

**Galveston County**  
**Health District**

**GALVESTON COUNTY, TEXAS**

***FINANCIAL REPORT***

**September 30, 2010**



# **GALVESTON COUNTY HEALTH DISTRICT**

## **ANNUAL FINANCIAL REPORT**

**Year Ended September 30, 2010**

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## **Independent Auditors' Report**

To Galveston County United Board of Health  
Galveston County Coordinated Community Clinics  
Governing Board  
Galveston County Health District

We have audited the accompanying financial statements of the governmental activities and each major fund of Galveston County Health District (the "District"), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Galveston County Health District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Galveston County Health District, as of September 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2011, on our consideration of Galveston County Health 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and the budgetary comparison information and pension information on pages 40 through 44 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 historic 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Galveston County Health District's financial statements taken as a whole. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Sugar Land & Co.", is written in a cursive style.

Sugar Land, Texas  
January 7, 2011

## Management's Discussion and Analysis

As management of Galveston County Health District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2010.

### **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$7,926,841 (net assets).
- As of September 30, 2010, the District's governmental funds reported an ending fund balance of \$6,439,738.
- The District's cash and investments balance at September 30, 2010 was \$6,284,111, representing an increase of \$1,135,184 from September 30, 2009.
- The District had expenses net of program revenue of \$7,941,723 and general revenues of \$8,012,148 resulting in a net increase in net assets of \$70,425 for the year ended September 30, 2010.
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$1,650,583, or 17.8 percent of total General Fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 15-17 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. The funds of the District consist solely of governmental funds (the General Fund and Special Revenue Funds).

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the 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 financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 15 through 22 of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 37 of this report.

## **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund and Major Special Revenue Funds budgets and pension data. Required supplementary information can be found on pages 40 through 44 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,926,841 as of September 30, 2010.

The largest portion of the District's net assets (40.9 percent) represents unrestricted financial resources available for future operations.

A portion of the District's net assets reflects its investment in capital assets, (e.g. land, buildings, vehicles, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the District's net assets (33.8 percent) represents resources that are subject to restrictions on how they may be used.

**SUMMARY OF STATEMENT OF NET ASSETS**  
**As of September 30, 2010 and 2009**  
**(amounts expressed in thousands)**

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 9,909	\$ 10,500
Capital assets, net	2,342	2,024
<b>Total Assets</b>	<b>12,251</b>	<b>12,524</b>
Long-term liabilities	665	520
Other liabilities	3,659	4,148
<b>Total Liabilities</b>	<b>4,324</b>	<b>4,668</b>
Net Assets:		
Invested in capital assets, net of debt	2,005	1,899
Restricted	2,675	2,191
Unrestricted	3,247	3,766
<b>Total Net Assets</b>	<b>\$ 7,927</b>	<b>\$ 7,856</b>

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

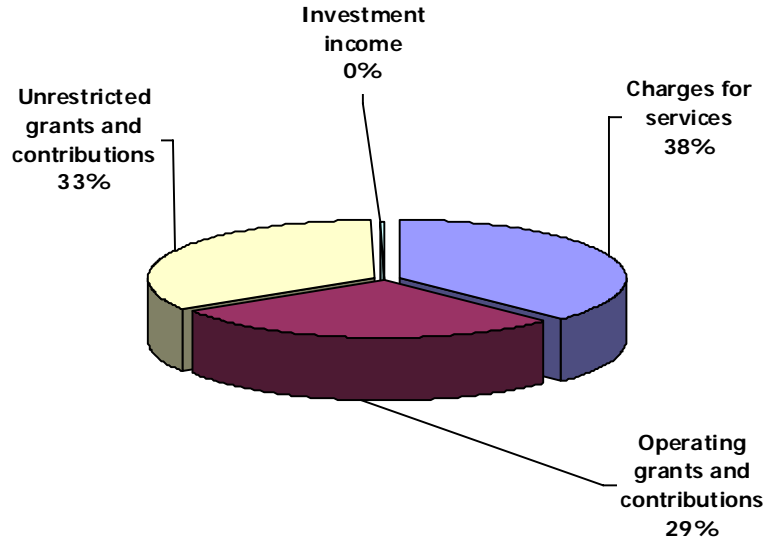
Net assets of the District, all of which relate to governmental activities, increased by \$70,425. Key elements of the increase are as follows:

