

GALVESTON COUNTY HEALTH DISTRICT

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS

FISCAL YEAR ENDED SEPTEMBER 30, 2021



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Galveston County Health District

Fiscal Year Ended September 30, 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Galveston County Health District (the "District"), as of and for the fiscal year ended September 30, 2021, 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.

Auditors' 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, 2021, 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 schedules, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, 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

Bankole, Okoye & Associates PC

Houston, Texas

June 28, 2022

Management's Discussion and Analysis

Galveston County Health District

Management's Discussion and Analysis
Fiscal Year Ended September 30, 2021

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, 2021 (also referred to as fiscal year 2021 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 2021 by \$22.4 million.
2. Of this amount, \$2.2 million represents the District's net investment in capital assets; \$2 million is restricted for net pension asset and there is an unrestricted net surplus of \$18.2 million.
3. The district had total cash and investments of \$16.6 million as of September 30, 2021, an increase of \$1.8 million from September 30, 2020.
4. The District's total expenses for providing various services to the community, including services provided to the community under contracts with federal agencies, was \$27.7 million for fiscal year 2021. The District generated program revenues of \$ 21.1 million (i.e., revenues from the services regularly/traditionally provided to the community by the District as a governmental health district as well as revenues earned by the District for providing services billed to federal agencies under grant award contracts). Accordingly, the District's expenses exceeded program revenues by \$6.6 million. Additionally, the District recorded general revenues of \$8.4 million (i.e., non-exchange revenues provided by Galveston County plus any unrestricted investment earnings).
5. The District reported an increase in total net position of \$1.8 million (or 9%) in fiscal year 2021.
6. As of the close of the current fiscal year, the District's governmental funds (i.e., the General Fund, the Coastal Health and Wellness Fund, and the Galveston Area Ambulance Authority Fund) reported an ending fund balance of \$18.1 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 \$312,175 thousand, or 3%, of total General Fund expenditures. There was a \$60 thousand increase in the total fund balance for the General Fund from September 30, 2020.

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.

Galveston County Health District

Management's Discussion and Analysis - *Continuation*
Fiscal Year Ended September 30, 2021

Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of Activities

The Statement of Activities presents information demonstrating 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 for some items in this statement 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.

Galveston County Health District

Management's Discussion and Analysis - *Continuation*
 Fiscal Year Ended September 30, 2021

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.

Other Information.

In addition to the basic financial statements and accompanying notes, this report 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 \$22.5 million at September 30, 2021.

Condensed Statement of Net Position (in Thousand Dollars)

	2021	2020	Dollar Change	Total Percentage Change
Assets				
Cash and other assets	\$ 21,645	\$ 20,772	\$ 873	4%
Capital assets, net	2,246	2,252	(6)	0%
Total Assets	23,891	23,024	867	4%
Deferred outflows of resources	1,355	258	1,097	425%
Liabilities				
Long-term liabilities	530	601	(71)	-12%
Accounts payable and other liabilities	1,511	1,492	19	1%
Total Liabilities	2,041	2,093	(52)	-2%
Deferred inflows of resources	751	538	213	40%
Net Position				
Net investment in capital assets	2,246	2,252	(6)	0%
Restricted	2,010	2,895	(885)	-31%
Unrestricted	18,197	15,504	2,693	17%
Total net position	\$ 22,453	\$ 20,651	\$ 1,802	9%

The largest portion (\$16.6 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

Galveston County Health District

Management's Discussion and Analysis - *Continuation*
 Fiscal Year Ended September 30, 2021

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.

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

Condensed Statement of Activities (in Thousand Dollars)

	2021	2020	Dollar Change	Total Percentage Change
Revenues				
Program revenues:				
Charges for services	\$ 12,164	\$ 11,592	\$ 572	5%
Operating grants and contributions	8,903	7,802	1,101	14%
General revenues:				
Unrestricted grants and contributions	8,247	8,420	(173)	-2%
Gain/(loss) on sale of capital assets	41	(10)	51	-510%
Investment earnings, unrestricted	123	207	(84)	-41%
Total revenues	<u>29,478</u>	<u>28,011</u>	<u>1,467</u>	<u>5%</u>
Expenses				
Public health	4,217	3,782	435	12%
Public health, reimbursable	3,838	3,303	535	16%
Animal services	1,306	1,339	(33)	-2%
Pollution control	922	918	4	0%
Patient services	10,385	10,600	(215)	-2%
Ambulance services	7,008	6,939	69	1%
Total program expenses	<u>27,676</u>	<u>26,881</u>	<u>795</u>	<u>3%</u>
Change in net position	1,802	1,130	672	59%
Net position, beginning of year	<u>20,651</u>	<u>19,521</u>	<u>1,130</u>	<u>6%</u>
Net position, end of year	<u>\$ 22,453</u>	<u>\$ 20,651</u>	<u>\$ 1,802</u>	<u>9%</u>

Revenues from governmental activities totaled \$29.4 million for the fiscal year ended September 30, 2021 while expenses totaled \$27.6 million for the same period.

The District's total revenues for fiscal year 2021 increased by \$1.5 million, or 5 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 Coastal Health and Wellness. In 2020 the clinic was shut down for several months due to Covid and in 2021 there was no closure.

The District's total expenses for fiscal year 2021 increased by \$795 thousand, or 3 percent, from the prior fiscal year. The key factors for this increase included an increase in ambulance services expense for vehicles, equipment and supplies, as well as a 2.8% cost of living expense. In addition, public health and

Galveston County Health District

Management's Discussion and Analysis - *Continuation*
Fiscal Year Ended September 30, 2021

public health reimbursable expenses increased due to additional personnel, supplies, and contract services expenses related to COVID-19, 2.8% cost of living increase and some salary adjustments.

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, 2021, the District's governmental funds, which consist of the General Fund and the two Special Revenue Funds, reported an ending fund balance of \$18.1 million, an increase of \$1.7 million during the fiscal year.

The *General Fund* is the chief operating fund of the District. The General Fund had an increase in fund balance of \$60 thousand during the fiscal year to bring its year-end fund balance to \$5.1 million. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$312 thousand, a \$270 thousand increase 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 3% of General Fund's total expenditures, while General Fund's total fund balance represents 50% of that same amount.

