

Galveston County Health District
Independent Auditor's Report and Financial Statements
September 30, 2019



Galveston County Health District

September 30, 2019

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Independent Auditor's Report

Galveston County United Board of Health
Coastal Health & Wellness Governing Board
Galveston County Health District
Texas City, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Galveston 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 each major fund of the District as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance 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 schedule, and pension information as listed in the table of contents 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 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.

BKD, LLP

Houston, Texas
February 27, 2020

Galveston County Health District

Management's Discussion and Analysis

September 30, 2019

Introduction

The following discussion and analysis of the financial performance of Galveston County Health District (the District) provides an overview of the District's financial activities for the year ended September 30, 2019. Readers should consider the information presented here in conjunction with the District's financial statements that follow this section.

Financial Highlights

- Total assets and deferred outflows of resources of the District exceeded total liabilities and deferred inflows of resources at the close of 2019 by \$19.5 million.
- Of this amount, \$1.8 million represents the District's net investment in capital assets; \$1.5 million is restricted for net pension asset and there is an unrestricted net surplus of \$16.2 million.
- The District had total cash and investments of \$14.7 million as of September 30, 2019, an increase of \$1.3 million from September 30, 2018.
- The District had expenses net of program revenue of \$8.1 million and general revenues of \$8.3 million.
- The District reported an increase in total net position of \$216.5 thousand (1 percent) in 2019.
- As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$15.7 million.

The General Fund reported a fund balance of \$4.8 million at the end of the current year. The unassigned fund balance for the General Fund was \$166 thousand, or 2 percent, of total General Fund expenditures. There was a \$427 thousand increase in the total fund balance for the General Fund from September 30, 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information which includes this management's discussion and analysis, budget to actual reports, and information regarding the District's pension plan. In addition to the basic financial statements, this report also contains other supplementary information as listed in the table of contents.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to that of a private-sector business.

Statement of Net Position

The statement of net position presents information on all of the District's assets and liabilities, 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.

Statement of Activities

The statement of activities presents information showing how the government's net position changed during the 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 the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future periods, *e.g.*, earned but unused vacation leave.

The government-wide financial statements present functions of the District that are provided from funding sources (*governmental activities*). The government-wide financial statements can be found on Pages 11-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District consist solely of governmental funds (the General Fund and Special Revenue Funds).

Governmental Funds

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 the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government'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 funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on Pages 13-16 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on Pages 17-39 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund, Coastal Health & Wellness Fund (CHW) and the Galveston Area Ambulance Authority Fund (GAAA) budgets and the District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on Pages 40-46 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. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19.5 million at September 30, 2019:

Condensed Statement of Net Position (in Thousands)

	2019	2018	Dollar Change	Total Percentage Change
Assets				
Cash and other assets	\$ 18,417	\$ 18,956	\$ (539)	(3)%
Capital assets, net	1,830	2,176	(346)	(16)%
Total assets	20,247	21,132	(885)	(4)%
Deferred Outflows of Resources	1,323	364	959	3 %
Liabilities				
Long-term liabilities	487	458	29	- %
Other liabilities	1,238	1,078	160	15 %
Total liabilities	1,725	1,536	189	0 %
Deferred Inflows of Resources	325	656	(331)	(50)%
Net Position				
Net investment in capital assets	1,830	2,159	(329)	(15)%
Restricted	1,487	2,774	(1,287)	(46)%
Unrestricted	16,203	14,371	1,832	- %
Total net position	\$ 19,520	\$ 19,304	\$ 216	1 %

The largest portion of the District's net position (\$14.7 million) reflects its cash and cash equivalents and investments. The District was able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

Net position of the District achieved a \$216 thousand increase. Key elements of the increase are shown in the table below.

**Condensed Statement of Activities
(in Thousands)**

	2019	2018	Dollar Change	Total Percentage Change
Revenues				
Program revenues:				
Charges for services	\$ 11,039	\$ 11,491	\$ (452)	(4)%
Operating grants and contributions	7,122	6,876	246	4 %
General revenues:				
Unrestricted grants and contributions	7,988	7,845	143	2 %
Gain on sale of capital assets	21	24	(3)	(13)%
Investment earnings, unrestricted	256	129	127	98 %
Total revenues	<u>26,426</u>	<u>26,365</u>	<u>61</u>	<u>0 %</u>
Expenses				
Public health	3,654	3,679	(25)	(1)%
Public health reimbursable	3,201	3,052	149	- %
Animal services	1,304	1,188	116	- %
Pollution control	835	861	(26)	(3)%
Patient services	10,849	10,295	554	5 %
Ambulance services	6,367	5,804	563	- %
Program Expenses	<u>26,210</u>	<u>24,879</u>	<u>1,331</u>	<u>5 %</u>
Change in Net Position	216	1,486	(1,270)	(85)%
Net Position, Beginning of Year	<u>19,304</u>	<u>17,818</u>	<u>1,486</u>	<u>8 %</u>
Net Position, End of Year	<u>\$ 19,520</u>	<u>\$ 19,304</u>	<u>\$ 216</u>	<u>1 %</u>

Revenues from governmental activities totaled \$26.4 million for the fiscal year ended September 30, 2019, while expenses totaled \$26.2 million. The District's total revenues increased by \$60 thousand or less than 1 percent from prior year. The District's total expenses increased by \$1.3 million, or 5 percent from the prior year. Primary factors included an increase in patient services expense of \$554 thousand due to increased janitorial contract costs and expenditures related to new hurricane recovery and substance use grants, an increase in public health reimbursable expenses of \$149 thousand due to increased Zika and WIC grant expenditures; and an increase in animal services expenses of \$116 thousand due to new personnel and purchase of vehicles.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The focus of the District's governmental funds 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 year.

As of September 30, 2019, the District's governmental funds, which consist of a General Fund and Special Revenue Funds, reported ending fund balances of \$15.7 million, an increase of \$0.6 million during the year.

The General Fund is the chief operating fund of the District. At the end of the year, unassigned fund balance of the General Fund was \$166 thousand, a \$23 thousand decrease from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 2 percent of total General Fund expenditures, while overall General Fund balance represents 54 percent of that same amount.

The CHW, a major governmental fund, had a decrease of \$185 thousand to an overall CHW Fund balance of \$5.6 million at the end of the year.

The GAAA Fund, a major governmental fund, had an increase in fund balance of \$347 thousand during the year to bring the year-end fund balance to \$5.2 million.

General Fund Budgetary Highlights

Revenues

The District's final 2019 General Fund budget estimated revenues of \$12.9 million. The actual realized revenues for the period were \$13.3 million, or 3 percent, greater than budgeted primarily due to increased grant revenue from additional program funding.

Public Health Program service revenues were over budgeted amounts by \$126 thousand, or 8 percent, due to increases in immunizations provided and birth/death certificates issued, as well as increases in interest income due to higher interest rates. The Public Health division includes service revenues from immunization, vital statistics, potable water testing, and inspections/ permits associated with food services, septic tanks, swimming pools and waste water.