**CHANGES IN NET ASSETS**  
**For the Fiscal Years Ended September 30, 2010 and 2009**  
**(amounts expressed in thousands)**

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 8,913	\$ 8,576
Operating grants and contributions	6,809	6,060
General revenues:		
Unrestricted grants and contributions	7,917	7,853
Investment income	95	175
<b>Total Revenues</b>	<b>23,734</b>	<b>22,664</b>
<b>Expenses</b>		
Public Health	3,758	3,479
Public Health Reimbursable	4,133	2,880
Animal Services	783	847
Pollution Control	867	801
Patient Services	8,351	7,266
Ambulance Services	5,762	5,374
Interest on long-term debt	9	12
<b>Total Expenses</b>	<b>23,663</b>	<b>20,659</b>
<b>Change in Net Assets</b>	<b>71</b>	<b>2,005</b>
Net assets, beginning	7,856	5,851
<b>Net Assets, Ending</b>	<b>\$ 7,927</b>	<b>\$ 7,856</b>

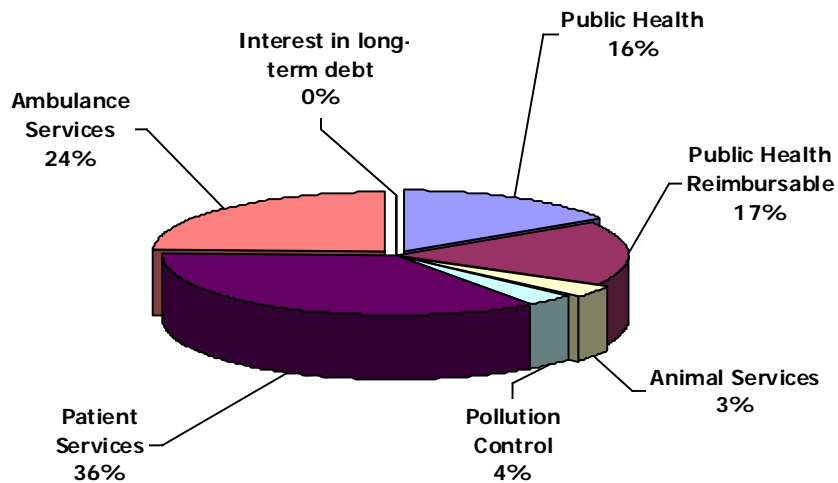
Graphic presentations of selected data from the changes in net assets table follow to assist in the analysis of the District's activities.

### GOVERNMENTAL REVENUES



For the fiscal year ended September 30, 2010 revenue from governmental activities totaled \$23,733,811.

### GOVERNMENTAL FUNCTIONAL EXPENSES



For the fiscal year ended September 30, 2010 expenses from governmental activities totaled \$23,663,386, the largest portions of which related to patient services and ambulance services.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental funds are discussed below:

**Governmental Funds** - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of September 30, 2010, the District's governmental funds, which consist of a general fund and special revenues funds, reported an ending fund balance of \$6,439,738, which is a decrease of \$67,798 from last year's total of \$6,507,536. The General Fund, the District's main operating fund, had an ending fund balance of \$2,918,731, a \$107,788 decrease from the prior year. The decrease was mainly due to more transfers out to the 4C's fund than the previous fiscal year. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 17.8 percent of total general fund expenditures. The three Special Revenue funds reported an ending fund balance of \$3,521,007, of which \$638,161 is reserved for 4C's clinic expenditures and \$1,373,247 is designated for the 4C's operating reserves.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's final 2010 General Fund budget estimated revenues of \$12.6 million. The actual realized revenues for this period were \$612,638, or 4.9%, higher than what had been budgeted for this year. General Fund revenues during this period were higher primarily due to increased grant revenues.

General Fund operating expenditures and other financing uses in 2010 were budgeted at \$12.6 million, and actual expenditures and other financing uses incurred at September 30, 2010 were \$720,426, or 5.7% higher than what had been projected for this year. Public Health Services expenditures were \$202,656 higher than budgeted in FY10 due primarily to Board approved costs from fund balance reserve associated with IT upgrades totaling \$86,978 and salary payouts of \$110,601 for merit compensation and vacation accruals. Grant funded expenditures also exceeded what had been budgeted for this fiscal year by \$643,054, but were offset by additional Public Health Preparedness funding received during this period. Transfers from the General Fund to the 4C's Clinic for primary care costs were \$102,931 lower in comparison to budget. Animal Services revenues and expenditures were lower than budgeted by \$10,380 and \$38,128 respectively; while Pollution Control expenditures and revenues were in line with budgeted projections at the end of this year.

