

# GALVESTON COUNTY HEALTH DISTRICT

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS

FISCAL YEAR ENDED SEPTEMBER 30, 2020



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# Galveston County Health District

Fiscal Year Ended September 30, 2020

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## INDEPENDENT AUDITORS' REPORT

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

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 fiscal year ended September 30, 2020, 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. 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, 2020, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT, *CONTINUATION*

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 opinions 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 were derived from and relate 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2021, 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.

*Bankole, Okoye & Associates PC*

Houston, Texas  
April 2, 2021

# Galveston County Health District

## Management's Discussion and Analysis Fiscal Year Ended September 30, 2020

The following discussion and analysis of the Galveston County Health District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2020 (also referred to as fiscal year 2020 or the current fiscal year). Readers should consider the information presented here in conjunction with the District's financial statements that follow this section.

### ***Financial Highlights***

1. Total assets and deferred outflows of resources of the District exceeded total liabilities and deferred inflows of resources at the close of fiscal year 2020 by \$20.7 million.
2. Of this amount, \$2.3 million represents the District's net investment in capital assets; \$2.9 million is restricted for net pension asset and there is an unrestricted net surplus of \$15.5 million.
3. The district had total cash and investments of \$14.9 million as of September 30, 2020, an increase of \$249 thousand from September 30, 2019.
4. The District's expenses, net of program revenues, for fiscal year 2020 were \$7.5 million while general revenues were \$8.6 million.
5. The District reported an increase in total net position of \$1.1 million (or 6%) in fiscal year 2020.
6. As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$16.4 million.
7. The General Fund reported a fund balance of \$5.1 million at the end of the current fiscal year. The unassigned fund balance for the General Fund was \$42 thousand, or 0.5%, of total General Fund expenditures. There was a \$295 thousand increase in the total fund balance for the General Fund from September 30, 2019.

### ***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 and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### ***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances using the economic resources measurement focus in a manner similar to that of a private-sector business entity, on the accrual basis of accounting. Government-wide financial statements presented include the Statement of Net Position and the Statement of Activities.

#### ***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.

# Galveston County Health District

Management's Discussion and Analysis - *Continuation*  
Fiscal Year Ended September 30, 2020

## *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, revenues are recorded in the period earned and when the amount and timing of the revenue can be reasonably determined. Expenses and asset additions are recognized at the time a liability arises which is normally at the time a service is received by, or title of goods passes to, the District. Accordingly, revenue and expenses reported in this statement for some items will only result in cash flows in future periods, *e.g.*, uncollected service billings and earned but unused employee 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 through 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, Coastal Health & Wellness Fund, and the Galveston Area Ambulance Authority Fund. (The Coastal Health & Wellness Fund and the Galveston Area Ambulance Authority Fund are 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 government-wide financial statements.

The basic governmental funds financial statements and the related reconciliations to the government-wide financial statements can be found on pages 13 through 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 through 36 of this report.

# Galveston County Health District

Management's Discussion and Analysis - *Continuation*  
Fiscal Year Ended September 30, 2020

## *Other Information.*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's governmental funds' budgets and the District's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found on pages 37 through 43 of this report.

## *Government-Wide Financial Analysis*

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20.7 million at September 30, 2020.

### **Condensed Statement of Net Position (in Thousand Dollars)**

	2020	2019	Dollar Change	Total Percentage Change
<b>Assets</b>				
Cash and other assets	\$ 20,772	\$ 18,417	\$ 2,355	13%
Capital assets, net	2,252	1,830	422	23%
Total Assets	23,024	20,247	2,777	14%
<b>Deferred outflows of resources</b>	258	1,323	(1,065)	-80%
<b>Liabilities</b>				
Long-term liabilities	601	487	114	23%
Accounts payable and accrued liabilities	1,492	1,238	254	21%
Total Liabilities	2,093	1,725	368	21%
<b>Deferred inflows of resources</b>	538	325	213	66%
<b>Net Position</b>				
Net investment in capital assets	2,252	1,830	422	23%
Restricted	2,895	1,487	1,408	95%
Unrestricted	15,504	16,203	(699)	-4%
<b>Total net position</b>	<u>\$ 20,651</u>	<u>\$ 19,520</u>	<u>\$ 1,131</u>	<u>6%</u>

The largest portion (\$14.9 million) of the District's net position reflects its cash and cash equivalents. The District was able to report positive balances in all three categories of net position—net position invested in capital assets, restricted net position, and unrestricted net position as shown in the preceding table. The same situation held true for the prior fiscal year.

# Galveston County Health District

## Management's Discussion and Analysis - *Continuation* Fiscal Year Ended September 30, 2020

Net position of the District achieved a \$1.1 million increase. The key elements of this increase are presented in the following table:

<b>Condensed Statement of Activities</b> <b>(in Thousand Dollars)</b>				
	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Total Percentage Change</u>
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 11,592	\$ 11,039	\$ 553	5%
Operating grants and contributions	7,802	7,122	680	10%
General revenues:				
Unrestricted grants and contributions	8,420	7,988	432	5%
Gain/(loss) on sale of capital assets	(10)	21	(31)	-148%
Investment earnings, unrestricted	207	256	(49)	-19%
Total revenues	<u>28,011</u>	<u>26,426</u>	<u>1,585</u>	<u>6%</u>
<b>Expenses</b>				
Public health	3,782	3,654	128	4%
Public health, reimbursable	3,303	3,201	102	3%
Animal services	1,339	1,304	35	3%
Pollution control	918	835	83	10%
Patient services	10,600	10,849	(249)	-2%
Ambulance services	6,939	6,367	572	9%
Total program expenses	<u>26,881</u>	<u>26,210</u>	<u>671</u>	<u>3%</u>
<b>Change in net position</b>	<u>1,130</u>	<u>216</u>	<u>914</u>	<u>423%</u>
<b>Net position, beginning of year</b>	<u>19,521</u>	<u>19,304</u>	<u>217</u>	<u>1%</u>
<b>Net position, end of year</b>	<u>\$ 20,651</u>	<u>\$ 19,520</u>	<u>\$ 1,131</u>	<u>6%</u>

Revenues from governmental activities totaled \$28.0 million for the fiscal year ended September 30, 2020 while expenses totaled \$26.9 million for the same period.

