225,789)
Net change in total pension liability	593,335	576,927	576,511	474,118	450,086
Total pension liability - beginning	8,262,551	7,685,624	7,109,113	6,634,995	6,184,909
Total pension liability - ending (a)	$ 8,855,886	$ 8,262,551	$ 7,685,624	$ 7,109,113	$ 6,634,995
Plan fiduciary net position					
Contributions - employer	$ 261,774	$ 241,053	$ 265,863	$ 205,969	$ 185,708
Contributions - employee	128,590	120,527	113,496	104,206	92,830
Net investment income	(148,927)	1,019,512	474,795	(81,668)	376,031
Benefit payments/refunds of contributions	(361,384)	(347,654)	(297,550)	(263,552)	(225,789)
Administrative expenses	(6,335)	(5,328)	(5,165)	(4,519)	(4,466)
Effect of change in proportion	-	-	(30,013)	(30,500)	-
Other	1,668	215	11,498	4,001	(5,127)
Net change in plan fiduciary net position	(124,614)	1,028,325	532,924	(66,063)	419,187
Plan fiduciary net position - beginning	7,499,844	6,471,519	5,938,595	6,004,658	5,585,471
Plan fiduciary net position - ending (b)	$ 7,375,230	$ 7,499,844	$ 6,471,519	$ 5,938,595	$ 6,004,658
District's net pension liability - ending (a) - (b)	$ 1,480,656	$ 762,707	$ 1,214,105	$ 1,170,518	$ 630,337
Plan fiduciary net position as a percentage of the total pension liability	83.28%	90.77%	84.20%	83.53%	90.50%
Covered payroll	$ 1,837,007	$ 1,721,807	$ 1,625,812	$ 1,374,391	$ 1,326,371
District's net pension liability as a percentage of covered payroll	80.60%	44.30%	74.68%	85.17%	47.52%

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

BRAZOS COUNTY HEALTH DISTRICT

Required Supplementary Information

Schedule of District Pension Contributions

September 30, 2019

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	$ 141,354	$ 148,923	$ (7,568)	$ 1,251,452	11.9%
2011	149,958	150,210	(253)	1,259,098	11.9%
2012	140,292	146,069	(5,778)	1,180,836	12.4%
2013	125,075	166,213	(41,138)	1,273,663	13.1%
2014	167,594	180,150	(12,556)	1,286,788	14.0%
2015	180,121	192,415	(12,294)	1,374,391	14.0%
2016	196,994	227,614	(30,619)	1,625,812	14.0%
2017	213,764	276,200	(62,436)	1,673,939	16.5%
2018	235,027	243,142	(8,115)	1,736,729	14.0%
2019	259,753	254,734	5,019	1,781,357	14.3%

Notes to Schedule

Valuation timing: Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age

Amortization method Level percentage of payroll, closed

Remaining amortization period 12.7 years (based on contribution rate calculated in 12/31/2018 valuation)

Asset valuation method 5-year smoothed market

Inflation 2.75%

Salary increases Varies by age and service. 4.9% average over career including inflation

Investment rate of return 8%, net of administrative and investment expenses, including inflation

Retirement age Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.

Mortality 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2004 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale after 2014.

Changes in assumptions and methods reflected in the schedule of employer contributions No changes in assumptions

Changes in plan provisions reflected in the scehdule No changes in plan provisions are reflected in the Schedule of Employer Contributions

BRAZOS COUNTY HEALTH DISTRICT

Required Supplementary Information

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

September 30, 2019

	Year Ended December 31, 2018	Year Ended December 31, 2017
Total OPEB liability		
Service cost	$ 73,329	$ 71,193
Interest on total OPEB liability	210,713	198,857
Changes of benefit terms	-	-
Difference between expected and actual experience	4,993	-
Changes of assumptions	-	-
Benefit payments	(99,071)	(78,364)
Net change in total OPEB liability	189,964	191,686
Total OPEB liability - beginning	3,254,605	3,062,919
Total OPEB liability - ending (a)	$ 3,444,569	$ 3,254,605
Plan fiduciary net position		
Employer contributions	$ 139,871	$ 159,964
Net investment income	(7,505)	6,343
Benefit payments	(99,071)	(78,364)
Administrative expense	(584)	(271)
Other	-	-
Net change in plan fiduciary net position	32,711	87,672
Plan fiduciary net position - beginning	107,906	20,234
Plan fiduciary net position - ending (b)	$ 140,617	$ 107,906
District's net OPEB liability - ending (a) - (b)	$ 3,303,952	$ 3,146,699
Plan fiduciary net position as a percentage of the total OPEB liability	4.08%	3.32%
Covered-employee payroll	$ 1,644,250	$ 1,547,426
District's net OPEB liability as a percentage of covered-employee payroll	200.94%	203.35%

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

BRAZOS COUNTY HEALTH DISTRICT

Required Supplementary Information

Schedule of Investment Returns on OPEB Trust

September 30, 2019

Fiscal Year	Annual Money-Weighted Rate of Return, Net of Investment Expenses
2019	5.40%
2018	6.97%