Animal Service program revenues (which included both field and shelter services) were over budgeted amounts by \$25 thousand, or 4 percent, due to increased donations, animal fees/fines and in-house vaccination clinic services.

Pollution Control program revenues were \$201 or 0.1 percent higher than budgeted primarily due to the sale of a storm water permit.

Expenditures

Operating expenditures and other financing uses in 2019 were budgeted at \$13.2 million, and actual expenditures and other financing uses incurred at September 30, 2019, were \$12.9 million, or 98 percent, of what had been projected for the year.

Public Health Program expenditures were \$319 thousand or 8 percent, lower than budgeted due primarily to savings in salary and benefit costs due to salary lapses.

Public Health Reimbursable expenditures (grant funded services) were \$151 thousand, or 5 percent, higher than budgeted due primarily to increased supply and advertising costs related to grants. These costs were offset by increases in grant revenue.

Animal Service expenditures were \$100 thousand, or 7 percent, lower due to savings in salary and benefit costs due to salary lapses.

Pollution Control expenditures were \$111 thousand, or 12 percent, lower due also to savings in salary and benefit costs from salary lapses.

Capital Assets and Debt Administration

Capital Assets: The District's investment in capital assets as of September 30, 2019, amounts to \$1.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture and equipment, and vehicles. The total decrease in the District's investment in capital assets for 2019 was 16 percent.

	Capital Assets (In Thousands)			Total Percentage Change
	2019	2018	Dollar Change	
Improvements other than buildings	\$ 59	\$ 52	\$ 7	14 %
Furniture and equipment	2,721	2,754	(33)	(1)%
Vehicles	2,838	3,057	(219)	(7)%
Less accumulated depreciation	(3,789)	(3,687)	(102)	3 %
Total capital assets, net	\$ 1,829	\$ 2,176	\$ (347)	(16)%

Additional information on the District's capital assets can be found in Note 4 in the notes to financial statements.

The District's long-term liabilities increased by \$29 thousand due to an increase in compensated absences of \$46 thousand and principal payments of \$17 thousand on the District's note payable.

	Long-term Liabilities (in Thousands)		
	2018	Decrease	2019
Notes payable	\$ 17	\$ (17)	\$ -
Compensated absences	441	46	487
Total	\$ 458	\$ 29	\$ 487

Economic Factors and Next Year's Budgets and Rates

The District is currently operating under its fiscal year 2020 budget, which was adopted and passed by its respective Boards in accordance with state and federal guidelines. The table below provides a comparison of the fiscal year 2019 and fiscal year 2020 budgets for both estimated revenues and expenditures:

Fund	Year Ending September 30,	
	2020	2019
General Fund:		
Revenue and transfers	\$ 13,219,174	\$ 13,093,390
Expenditures	13,201,000	13,201,000
Coastal Health & Wellness:		
Revenue and transfers	11,784,120	10,905,838
Expenditures	11,784,120	11,903,308
Galveston Area Ambulance Authority:		
Revenue and transfers	6,890,759	7,312,003
Expenditures	6,890,759	-

General Fund: In comparison to 2019, 2020 revenues budgeted under the General fund decreased by \$31 thousand, or 0.2 percent, primarily due to decreased grant revenue from the ending of the Zika grant term. This was offset by increases in county revenue. Expenditures decreased by \$25 thousand, or 0.2 percent, due primarily to the elimination of Zika grant advertising expense.

CHW Fund: The budget for CHW increased by \$136 thousand, or 1 percent, from 2019. Patient revenue increased based on higher visit rates per HRSA target. Also, DSRIP revenue decreased by \$80 thousand. Expenses are higher due to increased janitorial costs in order to comply with Joint Commission standards, which offset lower personnel costs due to organizational restructuring.

GAAA Fund: The budget for GAAA increased by \$830 thousand, or 12 percent, due mainly to the addition of EMS services in the cities of Kemah and Clear Lake Shores, as well as increased spending on equipment and vehicles.

Request 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 Galveston County Health District: Andrea Cortinas, Chief Financial Officer, P.O. Box 939, La Marque, Texas, 77568.

Basic Financial Statements

Galveston County Health District
Statement of Net Position
September 30, 2019

Assets

Cash and cash equivalents	\$	6,371,497
Investments		8,321,682
Receivables, net		2,024,460
Prepaid expenses		184,111
Inventories		29,185
Net pension asset		1,486,515
Capital assets, net of depreciation:		
Improvements, other than buildings		23,556
Furniture and equipment		490,003
Vehicles		1,316,128
		20,247,137
Total assets		20,247,137

Deferred Outflows of Resources

Pensions:		
Net difference between projected and actual earnings		1,020,148
Change in assumptions		61,350
Contributions made subsequent to measurement date		242,356
		1,323,854
Total deferred outflows of resources		1,323,854
Total assets and deferred outflows of resources		21,570,991

Liabilities

Accounts payable and accrued liabilities		1,093,162
Unearned revenue		144,825
Noncurrent liabilities:		
Due within one year		48,729
Due in more than one year		438,559
		1,725,275
Total liabilities		1,725,275

Deferred Inflows of Resources

Pensions:		
Differences between expected and actual experience		325,198
		325,198
Total liabilities and deferred inflows of resources		2,050,473

Net Position

Net investment in capital assets		1,829,687
Restricted for net pension asset		1,486,515
Unrestricted		16,204,316
		19,520,518
Total net position	\$	19,520,518

Galveston County Health District
Statement of Activities
Year Ended September 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs				
Governmental activities:				
Public health	\$ 3,653,507	\$ 1,727,720	\$ 70,150	\$ (1,855,637)
Public health, reimbursable	3,200,867	58,930	3,019,738	(122,199)
Animal services	1,304,370	611,066	-	(693,304)
Pollution control	835,458	138,221	458,700	(238,537)
Patient services	10,848,502	3,080,920	3,536,297	(4,231,285)
Ambulance services	6,366,897	5,422,368	37,149	(907,380)
Total governmental activities	\$ 26,209,601	\$ 11,039,225	\$ 7,122,034	\$ (8,048,342)
General revenues:				
Grants and contributions not restricted to specific programs				\$ 7,987,649
Gain on sale of capital assets				21,049
Investment earnings, unrestricted				256,137
Total general revenues				8,264,835
Change in net position				216,493
Net position, beginning of year				19,304,025
Net position, end of year				\$ 19,520,518

Galveston County Health District
Balance Sheet – Governmental Funds
September 30, 2019