The District's total revenues for fiscal year 2020 increased by \$1.6 million, or 6 percent, from the prior fiscal year. Primary factors for this increase included an increase in grant revenue from new COVID-19-related grant funding, as well as revenue from the new contract to provide ambulance services to the cities of Kemah and Clear Lake Shores.

The District's total expenses for fiscal year 2020 increased by \$671 thousand, or 3 percent, from the prior fiscal year. The key factors for this increase included an increase in ambulance services expense of \$572 thousand due to additional expenses to provide services in Kemah and Clear Lake Shores, as well as the



# Galveston County Health District

## Management's Discussion and Analysis - *Continuation* Fiscal Year Ended September 30, 2020

purchase of replacement vehicles. In addition, public health and public health reimbursable expenses increased due to additional personnel, supplies, and contract services expenses related to COVID-19.

### ***Financial Analysis of the District's Funds***

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with the financial reporting requirements of the U.S. governmental accounting standards promulgated by the Governmental Accounting Standards Board.

The focus of the District's governmental funds' financial reports 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, an unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2020, the District's governmental funds, which consist of the General Fund and the two Special Revenue Funds, reported an ending fund balances of \$16.4 million, an increase of \$693 thousand during the fiscal year.

The *General Fund* is the chief operating fund of the District. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$42 thousand, a \$124 thousand decrease from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to the total fund expenditures. Unassigned fund balance represents 0.5% of General Fund's total expenditures, while General Fund's total fund balance represents 55% of that same amount.

The *Coastal Health and Wellness Fund (CHW)*, a major governmental fund, had an increase of \$798 thousand to an overall balance of \$6.4 million at the end of the year.

The *Galveston Area Ambulance Authority Fund (GAAA)*, a major governmental fund, had a decrease in fund balance of \$400 thousand during the fiscal year to bring its year-end fund balance to \$4.9 million.

### ***General Fund Budgetary Highlights***

#### ***Revenues***

The District's final fiscal year 2020 budget estimated General Fund's revenues at \$12.9 million. The actual realized revenues for the period were \$13.4 million, or 4% greater than the budget, primarily due to new grant revenue from unbudgeted COVID-19-related grant funding.

Public Health program service revenues were under the budgeted amount by \$57 thousand, or 3%, due to decreases in immunizations provided and birth/death certificates issued, all attributed to the COVID-19 pandemic. 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 wastewater.

Animal Service program revenues (which included both field and shelter services) were under the budgeted amount by \$5 thousand, or 0.8%, due to declines in the total adoption and redemption fee revenues, also attributed to the COVID-19 pandemic.

# Galveston County Health District

## Management's Discussion and Analysis - *Continuation* Fiscal Year Ended September 30, 2020

Pollution Control program revenues were \$11 thousand or 8% higher than the budget, primarily due to certain insurance proceeds received for an accidented program vehicle.

### ***Expenditures***

General Fund's operating expenditures and other financing uses in fiscal year 2020 were budgeted at \$13.2 million, but the actual expenditures and other financing uses incurred for the fiscal year were \$13.1 million, or 99.5% of the amount that was projected for the fiscal year.

Public Health program expenditures were \$408 thousand or 10% lower than the budgeted amount due primarily to salary and benefit lapses and savings in supplies' costs.

Public Health Reimbursable expenditures (i.e., grant-funded services) were higher than the budgeted amount by \$425 thousand or 15%, due primarily to additional staffing and contracted expenses related to COVID-19.

Animal Service actual expenditures were lower than budget by \$78 thousand or 6%, due to salary and benefit lapses and savings in supplies' costs.

Pollution Control actual expenditures were lower than budget by \$56 thousand or 6% due to salary and benefit lapses and savings in training and travel costs attributed to the COVID-19 pandemic.

### ***Capital Assets and Debt Administration***

#### ***Capital Assets:***

The District's investment in capital assets as of September 30, 2020, amounts to \$2.3 million (net of accumulated depreciation and amortization). These capital assets include buildings, improvements, furniture and equipment, and vehicles. The total increase in the District's investment in capital assets for fiscal year 2020 was \$422 thousand or 23%.

	<b>Capital Assets (in Thousand Dollars)</b>			
	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Total Percentage Change</u>
Improvements other than buildings	\$ 59	\$ 59	\$ -	0%
Furniture and equipment	2,936	2,721	215	8%
Vehicles	3,578	2,838	740	26%
Less accumulated depreciation and amortization	<u>(4,322)</u>	<u>(3,789)</u>	<u>(533)</u>	<u>14%</u>
Total capital assets, net	<u>\$ 2,251</u>	<u>\$ 1,829</u>	<u>\$ 422</u>	<u>23%</u>

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

# Galveston County Health District

## Management's Discussion and Analysis - *Continuation* Fiscal Year Ended September 30, 2020

### *Debt Administration:*

The District's long-term liabilities increased by \$114 thousand due to an increase in compensable absences (i.e., employees earned but outstanding vacation leaves.)

#### **Long-term Liabilities (in Thousand Dollars)**

	<u>2019</u>	<u>Change</u>	<u>2020</u>
Compensable absences	<u>\$ 487</u>	<u>\$ 114</u>	<u>\$ 601</u>

### ***Economic Factors and Next Year's Budgets and Rates***

The District is currently operating under its fiscal year 2021 budget, which was adopted and passed by its respective Boards in accordance with state and federal guidelines. The following table provides a comparison of the fiscal year 2020 and fiscal year 2021 budgets for both estimated revenues and expenditures.