The *Coastal Health and Wellness Fund (CHW)*, a major governmental fund, had an increase of \$1.5 million to an overall balance of \$7.9 million at the end of the year.

The *Galveston Area Ambulance Authority Fund (GAAA)*, a major governmental fund, had an increase in fund balance of \$164 thousand during the fiscal year to bring its year-end fund balance to \$5 million.

General Fund Budgetary Highlights

Revenues

The District's final fiscal year 2021 budget estimated General Fund's revenues at \$13.4 million. The actual realized revenues for the period were \$14.2 million, or 5% greater than the budget, primarily due to new grant revenue from unbudgeted COVID-19-related grant funding and increase in program services.

Public Health program service revenues were over the budget amount by \$169 thousand, or 6.4%, due to increase in immunizations provided and birth/death certificates issued, all attributed to shift from crisis to recovery from 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 \$60 thousand, or 9%, 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, 2021

Expenditures

General Fund's operating expenditures and other financing uses in fiscal year 2021 were budgeted at \$13.5 million, but the actual expenditures and other financing uses incurred for the fiscal year were \$14.2 million, or 4.7% in excess of the amount that was projected for the fiscal year.

Public Health program expenditures were higher than the budgeted amount by \$267 thousand or 6.8% due primarily to more expenses with COVID-19 and unexpected executive staff changes.

Public Health Reimbursable expenditures (i.e., grant-funded services) were higher than the budgeted amount by \$526 thousand or 16.2%, due to additional staffing and contracted expenses related to COVID-19.

Animal Service actual expenditures were lower than budget by \$107 thousand or 7.7%, due to salary and benefit lapses and savings in supply costs.

Pollution Control actual expenditures were lower than budget by \$65 thousand or 6.7% 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, 2021, amounts to \$2.2 million (net of accumulated depreciation and amortization). These capital assets include buildings, improvements, furniture, equipment, and vehicles. The total decrease in the District's investment in capital assets for fiscal year 2021 was \$5 thousand or -1%.

Capital Assets (in Thousand Dollars)

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Total Percentage Change</u>
Improvements other than buildings	\$ 59	\$ 59	\$ -	0%
Furniture and equipment	3,209	2,936	273	9%
Vehicles	<u>3,375</u>	<u>3,578</u>	<u>(203)</u>	<u>-6%</u>
Total capital assets at cost	6,643	6,573	70	1%
Less accumulated depreciation and amortization	<u>(4,397)</u>	<u>(4,322)</u>	<u>(75)</u>	<u>-2%</u>
Total capital assets, net	<u>\$ 2,246</u>	<u>\$ 2,251</u>	<u>\$ (5)</u>	<u>-1%</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, 2021

Debt Administration:

The District’s long-term liabilities decreased by \$71 thousand due to an increase in compensable absences (i.e., employees earned but outstanding vacation leaves.)

Long-term Liabilities (in Thousand Dollars)

	<u>2020</u>	<u>Change</u>	<u>2021</u>
Compensable absences	<u>\$ 601</u>	<u>\$ (71)</u>	<u>\$ 530</u>

Economic Factors and Next Year’s Budgets and Rates

The District is currently operating under its fiscal year 2022 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 2021 and fiscal year 2022 budgets for both estimated revenues and expenditures.

<u>Fund</u>	<u>Year Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
General Fund		
Revenues and transfers	\$ 17,064,032	\$ 13,544,702
Expenditures	17,048,384	13,528,805
Coastal Health & Wellness		
Revenues and transfers	10,768,464	11,177,896
Expenditures	10,768,464	11,177,896
Galveston Area Ambulance Authority		
Revenues and transfers	8,495,747	7,578,703
Expenditures	8,495,747	7,578,703

General Fund: In comparison to 2021, 2022 revenues budgeted under the General fund increased by \$3.5 million, or 25%, 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 \$3.5 million, or 26%, due primarily to new job positions funded by the additional grant revenue, 2.8% cost of living increase, increase in TCDRS employer contribution rate.

Coastal Health & Wellness (CHW): The budget for Coastal Health & Wellness for fiscal year 2022 decreased by \$409 thousand, or 3.7%, from fiscal year 2021. Patient revenues decreased based on payor mix and average income per visit. Expenditures decreased due to eliminated vacant positions, outside lab & X-ray decrease and operating supplies based on fewer anticipated visits.

Galveston Area Ambulance Authority (GAAA): The budget for Galveston Area Ambulance Authority for fiscal year 2022 increased by \$917 thousand, or 12.1%, in comparison to fiscal year 2021. The revenue projections from Bacliff and Kemah areas were increased due to anticipated increases in emergency

Galveston County Health District

Management's Discussion and Analysis - *Continuation*
Fiscal Year Ended September 30, 2021

services call volumes and in the water bill donations, and the benefits of bringing the Medic 8 peak unit up to a full unit. The expenses increased due to new positions for the Medic 8 unit, 2.8% cost of living increase, salary adjustment for the field based on the MAG market rates and 94% of the increase is for vehicles, equipment and supplies.