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,934,209	\$ 1,266,868	\$ 2,170,420	\$ 6,371,497
Investments	1,863,039	3,618,765	2,839,878	8,321,682
Receivables:				
Federal	563,824	444,582	-	1,008,406
State	113,868	-	-	113,868
Patient, program and other (net where applicable)	102,931	214,661	584,594	902,186
Due from other funds	29,737	334,582	-	364,319
Prepaid expenses	43,797	88,991	51,323	184,111
Inventories	29,185	-	-	29,185
	<u>\$ 5,680,590</u>	<u>\$ 5,968,449</u>	<u>\$ 5,646,215</u>	<u>\$ 17,295,254</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 477,604	\$ 331,948	\$ 283,610	\$ 1,093,162
Unearned revenue	53,478	8,104	83,243	144,825
Due to other funds	334,582	-	29,737	364,319
	<u>865,664</u>	<u>340,052</u>	<u>396,590</u>	<u>1,602,306</u>
Fund Balances				
Nonspendable	72,982	88,991	51,323	213,296
Committed	4,575,582	5,490,557	2,187,198	12,253,337
Assigned	-	48,849	3,011,104	3,059,953
Unassigned	166,362	-	-	166,362
	<u>4,814,926</u>	<u>5,628,397</u>	<u>5,249,625</u>	<u>15,692,948</u>
Total liabilities and fund balances	<u>\$ 5,680,590</u>	<u>\$ 5,968,449</u>	<u>\$ 5,646,215</u>	<u>\$ 17,295,254</u>

Galveston County Health District
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2019

Total fund balances – governmental funds	\$	15,692,948
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,829,687
Deferred inflows and outflows related to pensions are not recognized on the fund financial statements.		998,656
Net pension asset is not financial resources and is not reported in the funds.		1,486,515
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Compensated absences		<u>(487,288)</u>
Net position of governmental activities	\$	<u><u>19,520,518</u></u>

Galveston County Health District
Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds
Year Ended September 30, 2019

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total Governmental Funds
Revenues				
Program services and patient service revenue, net, where applicable	\$ 2,535,937	\$ 3,080,920	\$ 5,422,368	\$ 11,039,225
Intergovernmental:				
Federal/state	3,548,588	3,536,297	37,149	7,122,034
Local	7,130,591	22,577	834,481	7,987,649
Investment earnings	70,412	100,141	85,584	256,137
Total revenues	<u>13,285,528</u>	<u>6,739,935</u>	<u>6,379,582</u>	<u>26,405,045</u>
Expenditures				
Current:				
Public health	3,587,259	-	-	3,587,259
Public health reimbursable	3,148,306	-	-	3,148,306
Animal services	1,257,821	-	-	1,257,821
Pollution control	830,468	-	-	830,468
Patient services	-	10,758,413	-	10,758,413
Ambulance services	-	-	5,929,785	5,929,785
Debt service, interest and fiscal charges	-	-	14,256	14,256
Capital outlay	161,614	59,537	112,793	333,944
Total expenditures	<u>8,985,468</u>	<u>10,817,950</u>	<u>6,056,834</u>	<u>25,860,252</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,300,060</u>	<u>(4,078,015)</u>	<u>322,748</u>	<u>544,793</u>
Other Financing Sources (Uses)				
Transfers in (out)	(3,888,854)	3,888,854	-	-
Proceeds from sale of capital assets	16,241	3,875	24,414	44,530
Total other financing sources (uses)	<u>(3,872,613)</u>	<u>3,892,729</u>	<u>24,414</u>	<u>44,530</u>
Net Change in Fund Balances	427,447	(185,286)	347,162	589,323
Fund Balances, Beginning of Year	<u>4,387,479</u>	<u>5,813,683</u>	<u>4,902,463</u>	<u>15,103,625</u>
Fund Balances, End of Year	<u>\$ 4,814,926</u>	<u>\$ 5,628,397</u>	<u>\$ 5,249,625</u>	<u>\$ 15,692,948</u>

Galveston County Health District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2019

Net change in fund balances – total governmental funds	\$	589,323
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$339,613) exceeded depreciation expense (\$653,384) in the current period.</p>		
		(346,444)
<p>Repayment of note principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		17,099
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Net change in net pension asset	\$	(1,287,173)
Net change in deferred inflows and outflows of resources		1,290,378
Net change in accrued compensated absences		(46,690)
		(43,485)
Change in net position of governmental activities	\$	216,493

Galveston County Health District

Notes to Financial Statements

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Note 1: Nature of Operations and Summary of Significant Accounting Policies

The Galveston County Health District (the District) is governed by Subtitle E, Health and Safety Code, Chapter 121 Local Public Health Reorganization Act. This law provides for the formation, structure and operation of the District. The District was formed by a contractual arrangement between the County of Galveston and the cities within the county which provides for an Administrative Board (Galveston County United Board of Health) that sets policy and associated operating budget(s) for the public health, pollution control, animal services and ambulance services operated by the District. The Board of Health has delegated to the Coastal Health & Wellness (CHW) Governing Board the operational responsibility for health care that is provided through the community health center's medical and dental clinics.

Reporting Entity

These financial statements include all activities and operations of the District including CHW and the Galveston Area Ambulance Authority (GAAA). A 13-member board is nominated by the Commissioners Court of Galveston County, Texas and approved by a majority of the member governments. This board governs the District. These financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations or functions have been included in the District's financial reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by accounting principles generally accepted in the United States of America (GAAP). These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity.

Basis of Accounting and Presentation

The basic financial statements include both government-wide and fund financial statements as follows:

Government-Wide Financial Statements

The government-wide financial statements report information on all of the activities of the District, CHW and GAAA. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on time spent for that function and are included in

Galveston County Health District

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the functional categories. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental each displayed in a separate column.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The CHW is used to account for the operations of two community clinics throughout Galveston County. The principal sources of revenues for this fund are Federal and Local grants, program revenues from Galveston County and charges for patient services. Expenditures relate to the costs of providing medical and dental outpatient services at the clinics.

The GAAA Fund accounts for the contract operations of emergency medical services and medical transport services programs. Principal revenues consist of charges for services.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include grants, entitlements and similar items; and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Grants, entitlements and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as unearned revenues.

Galveston County Health District

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Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in available spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available.

The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include federal funds, local funds and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for workers' compensation, which are recognized as expenditures when payment is due. Pension expenditures are recognized when amounts are due to a plan.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows and outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Investments

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2019, all investments represent amounts held in TexPool and are stated at amortized cost.

Inventories

Inventory consists of medical and office supplies and is reported at original costs. Related expenditures are recorded governmental funds as inventory items are used.

Capital Assets

Capital assets, which include improvements other than buildings, furniture and equipment, and vehicles, are reported in the governmental activities column, in the government-wide financial statements.

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Capital assets are defined as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than two years. Costs for the purchase or construction of facilities and other fixed assets are recorded as capital outlay expenditures in the governmental fund financial statements. Interest incurred during construction periods is not capitalized. Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Asset Description	Estimated Useful Life
Improvements other than buildings	5-10 years
Furniture and equipment	3-10 years
Vehicles	7 years

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

Capital Asset Impairment

The District evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the year ended September 30, 2019.