<u>Fund</u>	<u>Year Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
General Fund		
Revenues and transfers	\$ 13,544,702	\$ 13,187,934
Expenditures	13,528,805	13,175,706
Coastal Health & Wellness		
Revenues and transfers	11,177,896	12,038,835
Expenditures	11,177,896	12,038,835
Galveston Area Ambulance Authority		
Revenues and transfers	7,578,703	7,720,634
Expenditures	7,578,703	7,720,634

General Fund: In comparison to 2020, 2021 revenues budgeted under the General fund increased by \$357 thousand, or 3%, primarily due to anticipated additional grant revenue for COVID-19 grants as well as additional funding for existing TB, STD/HIV, PHP and WIC grants. The projected expenditures increased by \$353 thousand, or 3%, due primarily to new job positions funded by the additional grant revenue.

Coastal Health & Wellness (CHW): The budget for Coastal Health & Wellness for fiscal year 2021 decreased by \$861 thousand, or 7%, from fiscal year 2020. Patient revenues decreased due to lower projected health providers' contact volumes. Expenses also decreased due to planned elimination of vacant positions.

# Galveston County Health District

Management's Discussion and Analysis - *Continuation*  
Fiscal Year Ended September 30, 2020

Galveston Area Ambulance Authority (GAAA): The budget for Galveston Area Ambulance Authority for fiscal year 2021 decreased by \$142 thousand, or 2%, in comparison to fiscal year 2020, due mainly to budgeted decreased spending on supplies and vehicles.

## ***Future Outlook***

The immediate future outlook for the District depends on the economic impacts of the COVID-19 pandemic until the completion of the population vaccination process. In fiscal year 2020 as well as in the early part of the subsequent period, the pandemic resulted in significant decreases in volumes and revenue for the Coastal Health & Wellness clinics and the public health programs such as vital statistics, immunizations and food services. Supplemental funding (federal, state, and local) has helped in replacing the lost revenue, and by helping to cover the additional expenses incurred for the case reporting and mass testing services the District provided.

The District is now in the process of administering the COVID-19 vaccines to the general public and will continue to incur additional operating costs in order to do so. The clinic and public health service volumes have seen some increases but are still not at pre-pandemic levels. The District anticipates receiving more supplemental funding (stimulus, FEMA, HRSA, state, and county) which will help to offset these costs and any lost revenue. What remains unknown is how long the vaccination process and the associated costs will continue, as the District will most likely also be involved in administering any booster vaccines recommended by federal public health authorities to be given to the public.

## ***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 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.

## District's Basic Financial Statements

# Galveston County Health District

## Statement of Net Position

September 30, 2020

	Amount
<b>ASSETS</b>	
Cash and cash equivalents	\$ 14,877,180
Investments	65,332
Receivables, net	2,526,891
Prepaid expenses	299,445
Inventories	108,522
Net pension asset	2,894,923
Capital assets, net of depreciation and amortization:	
Improvements, other than buildings	13,268
Furniture and equipment	473,209
Vehicles	1,765,154
Total Assets	<u>23,023,924</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions:	
Difference between expected and actual experience	46,997
Change in assumptions	34,110
Contributions made after the measurement date	177,069
Total deferred outflows of resources	<u>258,176</u>
Total assets and deferred outflows of resources	<u>23,282,100</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	1,176,060
Unearned revenue	315,773
Noncurrent liabilities:	
Due within one year	60,118
Due in more than one year	541,067
Total Liabilities	<u>2,093,018</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions:	
Net difference between projected and actual earnings	403,400
Difference between expected and actual experience	134,898
Total deferred inflows of resources	<u>538,298</u>
Total liabilities and deferred inflows of resources	<u>2,631,316</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,251,631
Restricted for net pension asset	2,894,923
Unrestricted	15,504,230
Total Net Position	<u>\$ 20,650,784</u>

*The accompanying notes are an integral part of this financial statement.*

# Galveston County Health District

## Statement of Activities

Fiscal Year Ended September 30, 2020

		Program Revenues		Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS				
Governmental activities:				
Public health	\$ 3,782,503	\$ 1,644,623	\$ 7,259	\$ (2,130,621)
Public health, reimbursable	3,302,733	37,506	3,193,086	(72,141)
Animal services	1,339,203	588,485	-	(750,718)
Pollution control	918,314	153,677	497,764	(266,873)
Patient services	10,599,719	3,319,923	4,007,906	(3,271,890)
Ambulance services	6,938,861	5,848,148	96,641	(994,072)
Total governmental activities	<u>\$ 26,881,333</u>	<u>\$ 11,592,362</u>	<u>\$ 7,802,656</u>	<u>(7,486,315)</u>
General revenues/(losses):				
Grants and contributions not restricted to specific programs				8,419,702
Net loss on sale of capital assets				(10,159)
Investment earning, unrestricted				<u>207,038</u>
Total general revenues				<u>8,616,581</u>
Change in net position				1,130,266
Net position, beginning of year				<u>19,520,518</u>
Net Position, End of Year				<u>\$ 20,650,784</u>

*The accompanying notes are an integral part of this financial statement.*

# Galveston County Health District

## Balance Sheet - Governmental Funds

September 30, 2020

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,213,005	\$ 6,145,174	\$ 4,519,001	\$ 14,877,180
Investments	17,293	26,441	21,598	65,332
Receivables:				
Federal	1,043,518	539,907	-	1,583,425
State	81,060	-	-	81,060
Patient, program and other (net where applicable)	63,956	208,469	589,981	862,406
Due from other funds	31,360	3,264	-	34,624
Prepaid expenses	135,873	112,970	50,602	299,445
Inventories	108,522	-	-	108,522
Total Assets	<u>\$ 5,694,587</u>	<u>\$ 7,036,225</u>	<u>\$ 5,181,182</u>	<u>\$ 17,911,994</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 514,043	\$ 386,177	\$ 275,840	\$ 1,176,060
Unearned revenue	67,795	223,348	24,630	315,773
Due to other funds	3,264	-	31,360	34,624
Total Liabilities	<u>585,102</u>	<u>609,525</u>	<u>331,830</u>	<u>1,526,457</u>
<b>FUND BALANCES</b>				
Nonspendable	244,395	112,970	50,602	407,967
Committed	4,822,768	6,035,000	1,657,881	12,515,649
Assigned	-	278,730	3,140,869	3,419,599
Unassigned	42,322	-	-	42,322
Total fund balance	<u>5,109,485</u>	<u>6,426,700</u>	<u>4,849,352</u>	<u>16,385,537</u>
Total Liabilities and Fund Balances	<u>\$ 5,694,587</u>	<u>\$ 7,036,225</u>	<u>\$ 5,181,182</u>	<u>\$ 17,911,994</u>