In total, General Fund expenditures exceeded revenues by \$107,788 as of September 30, 2010; thereby decreasing the fund balance for this period by the same amount.

On September 29, 2010, the United Board of Health designated that \$2.4 million of the fund balance be reserved as follows: \$735 thousand for 4C's Clinic construction/renovations; \$260 thousand for IT equipment/software; \$200 thousand for public health emergencies; and \$1.2 million as an operating reserve.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** - The District's investment in capital assets as of September 30, 2010 amounts to \$2,342,466 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, furniture and equipment, and vehicles.

### CAPITAL ASSETS SCHEDULE

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Buildings and improvements	\$ 363,253	\$ 330,490
Furniture and equipment	2,065,393	1,512,375
Vehicles	1,885,964	1,826,546
Less: accumulated depreciation	(1,972,144)	(1,645,129)
<b>Total Capital Assets, Net</b>	<b>\$ 2,342,466</b>	<b>\$ 2,024,282</b>

Additional information on the District's capital assets can found in Note 5 in the notes to financial statements.

## LONG-TERM DEBT

At the end of the current fiscal year, the District had total notes payable and compensated absences of \$838,958.

### SCHEDULE OF LONG-TERM DEBT

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Notes payable	\$ 320,781	\$ 125,051
Compensated absences	518,177	550,351
<b>Total</b>	<b>\$ 838,958</b>	<b>\$ 675,402</b>

Additional information on the District's long-term debt can be found in Note 6 in the notes to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is currently operating under its fiscal year 2011 budget, which was adopted and passed by its respective Boards in accordance with state and federal guidelines. The following

schedule outlines a comparison of the fiscal year 2010 budget and fiscal year 2011 budget for both estimated revenues and appropriations (amounts expressed in thousands):

<u>Fund</u>	<u>Year Ending September 30,</u>		<u>Increase (Decrease)</u>
	<u>2011</u>	<u>2010</u>	
<b>General Fund</b>			
Revenue	\$ 12,442	\$ 12,615	\$ (173)
Expenditures and transfers	12,442	12,615	(173)
<b>Galveston County Coordinated Community Clinics</b>			
Revenue and transfers	8,271	8,003	268
Expenditures	8,271	8,003	268
<b>Galveston Area Ambulance Authority</b>			
Revenue	5,992	5,522	470
Expenditures	5,992	6,334	(342)

**General Fund** - In comparison to last year, the FY2011 General Fund budget decreased by \$173,000 or 1.38%. Although grant revenues were projected to remain relatively level from last year, vital statistic revenues and interest income were projected to decrease from last year. In addition, County funding was reduced by \$224,800 or 3.25% from last year. The budget for this year also included increases in revenue for food service and septic tank permits, which were projected to increase by \$60,000 and \$18,000 respectively from last year. Revenues from Water Pollution monitoring contracts and potable water sampling were also budgeted at higher rates due to an FY2011 rate increase for these services.

**4C's Clinic** - The 4C's Clinic budget increased by \$268,000 or 3.35% from last year. Budgeted revenues this year included additional HRSA funding of \$232,000 to continue Saturday clinic services that had previously been funded through the American Recovery and Reinvestment Act (ARRA). Funding this year also included previous Board approved reserve of \$137,698 to fund temporary personnel costs related to the Electronic Health and Dental record (EHR & EDR) system rollouts. Budgeted revenue reductions included a decrease in County funding of \$104,490 from last year; while other revenue sources, such as Title V grant funding and interest income were also budgeted at lower levels than the previous year.

**Galveston Area Ambulance Authority (GAAA)** - In comparison to last year, GAAA revenues for fiscal year 2011 were budgeted \$470,000 or 8.52% higher than last year. Projected revenues from fees were based on the current payer mix and projected call volumes. Although call volumes were projected to decrease slightly for the Galveston 911, Hitchcock 911, and the Mainland Transfer service areas, the Bayshore 911 and Galveston Transfer service call volumes were projected to increase by 8.6% and 147% respectively; thereby, significantly increasing budgeted revenue estimates for this fiscal year. County and City contributions for EMS services remained at previous year funding levels for all sites with the exception of the Bolivar location. Funding was reduced from last year for the Bolivar site due to a change in service requirements

that became effective 3/1/10.