Future Outlook

The future outlook of the District is supported with many progressive and evidence-based changes and developments. First, a Strategic Health Plan (SHP) has been developed for Coastal Health & Wellness and one is currently being drafted for the District's public health division, including its ambulance service, GAAA. Identifying the SHP as the foundation in which progress is derived is imperative. The Public Health Accreditation Board (PHAB) defines strategic planning as "a disciplined process aimed at producing fundamental decisions and actions that will shape and guide what an organization is, what it does, and why it does what it does. The process of assessing a changing environment to create a vision of the future; determining how the organization fits into the anticipated environment, based on its mission, strengths, and weaknesses; then setting in motion a plan of action to position the organization," with the strategic plan focusing on a range of agency level organizational goals, strategies, and objectives, including new initiatives. The 2022 SHPs for the District include initiatives such as providing a platform for a teaching facility, public health students, medical students, medical residents, nurses, epidemiologists, and more will rotate through the District learning the role of public health in our communities. The District's public health division is currently focusing on increased community outreaches and partnering with community stakeholders in an effort to maximize its reach into the community and bolster resources for community members. The District has also helped to save the County money by taking over the complete program of the County Indigent Health Care Plan and the County no longer has to use Boon Chapman. The District's federally qualified health center, Coastal Health & Wellness has more than doubled its unduplicated patient count in 2022 and continues to seek out and recruit top talent medical providers and decrease patients' and potential patients' wait time to see a provider. In addition, partnerships are being created that promote integrated health services, a new but forward-thinking community intervention. The District's ambulance service, GAAA has spearheaded projects that promote quicker ambulance response times, more readily available ambulance services, and potentially increasing the amount of substations throughout Galveston County. Although even more initiatives and progress are being made, the aforementioned are just a few. Lastly, the District has taken a primary focus on advancing its technology platforms to drive data-informed processes and decision-making; the Districts Accounting, Human Resources, Epidemiology, and Coastal Health & Wellness have all taken on the implementation of new and upgraded software and processes. The COVID-19 pandemic took a significant toll on many organizations; however, the District managed to work through challenges and obstacles with Galveston County's assistance. The District supported its community through remote COVID-19 positive monitoring, mass testing, mass vaccine clinics, and community outreach vaccine clinics; as well as provided unlimited amounts of real time COVID-19 case statistics and education. As a result, the community has grown more aware of public health and the District's services, allowing for the continuation and increase of public health work throughout the Galveston County community. This is what public health is founded on.

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: Latricia Bailey, 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, 2021

	<u>Amount</u>
ASSETS	
Cash and cash equivalents	\$ 16,661,667
Investments	65,364
Receivables, net	2,498,456
Prepaid expenses	285,056
Inventories	124,263
Net pension asset	2,009,563
Capital assets, net of depreciation and amortization:	
Improvements, other than buildings	2,979
Furniture and equipment	593,133
Vehicles	<u>1,650,290</u>
Total Assets	<u>23,890,771</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions:	
Difference between expected and actual experience	35,248
Change in assumptions	1,212,860
Contributions made after the measurement date	<u>106,426</u>
Total deferred outflows of resources	<u>1,354,534</u>
Total assets and deferred outflows of resources	<u>25,245,305</u>
LIABILITIES	
Accounts payable and accrued liabilities	1,389,637
Unearned revenue	121,645
Noncurrent liabilities:	
Compensable absences due within one year	52,999
Compensable absences due in more than one year	<u>476,991</u>
Total Liabilities	<u>2,041,272</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions:	
Difference between expected and actual experience	102,592
Net difference between projected and actual earnings	<u>648,705</u>
Total deferred inflows of resources	<u>751,297</u>
Total liabilities and deferred inflows of resources	<u>2,792,569</u>
NET POSITION	
Net investment in capital assets	2,246,402
Restricted for net pension asset	2,009,563
Unrestricted	<u>18,196,771</u>
Total Net Position	<u>\$ 22,452,736</u>

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

Galveston County Health District

Statement of Activities

Fiscal Year Ended September 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)/ Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
FUNCTIONS/PROGRAMS				
Governmental activities:				
Public health	\$ 4,216,991	\$ 2,013,709	\$ -	\$ (2,203,282)
Public health, reimbursable	3,837,703	31,370	3,727,955	(78,378)
Animal services	1,306,442	599,923	-	(706,519)
Pollution control	921,835	151,324	438,789	(331,722)
Patient services	10,385,537	3,346,152	4,724,385	(2,315,000)
Ambulance services	<u>7,007,932</u>	<u>6,021,281</u>	<u>11,806</u>	<u>(974,845)</u>
Total governmental activities	<u>\$ 27,676,440</u>	<u>\$ 12,163,759</u>	<u>\$ 8,902,935</u>	<u>(6,609,746)</u>
General revenues/(losses):				
Grants and contributions not restricted to specific programs				8,247,415
Net gain on disposal of capital assets				41,325
Investment earnings, unrestricted				<u>122,958</u>
Total general revenues				<u>8,411,698</u>
Change in net position of governmental activities				1,801,952
Net position, beginning of year				<u>20,650,784</u>
Net Position, End of Year				<u>\$ 22,452,736</u>

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

Galveston County Health District

Balance Sheet - Governmental Funds

September 30, 2021

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,501,978	\$ 7,141,146	\$ 5,018,543	\$ 16,661,667
Investments	17,301	26,454	21,609	65,364
Receivables:				
Federal	955,620	573,500	-	1,529,120
State	85,589	23,572	-	109,161
Patient, program and other (net where applicable)	81,141	444,683	334,352	860,176
Due from other funds	36,288	43,968	-	80,256
Prepaid expenses	94,774	135,891	54,391	285,056
Inventories	124,263	-	-	124,263
Total Assets	<u>\$ 5,896,954</u>	<u>\$ 8,389,214</u>	<u>\$ 5,428,895</u>	<u>\$ 19,715,063</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 614,631	\$ 415,873	\$ 359,135	\$ 1,389,639
Unearned revenue	68,790	32,745	20,110	121,645
Due to other funds	43,968	-	36,288	80,256
Total Liabilities	<u>727,389</u>	<u>448,618</u>	<u>415,533</u>	<u>1,591,540</u>
FUND BALANCES				
Nonspendable	219,037	135,891	54,391	409,319
Committed	4,638,353	6,030,153	1,657,881	12,326,387
Assigned	-	1,774,552	3,301,090	5,075,642
Unassigned	312,175	-	-	312,175
Total fund balances	<u>5,169,565</u>	<u>7,940,596</u>	<u>5,013,362</u>	<u>18,123,523</u>
Total Liabilities and Fund Balances	<u>\$ 5,896,954</u>	<u>\$ 8,389,214</u>	<u>\$ 5,428,895</u>	<u>\$ 19,715,063</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, 2021

	<u>Amount</u>
Total fund balances of governmental funds	\$ 18,123,523
Amount reported as the net position of governmental activities in the statement of net position is different from amount reported as the total fund balances of governmental funds because:	
1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,246,402
2. The net amount of deferred inflows and deferred outflows related to pensions are not recognized on the governmental funds financial statements.	603,238
3. Net pension asset is not a financial resource and is not reported in the funds.	2,009,563
4. Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
- Compensable absences	<u>(529,990)</u>
Net position of governmental activities	<u>\$ 22,452,736</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, 2021