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

BRAZOS COUNTY

HEALTH DISTRICT

BRAZOS COUNTY HEALTH DISTRICT
STATISTICAL SECTION

BRAZOS COUNTY HEALTH DISTRICT

BRAZOS COUNTY

HEALTH DISTRICT

BRAZOS COUNTY HEALTH DISTRICT
COMPARATIVE ANALYSIS OF DIVISIONAL EXPENSES
For The Twelve Month Period Ended September 30, 2019
With Comparative Totals for Years Ended September 30, 2017 and 2018
(Unaudited)

Expenditures	Administration	Environmental	Clinic	Lab	Immunization	Infectious Disease	Public Health Crisis Response	NACCHO Programs	Regional Health
Salary and Wages	$ 271,787	$ 628,849	$ 356,227	$ 119,380	$ 126,382	$ 64,015	$ --	$ --	$ 114,822
Employment Benefits	194,252	278,033	151,719	39,451	54,504	27,145	--	--	51,312
Departmental Support	29,972	10,183	10,438	40,361	13,016	4,513	11,845	10,717	26,137
Repairs & Maintenance	2,440	21,554	--	826	--	89	--	--	--
Minor Acquisition	17,623	--	--	3,264	--	--	1,490	--	--
Contract Services	664	400	--	2,843	--	--	--	--	--
Facility	--	--	--	--	--	--	--	--	--
Professional Services	9,410	--	39,052	3,960	--	--	--	--	--
Community Contracts	--	--	--	--	--	--	--	--	--
Capital Outlay	--	--	--	6,449	--	--	14,400	5,215	--
TOTALS	$ 526,148	$ 939,019	$ 557,436	$ 216,534	$ 193,902	$ 95,762	$ 27,735	$ 15,932	$ 192,271
For the Year Ended:									
September 30, 2018	$ 483,758	$ 927,125	$ 555,743	$ 202,321	$ 194,905	$ 89,725	$ --	$ --	$ 180,950
September 30, 2017	$ 475,188	$ 877,806	$ 239,732	$ 181,298	$ 455,215	$ 89,819	$ --	$ --	$ 173,791

						In-Kind Support			
HHSC Med Records	**HHSC HIV Testing**	**HHSC Adult Immunization**	**Bioterrorism Preparedness**	**Tuberculosis**	**Totals**	**Brazos County**	**City of College Station**	**Department of State Health Services**	**Health District Totals**
$ --	$ --	$ --	$ 63,010	$ 30,251	$ 1,774,723	$ 282,182	$ --	$ --	$ 2,056,905
--	--	--	17,127	13,168	826,711	--	--	--	826,711
933	4,549	14,013	14,551	4,073	195,301	42,789	--	554,675	792,765
--	--	--	13,029	--	37,938	--	--	--	37,938
--	--	--	6,700	--	29,077	--	--	--	29,077
12,434	--	--	--	--	16,341	--	--	--	16,341
--	--	--	--	--	--	186,881	--	--	186,881
--	--	--	--	7,306	59,728	14,000	--	--	73,728
--	6,522	7,730	--	--	14,252	--	--	--	14,252
--	--	--	--	--	26,064	--	--	--	26,064
$ 13,367	$ 11,071	$ 21,743	$ 114,417	$ 54,798	$ 2,980,135	$ 525,852	$ --	$ 554,675	$ 4,060,662
$ 14,932	$ 5,671	$ 114,473	$ --	$ 51,645	$ 2,821,248	$ 799,127	$ --	$ 542,553	$ 4,162,928
$ 60,000	$ 9,951	$ 147,226	$ --	$ 85,501	$ 2,795,527	$ 995,976	$ 4,500	$ 576,530	$ 4,372,533

BRAZOS COUNTY HEALTH DISTRICT
COMPARATIVE ANALYSIS OF GRANT FUNDING SUPPORT
(Unaudited)

Expenditures	07/01/2018-06/30/2019 DSHS Program: CPS/HAZARDS Grant Budget	Grant Expense Support	Department Expense Support	09/01/2018-08/31/2019 DSHS Program: RLSS/LPHS Grant Budget	Grant Expense Support	Department Expense Support
Personnel	$ 72,000	$ 51,623	$ 4,827	$ 61,611	$ 61,611	$ 52,381
Fringe Benefits	$ 29,059	$ 16,157	$ --	$ 26,148	$ 26,148	$ 24,919
Travel	$ 2,300	$ 2,484	$ --	$ --	$ --	$ 2,170
Equipment	$ --	$ --	$ --	$ --	$ --	$ --
Supplies	$ 23,515	$ 21,186	$ --	$ --	$ --	$ 612
Contractual	$ --	$ --	$ --	$ --	$ --	$ --
Other	$ 8,550	$ 13,272	$ --	$ --	$ --	$ 22,449
TOTALS	$ 135,424	$ 104,722	$ 4,827	$ 87,759	$ 87,759	$ 102,531