**Expenditures** - In comparison to last year, expenditures for the General Fund and Galveston Area Ambulance Authority (GAAA) were budgeted lower than the previous year; while, expenditures for the 4C's Clinic were expected to increase in FY2011. In the General Fund, salary and benefit costs were budgeted at FY10 levels and included no new positions, salary increases or cost of living adjustments. Equipment costs included \$162,499 for two trailers and 20 handheld radios funded through Public Health Preparedness funding. Additionally, other operating expenditures were reduced or budgeted at FY10 operating levels in order to operate within projected funding limits during this period.

In the 4C's Clinic, operating expenditures included increases in miscellaneous contract services and computer maintenance and repair costs associated with the implementation of the new clinic management, electronic health record and dental record systems. Personnel costs included no cost of living increases; however, market-based adjustments for some nurses and all dental receptionists/assistant salaries were included in this budget in order to recruit qualified staff. Other 4C's expenditures were budgeted at previous year operating levels or as near as possible in order to operate within budgeted limits set during this period.

The Galveston Area Ambulance Authority (GAAA) budget included one new position (a part-time dispatcher for the non-emergency transfer service). All other positions were budgeted at current salary levels for all sites. Capital equipment expenditures included the replacement of (1) Type I ambulance and power stretcher for the Hitchcock service, and (1) Type II ambulance and power stretcher for the Galveston Transfer service. In addition, (3) AED monitors were also budgeted for the Hitchcock, Bacliff and Bolivar locations.

The District has added no major new programs or initiatives to the 2011 budget, and anticipates that all fund balances will remain level or potentially be increased by the end of fiscal year 2011 if budget estimates are realized.

## **REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of Galveston County Health District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Galveston County Health District: Kathy Barroso, Chief Financial Officer, P.O. Box 939, La Marque, Texas 77568.

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## **BASIC FINANCIAL STATEMENTS**

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# GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-1

## STATEMENT OF NET ASSETS

September 30, 2010

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 6,192,863
Investments	91,248
Receivables:	
Federal	641,046
State	98,526
Due from other governments	822,149
Due from Galveston County	1,782,345
Prepaid expenses	223,082
Inventories	57,856
Capital assets, net of accumulated depreciation:	
Buildings and improvements	228,464
Furniture and equipment	1,034,544
Vehicles	1,079,458
<b>Total Assets</b>	<u>12,251,581</u>
<b><u>Liabilities</u></b>	
Accounts payable and other current liabilities	1,161,406
Unearned revenue	2,110,821
Due to other governments	213,555
Noncurrent liabilities:	
Due within one year	173,961
Due in more than one year	664,997
<b>Total Liabilities</b>	<u>4,324,740</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	2,005,280
Restricted for:	
Clinic operations	2,675,207
Unrestricted	3,246,354
<b>Total Net Assets</b>	<u>\$ 7,926,841</u>

# GALVESTON COUNTY HEALTH DISTRICT

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2010

Functions/Programs	Expenses	Program
		Charges for Services
<b>Governmental Activities:</b>		
Public health	\$ 3,757,854	\$ 1,560,827
Public health reimbursable	4,133,325	411,093
Animal services	782,554	460,593
Pollution control	867,525	120,273
Patient services	8,350,954	1,567,877
Ambulance services	5,761,811	4,792,535
Interest on long term debt	9,363	
<b>Total Governmental Activities</b>	<b>\$ 23,663,386</b>	<b>\$ 8,913,198</b>
<b>General Revenues:</b>		
Grants and contributions not restricted to specific programs		
Investment income		
<b>Total General Revenues</b>		
<b>Change in Net Assets</b>		
Net Assets - beginning		
<b>Net Assets - Ending</b>		

<u>Revenues</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
<u>Operating Grants and Contributions</u>	<u>Governmental Activities (Total)</u>
\$	\$
	(2,197,027)
3,696,536	(25,696)
	(321,961)
414,055	(333,197)
2,646,213	(4,136,864)
51,661	(917,615)
	(9,363)
<u>\$ 6,808,465</u>	<u>\$ (7,941,723)</u>