	<u>General Fund</u>	<u>Coastal Health & Wellness Fund</u>	<u>Galveston Area Ambulance Authority Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Program services and patient service revenue, net where applicable	\$ 2,796,326	\$ 3,346,152	\$ 6,021,281	\$ 12,163,759
Intergovernmental:				-
Federal/State	4,166,744	4,724,385	11,806	8,902,935
Local	7,221,649	22,535	1,003,231	8,247,415
Investment earnings	33,511	51,055	38,392	122,958
Total revenues	<u>14,218,230</u>	<u>8,144,127</u>	<u>7,074,710</u>	<u>29,437,067</u>
EXPENDITURES				
Current:				
Public health	4,225,537	-	-	4,225,537
Public health, reimbursable	3,789,070	-	-	3,789,070
Animal services	1,297,200	-	-	1,297,200
Pollution control	913,502	-	-	913,502
Patient services	-	10,352,250	-	10,352,250
Ambulance services	-	-	6,607,949	6,607,949
Capital outlay	217,064	14,769	341,739	573,572
Total expenditures	<u>10,442,373</u>	<u>10,367,019</u>	<u>6,949,688</u>	<u>27,759,080</u>
Excess/(deficiency) of revenues over expenditures	<u>3,775,857</u>	<u>(2,222,892)</u>	<u>125,022</u>	<u>1,677,987</u>
OTHER FINANCING SOURCES/(USES)				
Transfers in/(out)	(3,734,667)	3,734,667	-	-
Proceeds from disposal of capital assets	18,890	2,121	38,988	59,999
Total other financing sources/(uses)	<u>(3,715,777)</u>	<u>3,736,788</u>	<u>38,988</u>	<u>59,999</u>
Net change in fund balances	60,080	1,513,896	164,010	1,737,986
FUND BALANCES, BEGINNING OF YEAR	<u>5,109,485</u>	<u>6,426,700</u>	<u>4,849,352</u>	<u>16,385,537</u>
FUND BALANCES, END OF YEAR	<u>\$ 5,169,565</u>	<u>\$ 7,940,596</u>	<u>\$ 5,013,362</u>	<u>\$ 18,123,523</u>

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, 2021

	<u>Amount</u>
Net change in total fund balances of governmental funds	\$ 1,737,986
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 (\$573,572) exceeded depreciation and amortization expense (\$562,126) in the current period.	11,446
The following 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	\$ (885,360)
Net change in deferred inflows and outflows of resources	883,360
Net change in accrued compensable absences	71,195
Net loss on disposal of capital assets	<u>(16,675)</u>
	<u>52,520</u>
Change in net position of governmental activities	<u><u>\$ 1,801,952</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, 2021

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 an interlocal 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 by setting policies that protect the everyday health and well-being of county residents. The Board of Health sets 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 5 members nominated by the Commissioners Court of Galveston County, Texas, and ratified by a majority of the member cities. Board members serve two-year terms, after which they may be renewed or replaced. The Board of Health has delegated to the Coastal Health & Wellness (“CHW”) Governing Board the operational responsibility for healthcare that is provided through the District’s community health center's medical and dental clinics.

The Reporting Entity

These financial statements include all activities and operations of the District including the District’s public health activities, the 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 the U.S. generally accepted accounting principles (“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 GAAP.

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

1. 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, 2021

including the public health services, animal services, CHW, and GAAA. As a general rule, the effect of any interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are funded 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.

2. *Funds Financial Statements*

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

The District reports the following three major governmental funds:

- A. 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.
- B. The **CHW Fund** is used to account for the operations throughout Galveston County of the District's two community clinics. 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.
- C. The **GAAA Fund** accounts for the contract operations of emergency medical services and medical transport services. 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 which is normally at the time title passes to, or a service is received by, District 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

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

met. Amounts received before all eligibility requirements have been met are reported as unearned revenues. Unearned revenues are reclassified to revenues when the criteria for revenue recognition have been met.

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 (or liability), (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 these estimates.

Cash and Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. The total cash and cash equivalents balance at September 30, 2021 was \$16,661,667, including cash equivalents amount of \$15,899,550.

Investments

As of September 30, 2021, investments were comprised of amounts held in TexPool and are stated at amortized cost.

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

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.

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, 2021.

Long-Term Obligations

In the government-wide financial statements, long-term debt for notes payable, if any, 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

Galveston County Health District

Notes to Basic Financial Statements

Fiscal Year Ended September 30, 2021

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.

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, 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. When the criteria for recognizing it as revenue have been met, the District reclassifies unearned revenue to revenue.

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. 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, 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 allowance 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

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

between the standard rates (or the discounted rates if negotiated or provided by the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates for patient services. 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, net of an allowance for uncollectible accounts. 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, 2021, is net of an allowance for uncollectible accounts of \$971,778.

Fund Balances – Governmental Funds

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

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, 2021

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 obtained 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, 2021, the District's deposits were fully collateralized and, therefore, were not exposed to custodial credit risk.

Investments

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

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, including (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, 2021, 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	\$ 955,620	\$ 573,500	\$ -	\$ 1,529,120
State:				
Reimbursement of expenditures pending under state grants	85,589	23,572	-	109,161
Patient, program and other:				
Patient, net	-	442,361	260,886	703,247
Program and other	81,140	2,322	73,466	156,928
Total for patient, program and other	81,140	444,683	334,352	860,175
Total receivables by fund	<u>\$ 1,122,349</u>	<u>\$ 1,041,755</u>	<u>\$ 334,352</u>	<u>\$ 2,498,456</u>

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

NOTE 4: CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2021, is presented below.