Long-term Obligations

In the government-wide financial statements, long-term debt for notes payable and compensated absences are reported as liabilities in the governmental activities statement of net position.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation, compensatory and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the District. All vacation and compensatory pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, such as those resulting from employee resignations and retirements.

Galveston County Health District

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Pensions

The District participates in an agent defined benefit pension plan *Texas County and District Retirement System* (TCDRS). For purposes of measuring the net pension asset (NPA), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of TCDRS and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, 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.

Unearned Revenue

Unearned revenue represents advances on grants and contract awards for which the District has not met all of the applicable eligibility requirements.

Deferred Outflows/Inflows of Resources

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its statement of net position.

The District reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its statement of net position.

Patient Accounts Receivable

Patient accounts receivable for CHW are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the District analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for uncollectible accounts in the

Galveston County Health District

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period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known. Patient service revenue as reported for CHW for the year ended September 30, 2019, is net of an allowance for uncollectible accounts of \$822,969.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds are displayed in five components:

Nonspendable – Nonspendable fund balances are not in a spendable form or are required to be maintained intact.

Restricted – Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers. When restricted and unrestricted fund balance exists for the same purpose, restricted fund balance will be used first.

Assigned – Assignments of fund balance are imposed by the District's intention of use for specific purposes, but with no formal action.

Committed – To indicate fund balance that can be used only for the specific purposes determined by a formal action of the Galveston County United Board of Health (the District's highest level of decision-making authority). Commitments may be changed or lifted only by the Board of Health taking the same formal action that imposed the constraint originally.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications.

Income Taxes

The District is not subject to federal or state income taxes.

Galveston County Health District

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Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at year-end and are re-established in the succeeding year.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) requires that deposits in financial institutions be collateralized with federal depository insurance and other acceptable collateral in specific amounts. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At September 30, 2019, the District's deposits were fully collateralized and, therefore, were not exposed to custodial credit risk.

Investments

The District is authorized by the Public Funds Investment Act (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) certain collateralized mortgage obligations; (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities; (5) certain "A" rated or higher obligations of states and political subdivisions of any state; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) insured or collateralized certificates of deposit; (8) certain fully collateralized repurchase agreements; (9) bankers' acceptances with limitations; (10) commercial paper rated "A-1" or "P-1" or higher and a maturity of 270 days or less; (11) no-load money market mutual funds and no-load mutual funds with limitations; (12) certain guaranteed investment contracts; (13) certain qualified governmental investment pools; and (14) a qualified securities lending program.

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operation; (2) designation of management and

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(3) accountability for fiscal matters. Additionally, the state Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Although TexPool is not registered with the U.S. Securities and Exchange Commission as an investment company, it operates in a manner consistent with the U.S. Securities and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares.

Note 3: Receivables

As of September 30, 2019, accounts receivable consisted of the following:

	General	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total
Federal:				
Reimbursement of expenditures under federal grants	\$ 563,824	\$ 444,582	\$ 0	\$ 1,008,406
State:				
Reimbursement of expenditures under state grants	113,868	0	0	113,868
Patient, program and other:				
Patient, net	-	214,661	333,532	548,193
Program and other	102,931	-	251,062	353,993
	<u>102,931</u>	<u>214,661</u>	<u>584,594</u>	<u>902,186</u>
Total	<u>\$ 780,623</u>	<u>\$ 659,243</u>	<u>\$ 584,594</u>	<u>\$ 2,024,460</u>

Note 4: Capital Assets

Capital assets activity for the year ended September 30, 2019, is presented below.

Galveston County Health District
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	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Improvements, other than buildings	\$ 52,069	\$ 7,149	\$ -	\$ 59,218
Furniture and equipment	2,754,331	93,086	126,112	2,721,305
Vehicles	3,057,125	239,378	458,742	2,837,761
Total cost	5,863,525	339,613	584,854	5,618,284
Less accumulated depreciation:				
Improvements, other than buildings	(25,493)	(10,169)	-	(35,662)
Furniture and equipment	(2,100,688)	(254,668)	(124,054)	(2,231,302)
Vehicles	(1,561,213)	(388,547)	(428,127)	(1,521,633)
Total accumulated depreciation	(3,687,394)	(653,384)	(552,181)	(3,788,597)
Capital assets, net	\$ 2,176,131	\$ (313,771)	\$ 32,673	\$ 1,829,687

Depreciation expense was charged to functions/programs of the primary government as follows:

Function:	
Public health	\$ 50,504
Public health, reimbursable	44,634
Animal services	25,047
Pollution control	22,960
CHW	88,051
GAAA	422,188
Total depreciation expense, functions	\$ 653,384

Note 5: Net Patient Service Revenue

Services rendered by CHW and GAAA generate patient service revenue. As a result, the District recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, the District recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the District's uninsured patients who do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statement of activities as a component of net patient service revenue.

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The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

Medicare. Covered Federally Qualified Health Center (FQHC) services rendered by CHW to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS) for FQHCs. Medicare payments, including patient coinsurance, as now paid on the lesser of the District's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules. Covered services rendered by GAAA to Medicare program beneficiaries are paid based on Medicare established fee for service rates.

Medicaid. Covered FQHC services rendered by CHW to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The District is reimbursed a set encounter rate for all services provided under the plan. Covered services rendered by GAAA to Medicaid program beneficiaries are paid based on a flat rate established by Medicaid.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per unit of service and discounts from established charges.

Note 6: Interfund Balances and Transfers

Interfund balances due to/from as of September 30, 2019, are as follows:

Receivable Fund	Payable Fund	Amounts
CHW Fund	General Fund	\$ 334,582
General Fund	GAAA Fund	29,737
		\$ 364,319

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Galveston County Health District
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Transfers between funds during the year ended September 30, 2019, were as follows:

Transfers From Fund	Transfers in Fund	Amount
General Fund	CHW Fund	<u>\$ 3,888,854</u>

This represents the transfer of local funds from Galveston County to the General Fund that are allocated to CHW to supplement the operation of the clinics.

Note 7: Long-term Obligations

The following is a summary of long-term obligation transactions for the year ended September 30, 2019:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Note payable	\$ 17,099	\$ -	\$ (17,099)	\$ -	\$ -
Compensated absences	440,598	46,690	-	487,288	48,729
Total long-term obligations	<u>\$ 457,697</u>	<u>\$ 46,690</u>	<u>\$ (17,099)</u>	<u>\$ 487,288</u>	<u>\$ 48,729</u>

Accrued compensated absences represent vacation and compensatory time off earned by District, CHW and GAAA employees. These employees are 100 percent vested with respect to these benefits when earned. These amounts are expected to be paid from future available resources upon termination or retirement.