7,917,062
95,086
<u>8,012,148</u>
70,425
7,856,416
<u>\$ 7,926,841</u>

# GALVESTON COUNTY HEALTH DISTRICT

## BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2010

	<u>General</u>	<u>Galveston County Coordinated Community Clinics</u>	<u>Galveston Area Ambulance Authority</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 2,496,869	\$ 2,011,390	\$ 1,684,604
Investments	25,082	20,348	45,818
Receivables:			
Federal	641,046		
State	98,526		
Other	94,169	159,248	568,425
Due from other funds	10,582	42,528	
Due from Galveston County	1,782,345		
Prepaid items	51,074	166,611	21,802
Inventories	32,429	25,427	
<b>Total Assets</b>	<b><u>\$ 5,232,122</u></b>	<b><u>\$ 2,425,552</u></b>	<b><u>\$ 2,320,649</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	\$ 385,217	\$ 399,144	\$ 322,586
Deferred revenue	1,608,397	15,000	487,424
Due to other funds	106,222		10,582
Due to other governments	213,555		
<b>Total Liabilities</b>	<b><u>2,313,391</u></b>	<b><u>414,144</u></b>	<b><u>820,592</u></b>
<b><u>Fund Balances</u></b>			
Fund Balances:			
Reserved for:			
Inventories	32,429	25,427	
Prepaid items	51,074	166,611	21,802
Public health emergencies	200,000		
Salary reserve		40,173	
Equipment/software	250,131	405,950	
4C's clinic operations/renovations	734,514		
Unreserved:			
Designated, operating reserves	1,200,000	1,373,247	
Designated, clinic renovations			
Undesignated	450,583		1,478,255
<b>Total Fund Balances</b>	<b><u>2,918,731</u></b>	<b><u>2,011,408</u></b>	<b><u>1,500,057</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 5,232,122</u></b>	<b><u>\$ 2,425,552</u></b>	<b><u>\$ 2,320,649</u></b>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Note payments paid in advance are recorded as prepaid expenditures in the governmental funds. However, in the statement of net assets, these payments reduce the liability.

Long-term liabilities, including notes payable (\$320,781) and accrued compensated absences (\$518,177) are not due and payable in the current period and are therefore not reported in the funds.

### **Net Assets of Governmental Activities**

See Notes to Financial Statements.

<u>Other Grants</u>	<u>Total Governmental Funds</u>
\$	\$ 6,192,863
	91,248
	641,046
	98,526
307	822,149
63,694	116,804
	1,782,345
	239,487
	57,856
<u>\$ 64,001</u>	<u>\$ 10,042,324</u>

\$ 54,459	\$ 1,161,406
	2,110,821
	116,804
	213,555
<u>54,459</u>	<u>3,602,586</u>

	57,856
	239,487
	200,000
	40,173
	656,081
	734,514
	2,573,247
<u>9,542</u>	<u>1,938,380</u>
<u>9,542</u>	<u>6,439,738</u>
<u>\$ 64,001</u>	

	2,342,466
	(16,405)
	(838,958)
<u>\$</u>	<u>7,926,841</u>

# GALVESTON COUNTY HEALTH DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2010

	<u>General</u>	<u>Galveston County Coordinated Community Clinics</u>	<u>Galveston Area Ambulance Authority</u>
<b>Revenues</b>			
Program services	\$ 2,141,693	\$ 1,567,877	\$ 3,920,119
Intergovernmental			
Federal/state	4,110,591	2,618,713	45,272
Local	6,937,720	27,500	1,858,147
Investment earnings	38,116	33,858	23,112
<b>Total Revenues</b>	<u>13,228,120</u>	<u>4,247,948</u>	<u>5,846,650</u>
<b>Expenditures</b>			
<b>Current:</b>			
Public health	3,720,672		
Public health reimbursable	3,585,903		
Animal services	757,151		
Pollution control	846,651		
Patient services	124,392	8,121,030	
Ambulance services			5,464,973
<b>Debt Service:</b>			
Principal retirement	4,888	6,843	138,724
Interest and fiscal charges	35	50	9,278
<b>Capital Outlay</b>	<u>207,879</u>	<u>387,697</u>	<u>384,550</u>
<b>Total Expenditures</b>	<u>9,247,571</u>	<u>8,515,620</u>	<u>5,997,525</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>			
	<u>3,980,549</u>	<u>(4,267,672)</u>	<u>(150,875)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from long-term debt			367,425
Transfers in		4,088,337	
Transfers (out)	(4,088,337)		
<b>Total Other Financing Sources (Uses)</b>	<u>(4,088,337)</u>	<u>4,088,337</u>	<u>367,425</u>
<b>Net Change in Fund Balance</b>	(107,788)	(179,335)	216,550
Fund balances - Beginning	3,026,519	2,190,743	1,283,507
<b>Fund Balances - Ending</b>	<u>\$ 2,918,731</u>	<u>\$ 2,011,408</u>	<u>\$ 1,500,057</u>