Expenditures	09/01/2018-08/31/2019 DSHS Program: IMM/LOCALS Grant Budget	Grant Expense Support	Department Expense Support	01/01/2019-09/30/19 DSHS Program: TB/PC Federal Grant Budget	Grant Expense Support	Department Expense Support
Personnel	$ 124,667	$ 124,667	$ 40,714	$ 14,039	$ 14,039	$ 9,357
Fringe Benefits	$ 56,028	$ 56,028	$ 13,411	$ 5,064	$ 5,064	$ 5,575
Travel	$ --	$ --	$ 391	$ --	$ --	$ --
Equipment	$ --	$ --	$ --	$ --	$ --	$ --
Supplies	$ --	$ --	$ 2,863	$ --	$ --	$ --
Contractual	$ --	$ --	$ --	$ --	$ --	$ --
Other	$ --	$ --	$ 1,608	$ --	$ --	$ --
TOTALS	$ 180,695	$ 180,695	$ 58,987	$ 19,103	$ 19,103	$ 14,932

Expenditures	09/01/2018-08/31/2019 DSHS Program: TB/PC State Grant Budget	Grant Expense Support	Department Expense Support	09/01/2018-08/31/2019 DSHS Program: IDCU/SUREB Grant Budget	Grant Expense Support	Department Expense Support
Personnel	$ 16,122	$ 16,122	$ 14,465	$ 61,622	$ 61,984	$ 2,077
Fringe Benefits	$ 6,726	$ 6,726	$ 7,097	$ 19,078	$ 19,078	$ 7,977
Travel	$ --	$ --	$ --	$ 1,050	$ 1,050	$ 269
Equipment	$ --	$ --	$ --	$ --	$ --	$ --
Supplies	$ --	$ --	$ --	$ 750	$ 388	$ --
Contractual	$ --	$ --	$ --	$ --	$ --	$ --
Other	$ --	$ --	$ --	$ --	$ --	$ --
TOTALS	$ 22,848	$ 22,848	$ 21,562	$ 82,500	$ 82,500	$ 10,323

Expenditures	01/20/2019-12/31/2020 DSHS Program: COAG/LHD Grant Budget	Grant Expense Support	Department Expense Support	02/01/2019-06/30/2019 NACCHO Program: 2019-022703 Grant Budget	Grant Expense Support	Department Expense Support
Personnel	$ --	$ --	$ --	$ --	$ --	$ --
Fringe Benefits	$ --	$ --	$ --	$ --	$ --	$ --
Travel	$ 1,506	$ --	$ --	$ 2,000	$ 2,434	$ --
Equipment	$ 31,275	$ 14,400	$ --	$ 7,066	$ 6,308	$ --
Supplies	$ 33,386	$ 13,335	$ --	$ 6,934	$ 7,190	$ --
Contractual	$ --	$ --	$ --	$ --		$ --
Other	$ --	$ --	$ --	$ --		$ --
TOTALS	$ 66,167	$ 27,735	$ --	$ 16,000	$ 15,932	$ --

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

		For The Years Ended September 30,				
	Activity	**2019**	**2018**	**2017**	**2016**	**2015**
	Immunizations and					
Personal	Inoculations	9,405	7,700	8,541	8,771	7,842
Health	TB Tests	1,115	954	1,032	1,070	888
Services	STD Clinic	2,600	2,357	2,080	2,415	2,146
	Home Visits	493	174	166	386	395
	Inspections:					
	Restaurant	3,244	3,129	2,824	2,830	2,850
	Child Care	120	133	90	101	86
	Septic Systems	476	693	635	657	607
Environmental	Swimming Pools	16	7	8	3	10
Health	Substandard Building	4	19	3	7	6
Services	Subdivision Reviews	13	18	23	12	24
	TCEQ Applications	228	258	275	310	261
	Foodhandlers Registered	1,052	931	987	1,181	1,177
	Complaints	389	505	527	617	548
	Letters Issued	1,887	2,897	980	924	789
Laboratory	Water Samples Tested	5,913	5,821	5,950	6,264	6,342
Services	STD Testing	5,792	6,996	7,148	7,296	7,236
TOTALS		**32,747**	**32,592**	**31,269**	**32,844**	**31,207**

BRAZOS COUNTY

HEALTH DISTRICT

COMPLIANCE REPORTS

BRAZOS COUNTY

HEALTH DISTRICT

Ingram, Wallis & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Brazos County Health District (the "District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ingram, Wallis & Company

Bryan, Texas
March 24, 2020

BRAZOS COUNTY HEALTH DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *unmodified*

Internal control over financial reporting:

• Material weakness(es) identified?	__ yes	_X_ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	__ yes	_X_ none reported
Noncompliance material to financial statements noted?	__ yes	_X_ 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, 2019
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

N/A

BRAZOS COUNTY HEALTH DISTRICT