	Beginning Balance 10/01/2020	Additions	Retirements/ Disposals	Ending Balance 09/30/2021
Governmental activities:				
Improvements other than buildings	\$ 59,218	\$ -	\$ -	\$ 59,218
Furniture and equipment	2,936,060	280,980	(7,836)	3,209,204
Vehicles	3,578,187	292,592	(495,300)	3,375,479
Total at cost	<u>6,573,465</u>	<u>573,572</u>	<u>(503,136)</u>	<u>6,643,901</u>
Less accumulated depreciation and amortization:				
Improvements other than buildings	(45,951)	(10,288)	-	(56,239)
Furniture and equipment	(2,462,853)	(159,527)	6,309	(2,616,071)
Vehicles	(1,813,030)	(392,311)	480,152	(1,725,189)
Total accumulated depreciation and amortization	<u>(4,321,834)</u>	<u>(562,126)</u>	<u>486,461</u>	<u>(4,397,499)</u>
Capital assets, net	<u>\$ 2,251,631</u>	<u>\$ 11,446</u>	<u>\$ (16,675)</u>	<u>\$ 2,246,402</u>

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

	Amount
Public health	\$ 20,427
Public health, reimbursable	29,766
Animal services	18,693
Pollution control	19,382
CHW	40,564
GAAA	433,293
Total depreciation and amortization expense by function	<u>\$ 562,126</u>

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 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.

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

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, 2021, were as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
CHW Fund	General Fund	\$ (43,968)
General Fund	GAAA Fund	36,288
		<u>\$ (7,680)</u>

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

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

Transfers between funds during the fiscal year ended September 30, 2021, were as follows:

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

These transfers between funds represent the transfers 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, 2021:

	<u>Beginning Balance at 10/01/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance at 09/30/2021</u>	<u>Current Portion</u>
Compensable absences	<u>\$ 601,185</u>	<u>\$ -</u>	<u>\$ (71,195)</u>	<u>\$ 529,990</u>	<u>\$ 52,999</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, 2021, and classified governmental fund balances as follows:

	<u>General Fund</u>	<u>Coastal Health & Wellness Fund</u>	<u>Galveston Area Ambulance Authority Fund</u>
Nonspendable:			
Prepaid expenses	\$ 94,774	\$ 135,891	\$ 54,391
Inventories	124,263	-	-
Total nonspendable fund balances	<u>\$ 219,037</u>	<u>\$ 135,891</u>	<u>\$ 54,391</u>

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

The District reports the following General Fund, CHW Fund and GAAA Fund equity as committed at September 30, 2021, and classified governmental fund balances as follows:

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund
Committed:			
IT infrastructure/software upgrades	\$ 116,639	\$ 100,000	\$ 17,300
Public health emergencies	300,000	-	-
Reserve for leave payouts	40,000	-	-
Medical/dental equipment	-	120,153	139,875
Vehicle replacements	-	-	262,000
CHW clinic renovations	374,020	900,000	-
Animal services	576,161	-	-
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	31,533	10,000	33,552
Operating reserves	3,200,000	4,900,000	-
Total committed fund balances	<u>\$ 4,638,353</u>	<u>\$ 6,030,153</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.

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 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

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

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, 2020, valuation and measurement date, the following employees were covered by the benefit terms.

<u>Covered Employees - TCDRS Calendar Year Basis</u>	<u>2020 Count</u>
Active members	313
Retirees and beneficiaries currently receiving benefits	32
Inactive members entitled to but not yet receiving benefits	352
Total	<u>697</u>

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 2.21 percent effective from January 1, 2020 and 2.26% effective from January 1, 2021.

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 net pension asset was measured as of December 31, 2020, and the Total Pension Liability ("TPL") used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.0% per year
Long-term investment rate of return, net of administrative expenses	7.50 % per year
Ad hoc cost of living adjustments	Not included

Salary increases assumed were based on a service-related table, including the length of service, entry-age, wage inflation, and compensation increases due to merit and promotion. Mortality rates for active depositing members were based on 90 percent of the RP-2014 Active Employee Mortality Table for

Galveston County Health District

Notes to Basic Financial Statements

Fiscal Year Ended September 30, 2021

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, 2020 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, net of investment expense, is 7.60%. The pension plan's policy for 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:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
U.S. equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global equities	MSCI World (net) Index	2.50%	4.55%
Int'l equities - developed markets	MSCI World Ex USA (net) Index	5.00%	4.25%
Int'l equities - emerging markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-grade bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed debt	Cambridge Associates Distressed Securities Index	4.00%	5.70%
REIT equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master limited partnerships	Alerian MLP Index	2.00%	5.10%
Private real estate partnerships	Cambridge Associates Real Estate Index	6.00%	4.90%
Private equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.25%
Hedge funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash equivalents	90-Day U. S. Treasury	2.00%	-0.70%
Total		100%	

Galveston County Health District

Notes to Basic Financial Statements

Fiscal Year Ended September 30, 2021

Discount Rate

The discount rate used to measure the TPL was 7.60%. This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% 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, 2020 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, 2019	\$ 17,072,978	\$ 19,967,901	\$ (2,894,923)
Changes for the year:			
Service cost	1,521,337	-	1,521,337
Interest on total pension liability	1,480,295	-	1,480,295
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(78,613)	-	(78,613)
Effect of assumptions changes or inputs	1,507,487	-	1,507,487
Refund of contributions	(407,265)	(407,265)	-
Benefit payments	(243,544)	(243,544)	-
Administrative expenses	-	(16,729)	16,729
Member contributions	-	1,118,121	(1,118,121)
Net investment income/(loss)	-	2,064,494	(2,064,494)
Employer contributions	-	353,007	(353,007)
Other	-	26,253	(26,253)
Net changes	3,779,697	2,894,337	885,360
Balances as of December 31, 2020	\$ 20,852,675	\$ 22,862,238	\$ (2,009,563)

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

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 7.60%, 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 (i.e., 6.60%) or 1 percentage point higher (i.e., 8.60%) than the current rate.

	1% Decrease in Discount Rate <u>(6.6%)</u>	Current Discount Rate <u>(7.6%)</u>	1% Increase in Discount Rate <u>(8.6%)</u>
Total pension liability	\$ 24,461,690	\$ 20,852,675	\$ 17,964,949
Fiduciary net position	<u>22,862,238</u>	<u>22,862,238</u>	<u>22,862,238</u>
District's net pension liability/(asset)	\$ 1,599,452	\$ (2,009,563)	\$ (4,897,289)

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

For the fiscal year ended September 30, 2021, the District recognized pension expense of \$347,032. At September 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 102,592	\$ 35,248
Changes in actuarial assumptions	-	1,212,860
Net differences between projected and actual earnings	648,705	-
Contributions after the measurement date	<u>-</u>	<u>106,426</u>
	<u>\$ 751,297</u>	<u>\$ 1,354,534</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>Calendar Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 78,584
2022	263,998
2023	(48,721)
2024	202,950
2025	-
Thereafter	-
	<u>\$ 496,811</u>

Deferred Compensation Plan

In addition, the District makes available a deferred compensation plan under Internal Revenue Code

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

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.