<u>Other Grants</u>	<u>Total Governmental Funds</u>
\$ 411,093	\$ 8,040,782
	6,774,576
	8,823,367
	95,086
<u>411,093</u>	<u>23,733,811</u>
	3,720,672
408,318	3,994,221
	757,151
	846,651
	8,245,422
	5,464,973
	150,455
	9,363
	980,126
<u>408,318</u>	<u>24,169,034</u>
<u>2,775</u>	<u>(435,223)</u>
	367,425
	4,088,337
	(4,088,337)
	367,425
2,775	(67,798)
<u>6,767</u>	<u>6,507,536</u>
<u>\$ 9,542</u>	<u>\$ 6,439,738</u>

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-5

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2010

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

Net change in fund balances - total governmental funds	\$ (67,798)
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$980,126) exceeded depreciation (\$661,942) in the current period.	318,184
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount by which proceeds of \$367,425 exceeded repayments of \$155,290.	(212,135)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This adjustment reflects the net change in accrued compensated absences.	<u>32,174</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 70,425</u></u>

# **GALVESTON COUNTY HEALTH DISTRICT**

**Exhibit A-6**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - ORGANIZATION AND OPERATIONS**

The structure and operation of the Galveston County Health District (the "District") is governed by Subtitle E, Health and Safety Code, Chapter 121 Local Public Health Reorganization Act. This law provides for the formation, structure and operation of the District. The District was formed by a contractual arrangement between the County of Galveston and the Cities within the County. This contract provides for an Administrative Board (Galveston County United Board of Health) that sets policy and associated operating budget(s) for the public health, pollution control, animal services and ambulance services operated by the District. The Board of Health has delegated to the Galveston County Coordinated Community Clinics' (4C's) Governing Board the operational responsibility for health care that is provided through the community health center's medical and dental clinics.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the District conform with accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments that include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The following is a summary of the most significant policies:

#### **A. Reporting Entity**

These financial statements contain all the operations and activities of the Galveston County Health District, the Galveston County Coordinated Community Clinics and the Galveston Area Ambulance Authority. A 13-member board is nominated by the Commissioners Court of Galveston County, Texas and approved by a majority of the member governments; this board governs the District. These financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations or functions have been included in the District's financial reporting entity. The District is considered a component unit of Galveston County, Texas. Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by accounting principles generally accepted in the United States of America. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is its fiscal dependency on the County.

# **GALVESTON COUNTY HEALTH DISTRICT**

**Exhibit A-6**

## **NOTES TO FINANCIAL STATEMENTS**

### **B. Basis of Accounting/Measurement Focus**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

### **C. Government-wide Financial Statements**

The District Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Type Activities for the District.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in two categories: 1) charges for services and 2) operating grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

### **D. Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-wide financial statements. The District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

## NOTES TO FINANCIAL STATEMENTS

the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

### **E. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when the District receives cash.

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

The *Galveston County Coordinated Community Clinics Fund* ("4 Cs") is used to account for the operations of two community clinics throughout Galveston County. The principal sources of revenues for this fund are Federal and Local grants, program revenues from Galveston County, and charges for patient services. Expenditures relate to the costs of providing medical and dental outpatient services at the clinics.

The *Galveston Area Ambulance Authority Fund* ("GAAA") accounts for the contract operations of emergency medical services and medical transport services programs. Principal Revenues consist of charges for services.

# **GALVESTON COUNTY HEALTH DISTRICT**

**Exhibit A-6**

## **NOTES TO FINANCIAL STATEMENTS**

Additionally, the District reports the following non-major governmental fund type:

The *Other Grants and Programs Fund* accounts for grants and programs not associated specifically with clinic or ambulance services and operations. The grants and programs are expenditure driven in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

### **F. Assets, Liabilities and Net Assets or Equity**

#### **Cash and Investments**

Cash and cash equivalents include amounts in demand deposits and various petty cash funds used in daily operations of the District. Investments represent amounts held in TexPool accounts.