*The accompanying notes are an integral part of this financial statement.*



## Galveston County Health District

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

September 30, 2020

	<u>Amount</u>
Total fund balances - governmental funds	\$ 16,385,537
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.	2,251,631
Deferred inflows and outflows related to pensions are not recognized on the fund financial statements.	(280,122)
Net pension asset is not financial resources and is not reported in the funds.	2,894,923
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Compensable absences	<u>(601,185)</u>
Net position of governmental activities	<u><u>\$ 20,650,784</u></u>

*The accompanying notes are an integral part of this financial statement.*

# Galveston County Health District

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Fiscal Year Ended September 30, 2020

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total Governmental Funds
<b>REVENUES</b>				
Program services and patient service revenue, net where applicable	\$ 2,424,291	\$ 3,319,923	\$ 5,848,148	\$ 11,592,362
Intergovernmental:				-
Federal/State	3,698,109	4,007,906	96,641	7,802,656
Local	7,214,818	206,618	998,266	8,419,702
Investment earnings	59,760	77,318	69,960	207,038
Total revenues	13,396,978	7,611,765	7,013,015	28,021,758
<b>EXPENDITURES</b>				
Current:				
Public health	3,740,122	-	-	3,740,122
Public health, reimbursable	3,259,698	-	-	3,259,698
Animal services	1,314,895	-	-	1,314,895
Pollution control	898,787	-	-	898,787
Patient services	-	10,522,759	-	10,522,759
Ambulance services	-	-	6,539,841	6,539,841
Capital outlay	155,450	28,459	910,141	1,094,050
Total expenditures	9,368,952	10,551,218	7,449,982	27,370,152
Excess/(deficiency) of revenues over expenditures	4,028,026	(2,939,453)	(436,967)	651,606
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers in/(out)	(3,734,667)	3,734,667	-	-
Proceeds from sale of capital assets	1,200	3,089	36,694	40,983
Total other financing sources/(uses)	(3,733,467)	3,737,756	36,694	40,983
Net change in fund balances	294,559	798,303	(400,273)	692,589
FUND BALANCES, BEGINNING OF YEAR	4,814,926	5,628,397	5,249,625	15,692,948
FUND BALANCES, END OF YEAR	\$ 5,109,485	\$ 6,426,700	\$ 4,849,352	\$ 16,385,537

*The accompanying notes are an integral part of this financial statement.*

# Galveston County Health District

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Fiscal Year Ended September 30, 2020

		<u>Amount</u>
Net change in fund balances - total governmental funds	\$	692,589
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 and amortization expense. This is the amount by which capital outlays (\$1,065,006) exceeded depreciation and amortization expense (\$605,231) in the current period.		459,775
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.		
Net change in net pension asset	\$	1,408,408
Net change in deferred inflows and outflows of resources		(1,278,778)
Net change in accrued compensable absences		(113,897)
Net loss on sale of capital assets		<u>(37,831)</u>
		<u>(22,098)</u>
Change in net position of governmental activities	\$	<u><u>1,130,266</u></u>

*The accompanying notes are an integral part of this financial statement.*

# Galveston County Health District

Notes to Basic Financial Statements  
Fiscal Year Ended September 30, 2020

## NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Organization and Purpose**

The Galveston County Health District (the District) was established in accordance with Subtitle E, Texas Health and Safety Code, Chapter 121 Local Public Health Reorganization Act. This law also prescribes the 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—the Galveston County United Board of Health (the “Board of Health”) to govern the District, including setting the policies and associated operating budget(s) for the public health, pollution control, animal services and ambulance services operated by the District. The Board of Health comprises 13 members nominated by the Commissioners Court of Galveston County, Texas and approved by a majority of the member governments. 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 within the District.

### **The Reporting Entity**

These financial statements include all activities and operations of the District including CHW and the Galveston Area Ambulance Authority (“GAAA”). 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 Governmental Accounting Standards Board (“GASB”) establishes the accounting and financial reporting standards that govern the preparation of financial reports by governmental entities in accordance with generally accepted accounting principles in the United States of America.

The District's financial statements include the following government-wide and fund financial statements:

#### *Government-Wide Financial Statements*

The government-wide financial statements report information on all of the activities of the District,

# Galveston County Health District

## Notes to Basic Financial Statements

Fiscal Year Ended September 30, 2020

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 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 funds, each displayed in a separate column.

The District reports the following major governmental funds:

1. 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.
2. 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.
3. 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

## Notes to Basic Financial Statements Fiscal Year Ended September 30, 2020

### *Governmental Funds 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 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. Significant estimates included in the financial statements include (a) actuarial assumptions that went into the determination of the net pension asset, (b) allowances made for uncollectible receivables, (c) the useful lives assumed for the depreciation of capital assets, and (d) governmental fund balances reserved for contingent liabilities. Actual amounts 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. Cash equivalents included in cash as of September 30, 2020 amounted to \$14,175,566. At September 30, 2020, all investments represent amounts held in TexPool and are stated at amortized cost.

### **Inventory**

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

# Galveston County Health District

Notes to Basic Financial Statements  
Fiscal Year Ended September 30, 2020

## 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.

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:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
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, 2020.

## 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.

## Compensable 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

Notes to Basic Financial Statements  
Fiscal Year Ended September 30, 2020

## **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 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 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



# Galveston County Health District

## Notes to Basic Financial Statements

Fiscal Year Ended September 30, 2020

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, 2020, is net of an allowance for uncollectible accounts of \$924,012.

### **Fund Balances – Governmental Funds**

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

#### *Non-spendable Fund Balances*

Non-spendable fund balances are not in a spendable form or are required to be maintained intact.

#### *Restricted Fund Balances*

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 Fund Balances*

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

#### *Committed Fund Balances*

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 Fund Balances*

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

# Galveston County Health District

Notes to Basic Financial Statements  
Fiscal Year Ended September 30, 2020

## **Income Taxes**

The District is a governmental entity that is not subject to federal or state income taxes.