Note 8: Fund Balances

The District reports the following General Fund, CHW Fund and GAAA Fund equity as non-spendable and committed at September 30, 2019, classified governmental fund balances as follows:

	General	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund
Nonspendable:			
Prepaid items	\$ 43,797	\$ 88,991	\$ 51,323
Inventories	29,185	-	-
Total nonspendable fund balances	<u>\$ 72,982</u>	<u>\$ 88,991</u>	<u>\$ 51,323</u>

Galveston County Health District
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	General	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund
Committed:			
IT infrastructure/software upgrades	\$ 192,215	\$ 67,300	\$ 65,700
Public health emergencies	250,000	-	-
Reserve for leave payouts	30,000	-	-
Medical/dental equipment	-	121,206	-
Vehicle replacements	-	-	656,890
CHW clinic renovations	374,020	850,000	-
Animal services	550,440	-	-
Employee one-time supplemental payment	-	52,051	36,310
Reserve for Medicaid cost report audit	-	-	500,000
Reserve for payment to the County	-	-	651,338
FY19 planned expenditures remaining to be purchased from reserve	-	-	234,660
Reserve for other	178,907	-	42,300
Operating reserves	3,000,000	4,400,000	-
Total committed fund balances	<u>\$ 4,575,582</u>	<u>\$ 5,490,557</u>	<u>\$ 2,187,198</u>

Note 9: Pension Plans

TCDRS Defined Benefit Plan

The District provides retirement benefits for full-time employees through agent, multiple-employer, defined-benefit plan. This plan is administered by the state-wide, public-employee TCDRS. TCDRS is governed by the TCDRS Board of Trustees and administers the pension plans of approximately 760 counties and districts. It issues in the aggregate, on a calendar-year basis, a comprehensive annual financial report (CAFR) which is available upon request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034. The CAFR is available, upon written request, from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034 or at www.tcdrs.org.

The TCDRS plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with eight or more years of service, with 30 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions to the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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Benefits depend upon the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits, with interest. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitments to contribute. At retirement, disability or death, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates, as prescribed by the TCDRS Act.

Employees Covered by Benefit Terms

TCDRS reports annual financial information on the calendar year basis, which coincides with the federal payroll reporting year-end. At the December 31, 2018, valuation and measurement date, the following employees were covered by the benefit terms:

Covered Employees - TCDRS Calendar Year Basis	2018
Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	307
Active employees	287
Totals	621

Funding Policy/Contributions

The District has chosen a variable rate plan under the 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 employee members. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the District and are currently 7 percent. The District's required contribution rate was 2.12 percent effective January 1, 2019, and 2.46 percent effective January 1, 2018.

If a plan has had adverse experience, the TCDRS Act has provisions which allow the employer to contribute a fixed supplemental contribution rate determined by the system's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

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Net Pension Asset

The District's NPA was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the NPA was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Overall payroll growth	2.0% per year
Investment rate of return	8.0% per year
Ad hoc cost of living adjustments	Not included

Salary increases were based on a service-related table. Mortality rates for active depositing members were based on 90 percent of the RP-2014 Active Employee Mortality Table for males and 90 percent of the RP-2014 Active Employee Mortality Table for females, projected with 110 percent of the MP-2014 Ultimate scale after 2014. Mortality rates for service retirees, beneficiaries and non-depositing members were based on 130 percent of the RP-2014 Healthy Annuitant Mortality Table for males and 110 percent of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110 percent of the MP-2014 Ultimate scale after 2014. Mortality rates for disabled retirees were based on 130 percent of the RP-2014 Disabled Annuitant Mortality Table for males and 115 percent of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110 percent of the MP-2014 Ultimate scale after 2014.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TCDRS was for the period January 1, 2013 through December 31, 2016, except where required to be different by Governmental Accounting Standards Board (GASB) Statement No. 68.

The long-term expected rate of return on pension plan investments is 8.00 percent. The pension plan's policy for to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each

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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 Class	Target Allocation	Geometric Real Rate of Return
U.S. 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	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%
	<u>100.00%</u>	
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the TPL was 8.10 percent. This rate reflects the long-term rate of return funding valuation assumption of 8.00 percent, plus 0.10 percent adjustment to be gross of administrative expenses. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, 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 TPL.

Galveston County Health District
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	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balances as of December 31, 2017	\$ 12,924,860	\$ 15,698,548	\$ (2,773,688)
Changes for the year:			
Service cost	1,299,404	-	1,299,404
Interest on total pension liability	1,131,946	-	1,131,946
Effect of economic/demographic gains or losses	(26,065)	-	(26,065)
Refund of contributions	(339,616)	(339,616)	-
Benefit payments	(169,536)	(169,536)	-
Administrative expenses	-	(13,098)	13,098
Member contributions	-	1,026,002	(1,026,002)
Net investment income (loss)	-	(282,666)	282,666
Employer contributions	-	360,566	(360,566)
Other	-	27,308	(27,308)
Net changes	1,896,133	608,960	1,287,173
Balances as of December 31, 2018	\$ 14,820,993	\$ 16,307,508	\$ (1,486,515)

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

The following presents the net pension liability (asset) 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 percentage point lower (7.10 percent) or 1 percentage point higher (9.10 percent) than the current rate.

	1% Decrease in Discount Rate (7.1%)	Current Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
District's net pension liability (asset)	\$ 1,017,699	\$ (1,486,515)	\$ (3,498,152)

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 \$324,456. At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

Galveston County Health District
Notes to Financial Statements
September 30, 2019

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 325,198	\$ -
Changes in actuarial assumptions	-	61,350
Net difference between projected and actual investment earnings	-	1,020,148
Contributions subsequent to the measurement date	-	242,356
	\$ 325,198	\$ 1,323,854

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

Year Ended September 30			
2019		\$	206,823
2020			109,453
2021			127,305
2022			312,719
Total		\$	756,300

Deferred Compensation Plan

In addition, the District makes available a deferred compensation plan under Internal Revenue Code Section 457 (the Plan). The Plan was effective April 1, 2000, and is available to employees of the General Fund, CHW Fund and GAAA Fund. The assets of the Plan shall be held in trust for the exclusive benefit of the plan participants and their beneficiaries. The Plan is administered by an authorized administrator who is responsible for ensuring that the Plan is operating in accordance with Plan terms and conditions including but not limited to investment options. Employees may voluntarily contribute up to a basic annual limit of \$18,500 into the Plan.

Galveston County Health District
Notes to Financial Statements
September 30, 2019

Note 10: Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of September 30, 2019, are comprised as follows:

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total
Trade payables	\$ 270,409	\$ 87,910	\$ 125,294	\$ 483,613
Accrued payroll	207,195	244,038	158,316	609,549
	<u>\$ 477,604</u>	<u>\$ 331,948</u>	<u>\$ 283,610</u>	<u>\$ 1,093,162</u>

Note 11: Operating Leases

The District previously entered into operating leases with the following lessors:

Galveston Housing Authority. The District entered into a five-year lease in order to obtain space at the Island Community Center for operation of the Women's, Infant's and Children's program. The lease commenced on April 1, 2017, and will expire March 31, 2022. Minimum lease payments are \$2,086 per month.