#### **Inventory**

Inventory consists of pharmaceuticals and office supplies and is reported at original cost.

#### **Property and Equipment**

Capital assets, which include building and improvements, equipment and vehicles are reported in the governmental activities column, in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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 is not capitalized. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

## NOTES TO FINANCIAL STATEMENTS

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	15 years
Furniture and equipment	3 - 10 years
Vehicles	7 years

### Compensated Absences

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

### Long-term Obligations

In the government-wide financial statements long term debt for capital lease obligations are reported as liabilities in the governmental activities statement of net assets.

### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

### **G. Date of Management's Review**

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 7, 2011, the date that the financial statements were available to be issued.

### **H. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 - CASH AND INVESTMENTS

#### Deposit Custodial Credit Risk

Custodial credit risk *as it applies to cash* is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with *financial* institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. 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.

The deposits are included as part of Galveston County's depository contract with the financial institution. Under the terms of the depository agreement, the deposits are to be covered by federal depository insurance or pledged security held by the County's agent in the County's name.

#### 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.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest. As of September 30, 2010, the District's investments consisted of 100% TexPool.

#### TexPool

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

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

## NOTES TO FINANCIAL STATEMENTS

relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC'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 4 - RECEIVABLES

At September 30, 2010 accounts receivable consisted of the following:

	<u>General</u>	<u>Galveston County Coordinated Community Clinics</u>	<u>Galveston Area Ambulance Authority</u>	<u>Other Grants</u>
<b>Federal:</b>				
Reimbursement of expenditures under federal grants	<u>\$ 641,046</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>State:</b>				
Reimbursement of expenditures under state grants	<u>\$ 98,526</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Other:</b>				
Patient or program fees	<u>\$ 94,169</u>	<u>\$ 159,248</u>	<u>\$ 568,425</u>	<u>\$ 307</u>

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2010:

	<u>Balance</u> <u>Oct. 1, 2009</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance</u> <u>Sept. 30, 2010</u>
<b>Governmental Activities:</b>				
Buildings and improvements	330,490	41,933	(9,170)	363,253
Furniture and equipment	1,512,375	578,068	(25,050)	2,065,393
Vehicles	1,826,546	360,125	(300,707)	1,885,964
Total cost	<u>3,669,411</u>	<u>980,126</u>	<u>(334,927)</u>	<u>4,314,610</u>
Less accumulated depreciation for:				
Buildings and improvements	(77,924)	(66,035)	9,170	(134,789)
Furniture and equipment	(762,606)	(293,292)	25,050	(1,030,848)
Vehicles	(804,599)	(302,615)	300,707	(806,507)
Total accumulated depreciation	<u>(1,645,129)</u>	<u>(661,942)</u>	<u>334,927</u>	<u>(1,972,144)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 2,024,282</u>	<u>\$ 318,184</u>	<u>\$</u>	<u>\$ 2,342,466</u>

Depreciation was charged to functions of the District as follows:

<b>Function:</b>	
Public health	\$ 47,212
Public health-reimbursable	144,696
Animal services	26,460
Pollution control	22,056
Clinic	117,047
GAAA	304,471
<b>Total Depreciation Expense</b>	<u>\$ 661,942</u>

### NOTE 6 - LONG-TERM DEBT

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2010, was as follows:

	<u>Balance</u> <u>October 1,</u> <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30,</u> <u>2010</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Notes payable	125,051	367,425	(171,695)	320,781	123,961
Compensated absences	550,351		(32,174)	518,177	50,000
<b>Total</b>	<u>\$ 675,402</u>	<u>\$ 367,425</u>	<u>\$ (203,869)</u>	<u>\$ 838,958</u>	<u>\$ 173,961</u>

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

## NOTES TO FINANCIAL STATEMENTS

Notes payable at September 30, 2010 consist of the following:

Note payable bearing interest at 6.25%, collateralized by equipment, payable in monthly installments of \$1,997, maturing July 2011.	\$ 17,557
Note payable bearing interest at 5.0%, collateralized by ambulance, payable in monthly installments of \$4,620, maturing December 2011.	62,697
Note payable bearing interest at 5.0%, collateralized by ambulance, payable in monthly installments of \$4,700, maturing May 2012.	85,527
Note payable bearing interest at 1.75%, with unforgiven balance due September 30, 2014.	155,000
	\$ 320,781

Maturities on the notes payable are as follows:

Year	Amount
2010	\$ 132,939
2011	50,636
2012	
2013	
2014	155,000
	\$ 338,575

Accrued compensated absences represent vacation and compensatory time off earned by District, Clinic 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 the employees' termination or retirement. No accrued compensated absences have been recorded for General Fund (County) employees, nor has any liability been recorded for accrued sick leave which is payable to County employees at a reduced rate only upon retirement.