NOTE 10: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of September 30, 2021, are comprised of the following:

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total
Trade payables	\$ 232,448	\$ 107,678	\$ 109,875	\$ 450,001
Accrued payroll costs	382,179	308,194	249,263	939,636
	<u>\$ 614,627</u>	<u>\$ 415,872</u>	<u>\$ 359,138</u>	<u>\$ 1,389,637</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 September 30, 2023. 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 January 31, 2022. 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. 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, 2016 and expiring on September 30, 2022.

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

Hitchcock VFD

The District entered into a one-year memorandum of agreement with the Hitchcock VFD effective October 1, 2016 and expiring on September 30, 2022, at a cost of \$900 per month.

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 \$1,475,179 during the fiscal year ended September 30, 2021.

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>
2022	\$ 1,338,944
2023	170,328
Thereafter	-
Total	<u>\$ 1,509,272</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

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

and eligible contractors are considered Federal Employees immune from suit for medical malpractice claims while acting within the scope of their employment. CHW is therefore immune from medical malpractice lawsuits resulting from the performance of medical, surgical, dental or related functions with the approved scope of project. A patient who alleges acts of medical malpractice by CHW cannot sue the center or the provider directly but must file the claim against the United States. These claims are reviewed and/or litigated by the U.S. Department of Health and Human Services, Office of the General Counsel and the Department of Justice according to FTCA requirements. HRSA pays for all settlements and judgments from a separately appropriated Health Center FTCA Judgment Fund.

NOTE 14: CONCENTRATIONS

The following concentrations with particular customers or revenue sources existed as of and for the fiscal year ended September 30, 2021:

Galveston County: Approximately 28% of the District's revenues for the fiscal year ended September 30, 2021, were provided by Galveston County.

Federal Government: Approximately 30% of the District's revenues for the fiscal year ended September 30, 2021, 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, 2021, is as follows.

	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund
Medicare	16%	45%
Medicaid	17%	12%
Other third-party payers	27%	28%
Self-pays	41%	15%
Total	100%	100%

Galveston County Health District

Notes to Basic Financial Statements
Fiscal Year Ended September 30, 2021

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. 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 the District's financial statements for the fiscal year ending September 30, 2022.

Required Supplementary Information

Galveston County Health District

General Fund

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

Fiscal Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive/(Negative)
REVENUES				
Program services	\$ 2,633,165	\$ 2,627,165	\$ 2,796,326	\$ 169,161
Intergovernmental:				-
Federal/State	3,647,888	3,653,888	4,166,744	512,856
Local	7,221,649	7,221,649	7,221,649	-
Investment earnings	42,000	42,000	33,511	(8,489)
Total revenues	<u>13,544,702</u>	<u>13,544,702</u>	<u>14,218,230</u>	<u>673,528</u>
EXPENDITURES				
Public health	3,958,251	3,958,251	4,225,537	(267,286)
Public health, reimbursable	3,262,336	3,262,336	3,789,070	(526,734)
Animal services	1,404,099	1,404,099	1,297,200	106,899
Pollution control	978,752	978,752	913,502	65,250
Capital outlays	190,700	190,700	217,064	(26,364)
Total expenditures	<u>9,794,138</u>	<u>9,794,138</u>	<u>10,442,373</u>	<u>(648,235)</u>
Excess of revenues over expenditures	<u>3,750,564</u>	<u>3,750,564</u>	<u>3,775,857</u>	<u>25,293</u>
OTHER FINANCING USES				
Transfers out	(3,734,667)	(3,734,667)	(3,734,667)	-
Proceeds from sale of capital assets	-	-	18,890	18,890
Total other financing uses	<u>(3,734,667)</u>	<u>(3,734,667)</u>	<u>(3,715,777)</u>	<u>18,890</u>
Net change in fund balance	15,897	15,897	60,080	44,183
FUND BALANCE, BEGINNING OF YEAR	<u>3,853,945</u>	<u>3,853,945</u>	<u>5,109,485</u>	<u>1,255,540</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,869,842</u>	<u>\$ 3,869,842</u>	<u>\$ 5,169,565</u>	<u>\$ 1,299,723</u>

Galveston County Health District

Coastal Health & Wellness Fund

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

Fiscal Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive/(Negative)
	Original	Final		
REVENUES				
Program services	\$ 3,919,946	\$ 3,919,946	\$ 3,346,152	\$ (573,794)
Intergovernmental:				-
Federal/State - grant	3,217,400	3,217,400	4,724,385	1,506,985
Local	225,883	225,883	22,535	(203,348)
Investment earnings	80,000	80,000	51,055	(28,945)
Total revenues	<u>7,443,229</u>	<u>7,443,229</u>	<u>8,144,127</u>	<u>700,898</u>
EXPENDITURES				
Patient services	11,177,896	11,177,896	10,352,250	825,646
Capital outlays	-	-	14,769	(14,769)
Total expenditures	<u>11,177,896</u>	<u>11,177,896</u>	<u>10,367,019</u>	<u>810,877</u>
Deficiency of revenues under expenditures	<u>(3,734,667)</u>	<u>(3,734,667)</u>	<u>(2,222,892)</u>	<u>(109,979)</u>
OTHER FINANCING SOURCES				
Transfers in	3,734,667	3,734,667	3,734,667	-
Proceeds from sale of capital assets	-	-	2,121	2,121
Total other financing sources	<u>3,734,667</u>	<u>3,734,667</u>	<u>3,736,788</u>	<u>2,121</u>
Net change in fund balance	-	-	1,513,896	(107,858)
FUND BALANCE, BEGINNING OF YEAR	<u>5,787,414</u>	<u>5,787,414</u>	<u>6,426,700</u>	<u>(2,335,948)</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,787,414</u>	<u>\$ 5,787,414</u>	<u>\$ 7,940,596</u>	<u>\$ (2,443,806)</u>