## **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**

Financial assets deposited with financial institutions are often subject to custodial and credit risks. Custodial and credit risks refer to the probability that in the event of the failure of a depository financial institution, the depositor would not be able to recover all or a portion of the deposits. The District maintains cash balances with financial institutions considered by management as credit-worthy and strong. These cash balances may occasionally exceed limits insured by the Federal Depository Insurance Corporation (FDIC), which is \$250,000 per customer per participating financial institution. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law, including obtaining pledged securities from the financial institutions to collateralize cash balances in excess of the FDIC insured-limit.

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.

As of September 30, 2020, 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

# Galveston County Health District

Notes to Basic Financial Statements  
Fiscal Year Ended September 30, 2020

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 (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, 2020, accounts receivable consisted of the following:

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total
Federal:				
Reimbursement of expenditures pending under federal grants	\$ 1,043,518	\$ 539,907	\$ -	\$ 1,583,425
State:				
Reimbursement of expenditures pending under state grants	81,060	-	-	81,060
Patient, program and other:				
Patient, net	-	207,893	260,589	468,482
Program and other	63,956	576	329,392	393,924
Total for patient, program and other	63,956	208,469	589,981	862,406
Total receivables by fund	\$ 1,188,534	\$ 748,376	\$ 589,981	\$ 2,526,891

# Galveston County Health District

Notes to Basic Financial Statements  
Fiscal Year Ended September 30, 2020

## NOTE 4: CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2020, is presented below.

	Beginning Balance 10/01/2019	Additions	Disposals	Ending Balance 09/30/2020
Governmental activities:				
Improvements other than buildings	\$ 59,218	\$ -	\$ -	\$ 59,218
Furniture and equipment	2,721,305	214,755	-	2,936,060
Vehicles	2,837,761	879,295	(138,869)	3,578,187
Total at cost	5,618,284	1,094,050	(138,869)	6,573,465
Less accumulated depreciation and amortization:				
Improvements other than buildings	(35,662)	(10,289)	-	(45,951)
Furniture and equipment	(2,231,302)	(231,551)	-	(2,462,853)
Vehicles	(1,521,633)	(363,391)	71,994	(1,813,030)
Total accumulated depreciation and amortization	(3,788,597)	(605,231)	71,994	(4,321,834)
Capital assets, net	\$ 1,829,687	\$ 488,819	\$ (66,875)	\$ 2,251,631

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

	Amount
Public health	\$ 42,381
Public health, reimbursable	43,035
Animal services	24,308
Pollution control	19,527
CHW	76,960
GAAA	399,020
Total depreciation and amortization expense by function	\$ 605,231

## NOTE 5: NET PATIENT SERVICE REVENUE

Service 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

# Galveston County Health District

## Notes to Basic Financial Statements Fiscal Year Ended September 30, 2020

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.

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

Balances due between the District's different funds as of September 30, 2020, were as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
CHW Fund	General Fund	\$ 3,264
General Fund	GAAA Fund	31,360
		<u>\$ 34,624</u>

# Galveston County Health District

## Notes to Basic Financial Statements Fiscal Year Ended September 30, 2020

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.

Transfers between funds during the fiscal year ended September 30, 2020, were as follows:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General Fund	CHW Fund	<u>\$ 3,734,667</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, 2020:

	<u>Beginning Balance at 10/01/2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance at 09/30/2020</u>	<u>Current Portion</u>
Compensable absences	<u>\$ 487,288</u>	<u>\$ 113,897</u>	<u>\$ -</u>	<u>\$ 601,185</u>	<u>\$ 60,118</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 at September 30, 2020, and classified governmental fund balances as follows:

	<u>General Fund</u>	<u>Coastal Health &amp; Wellness Fund</u>	<u>Galveston Area Ambulance Authority Fund</u>
Nonspendable:			
Prepaid expenses	\$ 135,873	\$ 112,970	\$ 50,602
Inventories	108,522	-	-
Total nonspendable fund balances	<u>\$ 244,395</u>	<u>\$ 112,970</u>	<u>\$ 50,602</u>

# Galveston County Health District

## Notes to Basic Financial Statements Fiscal Year Ended September 30, 2020

The District reports the following General Fund, CHW Fund and GAAA Fund equity as committed at September 30, 2020, and classified governmental fund balances as follows:

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund
Committed:			
IT infrastructure/software upgrades	\$ 153,390	\$ 100,000	\$ 17,300
Public health emergencies	300,000	-	-
Reserve for leave payouts	40,000	-	-
Medical/dental equipment	-	125,000	139,875
Vehicle replacements	-	-	262,000
CHW clinic renovations	374,020	900,000	-
Animal services	623,658	-	-
Reserve for Medicaid cost report audit	-	-	500,000
Reserve for payment to the County	-	-	679,970
FY2020 planned expenditures remaining to be purchased from reserve	-	-	25,184
Reserve for other	131,700	10,000	33,552
Operating reserves	3,200,000	4,900,000	-
Total committed fund balances	<u>\$ 4,822,768</u>	<u>\$ 6,035,000</u>	<u>\$ 1,657,881</u>

### NOTE 9: PENSION PLANS

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](http://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.

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

# Galveston County Health District

## Notes to Basic Financial Statements

Fiscal Year Ended September 30, 2020

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, 2019, valuation and measurement date, the following employees were covered by the benefit terms.

Covered Employees - TCDRS Calendar Year Basis	2019
Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	338
Active employees	312
Totals	679

### Funding Policy

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's 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.

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.

### Net Pension Asset

The District's NPA was measured as of December 31, 2019, 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, 2019, 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



# Galveston County Health District

## Notes to Basic Financial Statements Fiscal Year Ended September 30, 2020

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, 2019 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 GASB Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*.