The District also entered into a two-year lease to lease space at the Island Community Center to operate the CHW medical and dental clinic. The lease commenced on July 1, 2019, and will expire on June 30, 2021. Minimum lease payments are \$13,919 per month.

The District also entered into a two-year lease to lease space at the Island Community Center to operate a public health clinic. The lease commenced on July 1, 2019, and will expire on June 30, 2021. Minimum lease payments are \$611 per month.

Astra Properties, LLC. The District entered into a five-year lease-to-lease space for the Immunization and Women's, Infant's and Children's program in Dickinson, Texas. The lease commenced on October 16, 2017, and will expire on October 31, 2022. Minimum lease payment are \$3,300 per month with the first month prorated at \$1,760. The lease may be renewed once for a five-year period.

Bacliff Volunteer Fire Department (VFD). The District entered into a lease agreement with the Bacliff VFD to lease space for emergency medical services. Minimum lease payments were \$1,000 per month. The lease commenced on October 1, 2008, and was set to automatically renew each year. The District has the right to terminate the lease agreement annually at renewal by furnishing a 30-day written notice.

Galveston County Health District
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September 30, 2019

Hitchcock VFD. The District entered into a one-year memorandum of agreement with the Hitchcock VFD effective October 1, 2016, at a cost of \$900 per month. The District has the right to terminate the lease agreement annually at renewal by furnishing a 30-day written notice.

Galveston County. Beginning in fiscal year 2012, the District remitted lease payments to Galveston County for the Animal Resource Center and Mid-County Annex (which are County-owned facilities). The monthly lease payments to the County include \$16,641 per month for the Animal Resource Center and \$74,572 per month for the Mid-County annex. These lease payments included the utilities, maintenance, janitorial and insurance costs associated with these buildings.

The District incurred total lease expenditures of \$1,351,419 during the year ended September 30, 2019.

Total minimum lease payments for the next five years are as follows:

Year	Minimum Lease Payments
2020	\$ 1,356,348
2021	195,402
2022	52,116
2023	3,300
2024	-
	\$ 1,607,166

Note 12: Risk Management

The District is exposed to various risks related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District's risk management programs encompasses various means of protecting the District against loss by obtaining property, casualty and liability coverage through commercial insurance carriers and from participation in a risk pool. The participation of the District in the risk pool is limited to the payment of premiums. Settled claims have not exceeded insurance coverage in any of the previous four fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

The District is a party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the District with respect to the various proceedings. Management believes any unfavorable outcomes would not be material.

Galveston County Health District

Notes to Financial Statements

September 30, 2019

Note 13: Professional Liability Claims

The U.S. Department of Health and Human Services deemed that CHW and its practicing medical professionals covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. There is no cost to CHW or their providers, and they are not liable for any settlements or judgments that are made. The Federal Government assumes responsibility for these costs. CHW, their employees and eligible contractors are considered Federal Employees immune from suit for medical malpractice claims while acting within the scope of their employment. CHW is therefore immune from medical malpractice lawsuits resulting from the performance of medical, surgical, dental or related functions with the approved scope of project. A patient who alleges acts of medical malpractice by CHW cannot sue the center or the provider directly, but must file the claim against the United States. These claims are reviewed and/or litigated by the U.S. Department of Health and Human Services, Office of the General Counsel and the Department of Justice according to FTCA requirements. HRSA pays for all settlements and judgments from a separately appropriated Health Center FTCA Judgment Fund.

Upon notification of findings following an accreditation site review by the Joint Commission on February 12th and 13th of 2018, that identified breaches in infection control related to some dental and medical procedures that may have put patients at risk for the Hepatitis B virus, Hepatitis C virus and HIV, the District suspended performing dental and medical procedures that required sterilization of instruments at its Texas City and Galveston clinics on February 14, 2018, to allow for an investigation by the District. After undergoing significant improvements and a visit from the Joint Commission finding both locations in compliance, the Texas City dental clinic was subsequently reopened on April 16, 2018, and the Galveston dental clinic was subsequently reopened on December 18, 2018. Since the investigation the District has received asserted claims regarding potential claims which were forwarded to the U.S. Department of Health and Human Services for review.

Note 14: Concentrations

The following concentrations with particular customers existed as of and for the year ended September 30, 2019:

Galveston County. Approximately 42 percent of the District's revenues for the year ended September 30, 2019, were provided by Galveston County.

Federal Government. Approximately 26 percent of the District's revenues for the year ended September 30, 2019, were provided by the Federal Government.

Through CHW and GAAA, the District grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at September 30, 2019, is as follows.

Galveston County Health District
Notes to Financial Statements
September 30, 2019

	Coastal Health & Wellness Fund	Galveston Ambulance Authority Fund
Medicare	21%	46%
Medicaid	4%	12%
Other third-party payers	10%	31%
Self-pay	65%	11%
Total	100%	100%

Note 15: New Accounting Pronouncements, Changes in Accounting Principles

For the fiscal year ended September 30, 2019, the District adopted the following accounting pronouncements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Galveston County Health District

Notes to Financial Statements

September 30, 2019

The following guidance issued by GASB is effective for years following FY 2019 and could be applicable to the District:

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement is effective for periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Galveston County Health District
Notes to Financial Statements
September 30, 2019

GASB Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements

No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

Required Supplementary Information

Galveston County Health District
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual,
General Fund
Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Program services	\$ 2,384,415	\$ 2,384,415	\$ 2,535,937	\$ 151,522
Intergovernmental:				
Federal/State	3,363,254	3,363,254	3,548,588	185,334
Local	7,130,591	7,130,591	7,130,591	-
Investment earnings	30,000	30,000	70,412	40,412
	<u>12,908,260</u>	<u>12,908,260</u>	<u>13,285,528</u>	<u>377,268</u>
Total revenues				
Expenditures				
Public health	3,905,787	3,905,787	3,587,259	318,528
Public health, reimbursable	2,997,252	2,997,252	3,148,306	(151,054)
Animal services	1,357,809	1,357,809	1,257,821	99,988
Pollution control	941,298	941,298	830,468	110,830
Capital outlay	110,000	110,000	161,614	(51,614)
	<u>9,312,146</u>	<u>9,312,146</u>	<u>8,985,468</u>	<u>326,678</u>
Total expenditures				
Excess of Revenues Over Expenditures	<u>3,596,114</u>	<u>3,596,114</u>	<u>4,300,060</u>	<u>703,946</u>
Other Financing Uses				
Transfers out	(3,888,854)	(3,888,854)	(3,888,854)	-
Proceeds from sale of capital assets	-	-	16,241	16,241
	<u>(3,888,854)</u>	<u>(3,888,854)</u>	<u>(3,872,613)</u>	<u>16,241</u>
Total other financing uses				
Net Change in Fund Balance	(292,740)	(292,740)	427,447	720,187
Fund Balance, Beginning of Year	4,387,479	4,387,479	4,387,479	-
Fund Balance, End of Year	<u>\$ 4,094,739</u>	<u>\$ 4,094,739</u>	<u>\$ 4,814,926</u>	<u>\$ 720,187</u>