Galveston County Health District

Galveston Area Ambulance Authority Fund

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

Fiscal Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive/(Negative)
REVENUES				
Program services	\$ 6,523,650	\$ 6,523,650	\$ 6,021,281	\$ (502,369)
Intergovernmental:				-
Federal/State	-	-	11,806	11,806
Local	993,593	993,593	1,003,231	9,638
Investment earnings	61,460	61,460	38,392	(23,068)
Total revenues	<u>7,578,703</u>	<u>7,578,703</u>	<u>7,074,710</u>	<u>(503,993)</u>
EXPENDITURES				
Ambulance services	7,176,828	7,176,828	6,607,949	568,879
Capital outlays	401,875	401,875	341,739	60,136
Total expenditures	<u>7,578,703</u>	<u>7,578,703</u>	<u>6,949,688</u>	<u>629,015</u>
Excessof revenues over expenditures	-	-	125,022	125,022
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	12,000	12,000	38,988	26,988
Net change in fund balance	12,000	12,000	164,010	152,010
FUND BALANCE, BEGINNING OF YEAR	<u>3,694,343</u>	<u>3,694,343</u>	<u>4,849,352</u>	<u>613,705</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,706,343</u>	<u>\$ 3,706,343</u>	<u>\$ 5,013,362</u>	<u>\$ 765,715</u>

Galveston County Health District

Notes to Required Supplementary Information

Fiscal Year Ended September 30, 2021

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 of Galveston County Health District

Reporting Period: Fiscal Year Ended September 30, 2021

	Measurement Date: As of and for the Calendar Years Ended December 31,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability										
Service cost	\$ 1,521,337	\$ 1,372,156	\$ 1,299,404	\$ 1,355,009	\$ 1,347,810	\$ 1,150,880	\$ 1,242,706	N/A	N/A	N/A
Interest on total pension liability	1,480,295	1,292,908	1,131,946	988,004	794,836	698,684	636,959	N/A	N/A	N/A
Effect of plan changes	-	-	-	-	-	(208,950)	-	N/A	N/A	N/A
Effect of assumption changes or inputs	1,507,487	-	-	34,358	-	122,207	-	N/A	N/A	N/A
Effect of economic/demographic (gains)/losses	(78,613)	58,746	(26,065)	(98,563)	(57,384)	(364,240)	(570,617)	N/A	N/A	N/A
Benefit payments/refunds of contributions	(650,809)	(471,824)	(509,152)	(385,521)	(403,513)	(299,711)	(613,133)	N/A	N/A	N/A
Net Change in Total Pension Liability	3,779,697	2,251,986	1,896,133	1,893,287	1,681,749	1,098,870	695,915	N/A	N/A	N/A
Total Pension Liability, Beginning	17,072,979	14,820,993	12,924,860	11,031,573	9,349,824	8,250,954	7,555,039	N/A	N/A	N/A
Total Pension Liability, Ending (a)	20,852,676	17,072,979	14,820,993	12,924,860	11,031,573	9,349,824	8,250,954	N/A	N/A	N/A
Plan Fiduciary Net Position										
Contributions by the employer	353,007	333,493	360,566	334,386	428,694	474,220	498,239	N/A	N/A	N/A
Contributions by the members	1,118,121	1,101,156	1,026,002	971,246	914,897	873,563	836,373	N/A	N/A	N/A
Investment income, net of applicable expenses	2,064,494	2,677,040	(282,666)	1,895,061	819,567	(101,429)	575,465	N/A	N/A	N/A
Benefit payments/refunds of contributions	(650,809)	(471,824)	(509,152)	(385,521)	(403,513)	(299,711)	(613,133)	N/A	N/A	N/A
Administrative expenses	(16,729)	(15,217)	(13,098)	(10,440)	(8,912)	(7,621)	(7,265)	N/A	N/A	N/A
Other	26,253	35,746	27,308	12,233	159,256	15,421	(8,021)	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	2,894,337	3,660,394	608,960	2,816,965	1,909,989	954,443	1,281,658	N/A	N/A	N/A
Fiduciary Net Position - Beginning	19,967,902	16,307,508	15,698,548	12,881,583	10,971,594	10,017,151	8,735,493	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending (b)	22,862,239	19,967,902	16,307,508	15,698,548	12,881,583	10,971,594	10,017,151	N/A	N/A	N/A
Net Pension (Asset)/Liability - Ending = (a)-(b)	\$ (2,009,563)	\$ (2,894,923)	\$ (1,486,515)	\$ (2,773,688)	\$ (1,850,010)	\$ (1,621,770)	\$ (1,766,197)	N/A	N/A	N/A
Fiduciary net position as a percentage of total pension liability/(assets)	109.64%	116.96%	110.03%	121.46%	116.77%	117.35%	121.41%	N/A	N/A	N/A
Pensionable covered payroll	\$ 15,973,153	\$ 15,730,801	\$ 14,657,155	\$ 13,874,942	\$ 13,069,941	\$ 12,479,471	\$ 11,948,185	N/A	N/A	N/A
Net pension (asset)/liability as a percentage of covered payroll	-12.58%	-18.40%	-10.14%	-19.99%	-14.15%	-13.00%	-14.78%	N/A	N/A	N/A

NOTE: 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 Statements Nos. 67 and 68, they should not be shown here. Therefore, information is presented for only the years for which the new GASB statements have been implemented.

Galveston County Health District

Texas County and District Retirement System - *Schedule of Employer Contributions*

Reporting Period: Fiscal Year Ended September 30, 2021

10 Years Period Ending September 30,	Actuarially Determined Contributions {1}	Employer Actual Contributions {1}	Contribution Deficiency/ (Excess)	Pensionable Covered Payroll {2}	Actual Contribution as a % of Covered Payroll
2021	\$376,079	\$376,079	\$0	\$16,737,284	2.25%
2020	347,644	347,644	0	15,730,801	2.21%
2019	327,756	327,756	0	14,962,017	2.19%
2018	355,405	355,405	0	14,515,712	2.45%
2017	354,346	354,346	0	13,770,402	2.57%
2016	441,863	441,853	0	13,118,255	3.37%
2015	478,634	478,634	0	12,337,624	3.88%
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A

^{1} TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS.