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 appreciations and 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 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:

	Target Allocation	Geometric Real Rate of Return
U.S. equities	14.50%	5.20%
Private equities	20.00%	8.20%
Global equities	2.50%	5.50%
International equities - developed markets	7.00%	5.20%
International equities - emerging markets	7.00%	5.70%
Investment-grade bonds	3.00%	-0.20%
Strategic credit	12.00%	3.14%
Direct lending	11.00%	7.16%
Distressed debt	4.00%	6.90%
REIT equities	3.00%	4.50%
Master limited partnerships	2.00%	8.40%
Private real estate partnerships	6.00%	5.50%
Hedge funds	8.00%	2.30%
Total	100%	

# Galveston County Health District

Notes to Basic Financial Statements  
Fiscal Year Ended September 30, 2020

## 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. The TPL as of December 31, 2019 was calculated as follows:

	Increase/(Decrease)		
	Total Pension Liability {a}	Plan Fiduciary Net Position {b}	Net Pension Asset {a}-{b}
Balances as of December 31, 2018	\$ 14,820,993	\$ 16,307,508	\$ (1,486,515)
Changes for the year:			
Service cost	1,372,156	-	1,372,156
Interest on total pension liability	1,292,908	-	1,292,908
Effect of economic/demographic gains or losses	58,746	-	58,746
Refund of contributions	(257,702)	(257,702)	-
Benefit payments	(214,122)	(214,122)	-
Administrative expenses	-	(15,216)	15,216
Member contributions	-	1,101,156	(1,101,156)
Net investment income/(loss)	-	2,677,040	(2,677,040)
Employer contributions	-	333,493	(333,493)
Other	-	35,745	(35,745)
Net changes	2,251,986	3,660,394	(1,408,408)
Balances as of December 31, 2019	\$ 17,072,979	\$ 19,967,902	\$ (2,894,923)

## 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/(assets)	\$ (78,202)	\$ (2,894,923)	\$ (5,162,606)

# Galveston County Health District

## Notes to Basic Financial Statements

Fiscal Year Ended September 30, 2020

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

For the fiscal year ended September 30, 2020, the District recognized pension expense of \$347,032. At September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of	Deferred Outflows of
Differences between expected and actual experience	\$ 134,898	\$ 46,997
Changes in actuarial assumptions	-	34,110
Net differences between projected and actual earnings	403,400	-
Contributions after the measurement date	-	269,921
	<u>\$ 538,298</u>	<u>\$ 351,028</u>

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

<u>Fiscal Year Ended/Ending September 30,</u>	<u>Amount</u>
2020	\$ (142,214)
2021	(124,362)
2022	61,052
2023	(251,667)
	<u>\$ (457,191)</u>

### **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 Basic Financial Statements  
Fiscal Year Ended September 30, 2020

## NOTE 10: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of September 30, 2020, are comprised of the following:

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total
Trade payables	\$ 220,057	\$ 97,154	\$ 65,014	\$ 382,225
Accrued payroll costs	293,986	289,023	210,826	793,835
	<u>\$ 514,043</u>	<u>\$ 386,177</u>	<u>\$ 275,840</u>	<u>\$ 1,176,060</u>

## NOTE 11: LEASES AND RENTALS

The District previously entered into operating lease agreements 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 is \$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.

### *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 Health District

## Notes to Basic Financial Statements Fiscal Year Ended September 30, 2020

### *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 and rental expenditures of \$1,451,116 during the fiscal year ended September 30, 2020.

Total minimum lease and rental payments for the next five years, based on the terms of the existing agreements, are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 1,312,758
2022	52,116
2023	3,300
Thereafter	-
Total based on existing contracts	<u>\$ 1,368,174</u>

### 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 encompass 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.

### 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

# Galveston County Health District

## Notes to Basic Financial Statements

Fiscal Year Ended September 30, 2020

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.

At September 30, 2020, two cases involving claims and lawsuits were pending of which the District is either the or a co-defendant. In the opinion of District management, the potential loss on all claims and lawsuits, to the extent not provided for under the FTCA protection or otherwise, will not be significant to the financial statements of the District.

### NOTE 14: CONCENTRATIONS

The following concentrations with particular customers existed as of and for the year ended September 30, 2020:

**Galveston County.** Approximately 42 percent of the District's revenues for the year ended September 30, 2020, were provided by Galveston County.

**Federal Government.** Approximately 26 percent of the District's revenues for the year ended September 30, 2020, 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, 2020, is as follows.

	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund
Medicare	27%	45%
Medicaid	9%	12%
Other third-party payers	16%	28%
Self-pays	48%	15%
Total	100%	100%

### NOTE 15: RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements issued by GASB are effective for the fiscal years described and could be applicable to the District:

*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.

# Galveston County Health District

## Notes to Basic Financial Statements

Fiscal Year Ended September 30, 2020

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, 2020.

### *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, 2022.

## Required Supplementary Information



# Galveston County Health District

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, General Fund

Fiscal Year Ended September 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive/(Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Program services	\$ 2,474,953	\$ 2,474,953	\$ 2,424,291	\$ (50,662)
Intergovernmental:				-
Federal/State	3,203,141	3,203,141	3,698,109	494,968
Local	7,214,818	7,214,818	7,214,818	-
Investment earnings	42,000	42,000	59,760	17,760
Total revenues	12,934,912	12,934,912	13,396,978	462,066
<b>EXPENDITURES</b>				
Public health	4,147,973	4,147,973	3,740,122	(407,851)
Public health, reimbursable	2,835,068	2,835,068	3,259,698	424,630
Animal services	1,392,406	1,392,406	1,314,895	(77,511)
Pollution control	954,842	954,842	898,787	(56,055)
Capital outlays	110,750	110,750	155,450	44,700
Total expenditures	9,441,039	9,441,039	9,368,952	(72,087)
Excess of revenues over expenditures	3,493,873	3,493,873	4,028,026	534,153
<b>OTHER FINANCING USES</b>				
Transfers out	(3,734,667)	(3,734,667)	(3,734,667)	-
Proceeds from sale of capital assets	-	-	1,200	1,200
Total other financing uses	(3,734,667)	(3,734,667)	(3,733,467)	1,200
Net change in fund balance	(240,794)	(240,794)	294,559	535,353
FUND BALANCE, BEGINNING OF YEAR	4,094,739	4,094,739	4,814,926	720,187
FUND BALANCE, END OF YEAR	\$ 3,853,945	\$ 3,853,945	\$ 5,109,485	\$ 1,255,540