Galveston County Health District
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual,
Coastal Health & Wellness Fund
Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Program services	\$ 4,713,377	\$ 4,713,377	\$ 3,080,920	\$ (1,632,457)
Intergovernmental:				
Federal/State - grant	3,203,505	3,203,505	3,536,297	332,792
Local - county	24,312	24,312	22,577	(1,735)
Investment earnings	47,000	47,000	100,141	53,141
	<u>7,988,194</u>	<u>7,988,194</u>	<u>6,739,935</u>	<u>(1,248,259)</u>
Total revenues				
Expenditures				
Patient services	11,903,308	11,903,308	10,758,413	1,144,895
Capital outlay	-	-	59,537	(59,537)
	<u>11,903,308</u>	<u>11,903,308</u>	<u>10,817,950</u>	<u>1,085,358</u>
Total expenditures				
Deficiency of Revenues Over Expenditures	<u>(3,915,114)</u>	<u>(3,915,114)</u>	<u>(4,078,015)</u>	<u>(162,901)</u>
Other Financing Sources				
Transfers in	3,888,845	3,888,845	3,888,854	9
Proceeds from sale of capital assets	-	-	3,875	3,875
	<u>3,888,845</u>	<u>3,888,845</u>	<u>3,892,729</u>	<u>3,884</u>
Total other financing sources				
Net Change in Fund Balance	(26,269)	(26,269)	(185,286)	(159,017)
Fund Balance, Beginning of Year	<u>5,813,683</u>	<u>5,813,683</u>	<u>5,813,683</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,787,414</u>	<u>\$ 5,787,414</u>	<u>\$ 5,628,397</u>	<u>\$ (159,017)</u>

Galveston County Health District
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual,
Galveston Area Ambulance Authority Fund
Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Program services	\$ 5,621,722	\$ 5,621,722	\$ 5,422,368	\$ (199,354)
Intergovernmental:				
Federal/state	-	-	37,149	37,149
Local	824,117	824,117	834,481	10,364
Investment earnings	38,000	38,000	85,584	47,584
Total revenues	<u>6,483,839</u>	<u>6,483,839</u>	<u>6,379,582</u>	<u>(104,257)</u>
Expenditures				
Ambulance services	6,553,547	6,553,547	5,929,785	623,762
Debt service:				
Principal retirement	17,099	17,099	14,256	2,843
Interest and fiscal charges	113	113	-	113
Capital outlay	320,000	320,000	112,793	207,207
Total expenditures	<u>6,890,759</u>	<u>6,890,759</u>	<u>6,056,834</u>	<u>833,925</u>
Excess (Deficiency) of Revenues Over Expenditures	(406,920)	(406,920)	322,748	729,668
Other Financing Sources				
Proceeds from sale of capital assets	-	-	24,414	24,414
Net Change in Fund Balance	(406,920)	(406,920)	347,162	754,082
Fund Balance, Beginning of Year	<u>4,902,463</u>	<u>4,902,463</u>	<u>4,902,463</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 4,495,543</u></u>	<u><u>\$ 4,495,543</u></u>	<u><u>\$ 5,249,625</u></u>	<u><u>\$ 754,082</u></u>

Galveston County Health District
Notes to Required Supplementary Information
Year Ended September 30, 2019

Budgets and Budgetary Accounting

An annual operating budget is prepared for all of the District's funds. The District prepares its annual budget on a basis consistent with GAAP. The legal level of compliance is at the fund level.

Galveston County Health District
Texas County and District Retirement System - Schedule of
Changes in Net Pension Liability (Assets) and Related Ratios
Last Ten Fiscal Years Ended September 30,

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 1,299,404	\$ 1,355,009	\$ 1,347,810	\$ 1,150,880	\$ 1,242,706
Interest	1,131,946	988,004	794,836	698,684	636,959
Effect of plan changes	-	-	-	(208,950)	-
Effect of assumption changes or inputs	-	34,358	-	122,207	-
Effect of economic/demographic gains	(26,065)	(98,563)	(57,384)	(364,240)	(570,617)
Benefit payments/refunds of contributions	(509,152)	(385,521)	(403,513)	(299,711)	(613,133)
Net Change in Total Pension Liability	1,896,133	1,893,287	1,681,749	1,098,870	695,915
Total Pension Liability – Beginning	12,924,860	11,031,573	9,349,824	8,250,954	7,555,039
Total Pension Liability – Ending (a)	14,820,993	12,924,860	11,031,573	9,349,824	8,250,954
Plan Fiduciary Net Position					
Contributions, employer	360,566	334,386	428,694	474,220	498,239
Contributions, employee	1,026,002	971,246	914,897	873,563	836,373
Investment income, net of expenses	(282,666)	1,895,061	819,567	(101,429)	575,465
Benefit payments/refunds of contributions	(509,152)	(385,521)	(403,513)	(299,711)	(613,133)
Administrative expense	(13,098)	(10,440)	(8,912)	(7,621)	(7,265)
Other	27,308	12,233	159,256	15,421	(8,021)
Net Change in Plan Fiduciary Net Position	608,960	2,816,965	1,909,989	954,443	1,281,658
Plan Fiduciary Net Position – Beginning	15,698,548	12,881,583	10,971,594	10,017,151	8,735,493
Plan Fiduciary Net Position – Ending (b)	16,307,508	15,698,548	12,881,583	10,971,594	10,017,151
District's Net Pension Asset – Ending (a) - (b)	\$ (1,486,515)	\$ (2,773,688)	\$ (1,850,010)	\$ (1,621,770)	\$ (1,766,197)
Plan fiduciary net position as a percentage of total pension liability (asset)	110.0%	121.5%	116.8%	117.3%	121.4%
Covered payroll	\$ 14,657,155	\$ 13,874,942	\$ 13,069,941	\$ 12,479,471	\$ 11,948,185
Net pension asset as a percentage of covered payroll	(10.1)%	(20.0)%	(14.2)%	(13.0)%	(14.8)%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

This schedule is presented as of measurement date for the fiscal year.