^{2} Payroll is calculated based on contributions as reported to TCDRS.

Galveston County Health District

Notes to the Schedule of Employer Contributions

Fiscal Year Ended September 30, 2021

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	16.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-years smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6 percent average over career including inflation
Investment Rate of Return	7.5%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods and in Plan Provisions Reflected in the Schedule of Employer Contributions*	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. 2019: New inflation, mortality and other assumptions were reflected.

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

Other Supplementary Information

Galveston County Health District

General Fund

Schedule of Revenues - Budget and Actual

Fiscal Year Ended September 30, 2021

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 2020

	Fiscal Year 2021				Fiscal Year 2020 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive/(Negative)	
	Original	Final			
REVENUES					
Program services:					
Public health	\$ 1,781,713	\$ 1,781,713	\$ 2,013,709	\$ 231,996	\$ 1,644,623
Public health, reimbursable	40,000	40,000	31,370	(8,630)	37,506
Animal services	660,573	660,573	599,923	(60,650)	588,485
Pollution control	150,879	150,879	151,324	445	153,677
Total program services revenues	<u>2,633,165</u>	<u>2,633,165</u>	<u>2,796,326</u>	<u>163,161</u>	<u>2,424,291</u>
Intergovernmental:					
Federal/State					
Public health, reimbursable	3,168,404	3,168,404	3,727,955	559,551	3,200,345
Pollution control	479,484	479,484	438,789	(40,695)	497,764
Total for intergovernmental - Federal and State	<u>3,647,888</u>	<u>3,647,888</u>	<u>4,166,744</u>	<u>518,856</u>	<u>3,698,109</u>
Local sources - Galveston County	7,221,649	7,221,649	7,221,649	-	7,214,818
Investment earnings	42,000	42,000	33,511	(8,489)	59,760
Total Revenues	<u>\$ 13,544,702</u>	<u>\$ 13,544,702</u>	<u>\$ 14,218,230</u>	<u>\$ 673,528</u>	<u>\$ 13,396,978</u>

Galveston County Health District

General Fund

Schedule of Expenditures - Budget and Actual

Fiscal Year Ended September 30, 2021

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 2020

	Fiscal Year 2021			Variance with Final Budget Positive/(Negative)	Fiscal Year 2020 Actual
	Budgeted Amounts		Actual		
	Original	Final			
EXPENDITURES					
Program services (public health):					
Personnel services	\$ 2,880,392	\$ 2,880,392	\$ 3,145,046	\$ (264,654)	\$ 2,784,444
Supplies	195,856	195,856	156,662	39,194	141,559
Contractual services	76,713	76,713	109,719	(33,006)	69,950
Other	805,290	805,290	814,110	(8,820)	744,169
Capital outlay	106,700	106,700	97,575	9,125	35,172
Total for public health	4,064,951	4,064,951	4,323,112	(258,161)	3,775,294
Public health, reimbursable:					
Personnel services	2,656,415	2,656,415	3,070,590	(414,175)	2,378,334
Supplies	61,162	61,162	162,286	(101,124)	130,776
Contractual services	156,678	156,678	132,036	24,642	356,105
Other	388,081	388,081	424,158	(36,077)	394,483
Capital outlay	33,000	33,000	45,092	(12,092)	57,680
Total for public health reimbursable	3,295,336	3,295,336	3,834,162	(538,826)	3,317,378
Animal services:					
Personnel services	950,834	950,834	822,561	128,273	814,308
Supplies	129,773	129,773	104,860	24,913	103,773
Contractual services	55,695	55,695	105,739	(50,044)	124,851
Other	267,797	267,797	264,040	3,757	271,963
Capital outlay	47,000	47,000	74,397	(27,397)	-
Total for animal services	1,451,099	1,451,099	1,371,597	79,502	1,314,895
Pollution control:					
Personnel services	775,579	775,579	726,537	49,042	711,317
Supplies	14,178	14,178	15,691	(1,513)	11,119
Contractual services	61,040	61,040	61,047	(7)	58,635
Other	127,955	127,955	110,227	17,728	117,716
Capital outlay	4,000	4,000	-	4,000	62,598
Total for pollution control	982,752	982,752	913,502	69,250	961,385
Total Expenditures	\$ 9,794,138	\$ 9,794,138	\$ 10,442,373	\$ (648,235)	\$ 9,368,952

Galveston County Health District

Coastal Health & Wellness Fund

Schedule of Revenues - Budget and Actual. GAAP Basis to Financial Status Report Basis Comparison

Fiscal Year Ended September 30, 2021

	<u>GAAP Basis</u>	<u>Donated Services</u>	<u>Balance per Financial Status Report</u>
REVENUES			
Program services	\$ 3,346,152	\$ -	\$ 3,346,152
Intergovernmental:			
Federal/State	4,724,385	-	4,724,385
Local	22,535	-	22,535
Investment earnings	51,055	-	51,055
Total revenues	<u>8,144,127</u>	<u>-</u>	<u>8,144,127</u>
EXPENDITURES			
Patient services:			
Personnel services	7,090,714	-	7,090,714
Supplies	835,475	-	835,475
Contracted services	1,216,435	-	1,216,435
Other	1,209,626	-	1,209,626
Capital outlay	14,769	-	14,769
Total expenditures	<u>10,367,019</u>	<u>-</u>	<u>10,367,019</u>
Deficiency of revenues over expenditures	<u>(2,222,892)</u>	<u>-</u>	<u>(2,222,892)</u>
OTHER FINANCING SOURCES			
Transfers in	3,734,667	-	3,734,667
Proceeds from sale of capital assets	2,121	-	2,121
Total other financing sources	<u>3,736,788</u>	<u>-</u>	<u>3,736,788</u>
Net change in fund balance	1,513,896	-	1,513,896
FUND BALANCE, BEGINNING OF YEAR	<u>6,426,700</u>	<u>-</u>	<u>6,439,438</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,940,596</u>	<u>\$ -</u>	<u>\$ 7,953,334</u>