# Galveston County Health District

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Coastal Health & Wellness Fund

Fiscal Year Ended September 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive/(Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Program services	\$ 4,937,438	\$ 4,937,438	\$ 3,319,923	\$ (1,617,515)
Intergovernmental:				-
Federal/State - grant	3,191,078	3,191,078	4,007,906	816,829
Local - county	19,064	19,064	206,618	187,554
Investment earnings	79,500	79,500	77,318	(2,182)
Total revenues	8,227,079	8,227,079	7,611,765	(615,314)
<b>EXPENDITURES</b>				
Patient services	12,038,835	12,038,835	10,522,759	1,516,076
Total expenditures	12,038,835	12,038,835	10,551,218	1,487,617
Deficiency of revenues over expenditures	(3,811,756)	(3,811,756)	(2,939,453)	(2,102,931)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	3,811,756	3,811,756	3,734,667	(77,089)
Proceeds from sale of capital assets	-	-	3,089	3,089
Total other financing sources	3,811,756	3,811,756	3,737,756	(74,000)
Net change in fund balance	-	-	798,303	(2,176,931)
FUND BALANCE, BEGINNING OF YEAR	5,787,414	5,787,414	5,628,397	(159,017)
FUND BALANCE, END OF YEAR	\$ 5,787,414	\$ 5,787,414	\$ 6,426,700	\$ (2,335,948)

# Galveston County Health District

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Galveston Area Ambulance Authority Fund

Fiscal Year Ended September 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive/(Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Program services	\$ 5,848,801	\$ 5,848,801	\$ 5,848,148	\$ (653)
Intergovernmental:				-
Federal/State	-	-	96,641	96,641
Local	993,593	993,593	998,266	4,673
Investment earnings	66,040	66,040	69,960	3,920
Total revenues	6,908,434	6,908,434	7,013,015	104,581
<b>EXPENDITURES</b>				
Ambulance services	7,063,744	7,063,744	6,539,841	523,903
Capital outlays	656,890	656,890	910,141	(253,251)
Total expenditures	7,720,634	7,720,634	7,449,982	270,652
Excess/(deficiency) of revenues over expenditures	(812,200)	(812,200)	(436,967)	(166,071)
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	11,000	11,000	36,694	25,694
Net change in fund balance	(801,200)	(801,200)	(400,273)	(140,377)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	4,495,543	4,495,543	5,249,625	754,082
<b>FUND BALANCE, END OF YEAR</b>	\$ 3,694,343	\$ 3,694,343	\$ 4,849,352	\$ 613,705

# Galveston County Health District

Notes to Required Supplementary Information  
Fiscal Year Ended September 30, 2020

## **Budgets and Budgetary Accounting**

An annual operating budget is prepared for each 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 Position Liability/(Assets) and Related Ratios

Last Ten Fiscal Years Ended September 30,

	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>						
Service cost	\$ 1,372,156	\$ 1,299,404	\$ 1,355,009	\$ 1,347,810	\$ 1,150,880	\$ 1,242,706
Interest on total pension liability	1,292,908	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 losses/(gains)	58,746	(26,065)	(98,563)	(57,384)	(364,240)	(570,617)
Benefit payments/refunds of contributions	<u>(471,824)</u>	<u>(509,152)</u>	<u>(385,521)</u>	<u>(403,513)</u>	<u>(299,711)</u>	<u>(613,133)</u>
<b>Net Change in Total Pension Liability</b>	2,251,986	1,896,133	1,893,287	1,681,749	1,098,870	695,915
<b>Total Pension Liability, Beginning</b>	<u>14,820,992</u>	<u>12,924,860</u>	<u>11,031,573</u>	<u>9,349,824</u>	<u>8,250,954</u>	<u>7,555,039</u>
<b>Total Pension Liability, Ending {a}</b>	<u>17,072,978</u>	<u>14,820,993</u>	<u>12,924,860</u>	<u>11,031,573</u>	<u>9,349,824</u>	<u>8,250,954</u>
<b>Plan Fiduciary Net Position</b>						
Contributions, employer	333,493	360,566	334,386	428,694	474,220	498,239
Contributions, employee	1,101,156	1,026,002	971,246	914,897	873,563	836,373
Investment income, net of expenses	2,677,040	(282,666)	1,895,061	819,567	(101,429)	575,465
Benefit payments/refunds of contributions	(471,824)	(509,152)	(385,521)	(403,513)	(299,711)	(613,133)
Administrative expenses	(15,216)	(13,098)	(10,440)	(8,912)	(7,621)	(7,265)
Other	<u>35,746</u>	<u>27,308</u>	<u>12,233</u>	<u>159,256</u>	<u>15,421</u>	<u>(8,021)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	3,660,395	608,960	2,816,965	1,909,989	954,443	1,281,658
<b>Plan Fiduciary Net Position - Beginning</b>	<u>16,307,507</u>	<u>15,698,548</u>	<u>12,881,583</u>	<u>10,971,594</u>	<u>10,017,151</u>	<u>8,735,493</u>
<b>Plan Fiduciary Net Position - Ending {b}</b>	<u>19,967,902</u>	<u>16,307,508</u>	<u>15,698,548</u>	<u>12,881,583</u>	<u>10,971,594</u>	<u>10,017,151</u>
<b>District's Net Pension Asset - Ending = {a}-{b}</b>	<u>\$ (2,894,924)</u>	<u>\$ (1,486,515)</u>	<u>\$ (2,773,688)</u>	<u>\$ (1,850,010)</u>	<u>\$ (1,621,770)</u>	<u>\$ (1,766,197)</u>
Plan fiduciary net position as a percentage of total pension liability/(assets)	116.96%	110.03%	121.46%	116.77%	117.35%	121.41%
Covered payroll	\$ 15,730,801	\$ 14,657,155	\$ 13,874,942	\$ 13,069,941	\$ 12,479,471	\$ 11,948,185
Net pension asset as a percentage of covered payroll	(18.4)%	(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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 347,032	\$ 327,756	\$ 355,405	\$ 354,346	\$ 441,853	\$ 478,634
Actual employer contribution	<u>347,032</u>	<u>327,756</u>	<u>355,405</u>	<u>354,346</u>	<u>441,853</u>	<u>478,634</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,730,801	\$ 14,657,155	\$ 14,515,712	\$ 13,770,402	\$ 13,118,255	\$ 12,337,624
Contributions as a percentage of covered payroll	2.2%	2.2%	2.4%	2.6%	3.4%	3.9%