Galveston County Health District
Texas County and District Retirement System -
Schedule of Employer Contributions
Last Ten Fiscal Years Ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 327,756	\$ 355,405	\$ 354,346	\$ 441,853	\$ 478,634
Actual employer contribution	<u>327,756</u>	<u>355,405</u>	<u>354,346</u>	<u>441,853</u>	<u>478,634</u>
Contribution deficiency	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered payroll	\$ 14,962,017	\$ 14,515,712	\$ 13,770,402	\$ 13,118,255	\$ 12,337,624
Contributions as a percentage of covered payroll	2.2%	2.4%	2.6%	3.4%	3.9%

Galveston County Health District
Notes to the Schedule of Contributions
September 30, 2019

Valuation Date	Actuarially determined contributions rates are calculated as of December 31, two years prior to the end of the fiscal year in which the 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	0.0 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset Valuation Method	Five years smoothed market
Inflation	2.75 percent
Salary Increases	Varies by age and service. 4.9 percent average over career including inflation.
Investment Rate of Return	8 percent, 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 percent of the RP-2014 Healthy Annuitant Mortality Table for males and 110 percent of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110 percent of the MP-2014 Ultimate scale after 2014.
Changes in Plan Provisions Reflected in the Schedule	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. New Annuity Purchase Rates were reflected for benefits earned after 2017.

Other Supplementary Information

Galveston County Health District
Schedule of Revenues – Budget and Actual,
General Fund

Year Ended September 30, 2019

With Comparative Actual Amounts for the Year Ended September 30, 2018

	2019				
	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)	2018 Actual
	Original	Final			
Revenues					
Program services:					
Public health	\$ 1,620,679	\$ 1,620,679	\$ 1,728,090	\$ 107,411	\$ 1,617,407
Public health, reimbursable	40,000	40,000	58,560	18,560	31,731
Animal services	585,716	585,716	611,066	25,350	576,565
Pollution control	138,020	138,020	138,221	201	133,734
	<u>2,384,415</u>	<u>2,384,415</u>	<u>2,535,937</u>	<u>151,522</u>	<u>2,359,437</u>
Intergovernmental:					
Federal/state:					
Public health, reimbursable	2,885,737	2,885,737	3,089,888	204,151	2,902,183
Pollution control	477,517	477,517	458,700	(18,817)	452,177
	<u>3,363,254</u>	<u>3,363,254</u>	<u>3,548,588</u>	<u>185,334</u>	<u>3,354,360</u>
Local - Galveston County	<u>7,130,591</u>	<u>7,130,591</u>	<u>7,130,591</u>	<u>-</u>	<u>7,125,079</u>
Investment earnings	<u>30,000</u>	<u>30,000</u>	<u>70,412</u>	<u>40,412</u>	<u>33,353</u>
Total revenues	<u>\$ 12,908,260</u>	<u>\$ 12,908,260</u>	<u>\$ 13,285,528</u>	<u>\$ 377,268</u>	<u>\$ 12,872,229</u>

Galveston County Health District
Schedule of Expenditures – Budget and Actual,
General Fund

Year Ended September 30, 2019

With Comparative Actual Amounts for the Year Ended September 30, 2018

	2019				
	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)	2018 Actual
	Original	Final			
Expenditures					
Public health:					
Personnel services	\$ 2,775,720	\$ 2,775,720	\$ 2,508,251	\$ 267,469	\$ 2,628,639
Supplies	216,174	216,174	136,985	79,189	116,111
Contractual services	92,838	92,838	74,057	18,781	176,166
Other	821,055	821,055	867,966	(46,911)	792,493
Capital outlay	42,000	42,000	44,921	(2,921)	61,504
	<u>3,947,787</u>	<u>3,947,787</u>	<u>3,632,180</u>	<u>315,607</u>	<u>3,774,913</u>
Public health, reimbursable:					
Personnel services	2,162,778	2,162,778	2,082,944	79,834	2,149,115
Supplies	67,950	67,950	244,824	(176,874)	154,317
Contractual services	238,839	238,839	198,283	40,556	340,165
Other	527,685	527,685	622,255	(94,570)	408,431
Capital outlay	21,000	21,000	36,141	(15,141)	-
	<u>3,018,252</u>	<u>3,018,252</u>	<u>3,184,447</u>	<u>(166,195)</u>	<u>3,052,028</u>
Animal services:					
Personnel services	899,415	899,415	789,097	110,318	740,856
Supplies	128,352	128,352	143,711	(15,359)	117,177
Contractual services	63,876	63,876	67,528	(3,652)	64,979
Other	266,166	266,166	257,485	8,681	259,181
Capital outlay	47,000	47,000	80,552	(33,552)	26,482
	<u>1,404,809</u>	<u>1,404,809</u>	<u>1,338,373</u>	<u>66,436</u>	<u>1,208,675</u>
Pollution control:					
Personnel services	732,996	732,996	640,023	92,973	671,213
Supplies	12,895	12,895	10,410	2,485	5,126
Contractual services	58,724	58,724	57,132	1,592	57,100
Other	136,683	136,683	122,903	13,780	118,671
	<u>941,298</u>	<u>941,298</u>	<u>830,468</u>	<u>110,830</u>	<u>852,110</u>
Total expenditures	<u>\$ 9,312,146</u>	<u>\$ 9,312,146</u>	<u>\$ 8,985,468</u>	<u>\$ 326,678</u>	<u>\$ 8,887,726</u>

Galveston County Health District
Schedule of Revenues – Budget and Actual,
GAAP Basis to Financial Status Report Basis Comparison
Coastal Health & Wellness Fund
Year Ended September 30, 2019

	GAAP Basis	Donated Services	Balance Per Financial Status Report
Revenues			
Program services	\$ 3,080,920	\$ -	\$ 3,080,920
Intergovernmental:			
Federal/State	3,536,297	-	3,536,297
Local	22,577	6,369	28,946
Investment earnings	100,141	-	100,141
	<u>6,739,935</u>	<u>6,369</u>	<u>6,746,304</u>
Total revenues			
Expenditures			
Patient services:			
Personnel services	7,321,317	-	7,321,317
Supplies	1,297,923	-	1,297,923
Contracted services	947,848	-	947,848
Other	1,191,325	6,369	1,184,956
Capital Outlay	59,537	-	59,537
	<u>10,817,950</u>	<u>6,369</u>	<u>10,811,581</u>
Total expenditures			
Deficiency of Revenues Over Expenditures	<u>(4,078,015)</u>	<u>-</u>	<u>(4,065,277)</u>
Other Financing Sources			
Transfers in	3,888,854	-	3,888,854
Proceeds from sale of capital assets	3,875	-	3,875
	<u>3,892,729</u>	<u>0</u>	<u>3,892,729</u>
Total other financing sources			
Net Change in Fund Balance	(185,286)	-	(172,548)
Fund Balance, Beginning of Year	<u>5,813,683</u>	<u>-</u>	<u>5,813,683</u>
Fund Balance, End of Year	<u>\$ 5,628,397</u>	<u>\$ 0</u>	<u>\$ 5,641,135</u>