# Galveston County Health District

## Notes to the Schedule of Contributions

Fiscal Year Ended September 30, 2020

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.
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### 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 12/31/2019 valuation)
Asset Valuation Method	Five years smooth 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

Fiscal Year Ended September 30, 2020

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 2019

	Fiscal Year 2020				
	Budgeted Amounts			Variance with Final Budget Positive/(Negative)	Fiscal Year 2019 Actual
	Original	Final	Actual		
REVENUES					
Program services:					
Public health	\$ 1,684,399	\$ 1,684,399	\$ 1,644,623	\$ (39,776)	\$ 1,728,090
Public health, reimbursable	55,000	55,000	37,506	(17,494)	58,560
Animal services	593,142	593,142	588,485	(4,657)	611,066
Pollution control	142,412	142,412	153,677	11,265	138,221
	2,474,953	2,474,953	2,424,291	(50,662)	2,535,937
Intergovernmental:					
Federal/State					
Public health, reimbursable	2,692,628	2,692,628	3,200,345	507,717	3,089,888
Pollution control	510,513	510,513	497,764	(12,749)	458,700
	3,203,141	3,203,141	3,698,109	494,968	3,548,588
Local - Galveston County	7,214,818	7,214,818	7,214,818	-	7,130,591
Investment earnings	42,000	42,000	59,760	17,760	70,412
Total Revenues	\$ 12,934,912	\$ 12,934,912	\$ 13,396,978	\$ 462,066	\$ 13,285,528

# Galveston County Health District

## Schedule of Expenditures - Budget and Actual, General Fund

Fiscal Year Ended September 30, 2020

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 2019

	Fiscal Year 2020				
	Budgeted Amounts			Variance with Final Budget	Fiscal Year
	Original	Final	Actual	Positive/(Negative)	2019 Actual
EXPENDITURES					
Program services:					
Personnel services	\$ 2,913,393	\$ 2,913,393	\$ 2,784,444	\$ 128,949	\$ 2,508,251
Supplies	285,862	285,862	141,559	144,303	136,985
Contractual services	91,924	91,924	69,950	21,974	74,057
Other	856,794	856,794	744,169	112,625	867,966
Capital outlay	36,000	36,000	35,172	828	44,921
	4,183,973	4,183,973	3,775,294	408,679	3,632,180
Public health, reimbursable:					
Personnel services	2,176,774	2,176,774	2,378,334	(201,560)	2,082,944
Supplies	49,609	49,609	130,776	(81,168)	244,824
Contractual services	258,711	258,711	356,105	(97,394)	198,283
Other	349,975	349,975	394,483	(44,509)	622,255
Capital outlay	5,750	5,750	57,680	(51,930)	36,141
	2,840,818	2,840,818	3,317,378	(476,560)	3,184,447
Animal services:					
Personnel services	936,362	936,362	814,308	122,054	789,097
Supplies	132,710	132,710	103,773	28,937	143,711
Contractual services	58,476	58,476	124,851	(66,375)	67,528
Other	264,858	264,858	271,963	(7,105)	257,485
Capital outlay	-	-	-	-	80,552
	1,392,406	1,392,406	1,314,895	77,511	1,338,373
Pollution control:					
Personnel services	739,759	739,759	711,317	28,442	640,023
Supplies	12,168	12,168	11,119	1,049	10,410
Contractual services	58,724	58,724	58,635	89	57,132
Other	144,191	144,191	117,716	26,475	122,903
Capital outlay	69,000	69,000	62,598	6,402	-
	1,023,842	1,023,842	961,385	62,457	830,468
Total Expenditures	\$ 9,441,039	\$ 9,441,039	\$ 9,368,952	\$ 72,087	\$ 8,985,468

# Galveston County Health District

## Schedule of Revenues - Budget and Actual. GAAP Basis to Financial Status Report Basis Comparison Coastal Health & Wellness Fund

Fiscal Year Ended September 30, 2020

	<u>GAAP Basis</u>	<u>Donated Services</u>	<u>Balance per Financial Status Report</u>
<b>REVENUES</b>			
Program services	\$ 3,319,923	\$ -	\$ 3,319,923
Intergovernmental:			
Federal/State	4,007,906	-	4,007,906
Local	206,618	3,912	202,706
Investment earnings	<u>77,318</u>	<u>-</u>	<u>77,318</u>
Total revenues	<u>7,611,765</u>	<u>3,912</u>	<u>7,607,853</u>
<b>EXPENDITURES</b>			
Patient services:			
Personnel services	7,284,827	-	7,284,827
Supplies	992,064	-	992,064
Contracted services	1,038,867	-	1,038,867
Other	1,207,001	3,912	1,203,089
Capital outlay	<u>28,459</u>	<u>-</u>	<u>28,459</u>
Total expenditures	<u>10,551,218</u>	<u>3,912</u>	<u>10,547,306</u>
Deficiency of revenues over expenditures	<u>(2,939,453)</u>	<u>-</u>	<u>(2,939,453)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	3,734,667	-	3,734,667
Proceeds from sale of capital assets	<u>3,089</u>	<u>-</u>	<u>3,089</u>
Total other financing sources	<u>3,737,756</u>	<u>-</u>	<u>3,737,756</u>
Net change in fund balance	798,303	-	798,303
FUND BALANCE, BEGINNING OF YEAR	<u>5,628,397</u>	<u>-</u>	<u>5,641,135</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,426,700</u>	<u>\$ -</u>	<u>\$ 6,439,438</u>