### NOTE 7 - INTERFUND TRANSACTIONS

Interfund balances due to/from as of September 30, 2010 are as follows:

Receivable Fund	Payable Fund	Amounts
Galveston County Coordinated		
Community Clinics Fund	General Fund	\$ 42,528
General Fund	Galveston Area Ambulance Fund	10,582
Other Grants Fund	General Fund	63,694
		\$ 116,804

# **GALVESTON COUNTY HEALTH DISTRICT**

**Exhibit A-6**

## **NOTES TO FINANCIAL STATEMENTS**

The outstanding balances between funds primarily result from the time lag between the dates that 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.

### **NOTE 8 - EMPLOYEE RETIREMENT PLANS**

Galveston County Health District personnel are divided into four groups for retirement plan purposes. The following is a discussion of the three different defined contribution plans and a description of the personnel covered by each plan.

#### **Defined Contribution Plan - County**

The District (through Galveston County, Texas) provides pension benefits for a portion of its full-time employees on Galveston County payroll through a defined contribution plan in the state-wide Texas County and District Retirement System (TCDRS), an agent multiple employee public employment retirement system.

Under the state law governing TCDRS, the County contributes a fixed rate of 7% on each member employee. The County is also required to contribute 11.65% for each employee under the alternate plan. During the year ended September 30, 2010, the District made the required contributions of \$121,759.

#### **TCDRS Defined Benefit Plan**

Effective July 1, 2008, the District converted to a non-traditional defined benefit plan in the state-wide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system, consisting of 602 nontraditional defined benefit pension plans. TCDRS issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available, upon written request, from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034 or online at [www.tcdrs.org](http://www.tcdrs.org).

The 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 8 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 8 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

# **GALVESTON COUNTY HEALTH DISTRICT**

**Exhibit A-6**

## **NOTES TO FINANCIAL STATEMENTS**

employer's commitments to contribute. At retirement, disability or death, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates, as prescribed by the TCDRS Act.

### **Funding Policy**

The employer 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. Under the TCDRS Act, the contribution rate of the employer was 4.52% and the contribution rate for employees was 7%, as adopted by the governing body of the employer. The contribution rate of the employer is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception or when benefit increases were adopted was limited by the TCDRS Act to what the actuary determined could be adequately financed by the commitment of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer with options available in the TCDRS ACT.

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.

### **Annual Pension Cost**

The required contribution was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2009 included a) 8.0 percent investment rate of return (net of administrative expenses), and b) projected salary increases of 5.4 percent. Both a) and b) included an inflation component of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was 20 years.

### **Funded Status and Funding Progress**

As of December 31, 2009, the most recent actuarial valuation date, the plan was 73.45% funded. The actuarial accrued liability for benefits was \$2,694,629, and the actuarial value of assets was \$1,979,155, resulting in an unfunded actuarial accrued liability (UAAL) of \$715,474. The covered payroll (annual payroll of active employees covered by the plan) was \$11,657,875, and the ratio of the UAAL to the covered payroll was 6.14%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# **GALVESTON COUNTY HEALTH DISTRICT**

**Exhibit A-6**

## **NOTES TO FINANCIAL STATEMENTS**

### **Deferred Compensation Plan**

In addition, the District makes available a deferred compensation plan under Internal Revenue Code Section 457. The plan was effective April 1, 2000 and is available to employees of the General Fund, 4C's clinic and GAAA. 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 \$16,500 into the plan.

### **NOTE 9 - OPERATING LEASES**

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

#### **Mainland Children's Partnership, Inc.**

The District entered into a ten year lease for the Texas City 4C's medical and dental clinic commencing September 1, 2006. The lease provides for an option to renew for an additional 5 years. Minimum lease payments are \$26,561 per month.

The District entered into a one year lease for the Women's Infants and Children's program commencing July 25, 2010 and terminating on August 31, 2011. The lease provides for an option to renew the lease three times with a 60-day advance notice. Minimum lease payments are \$3,234 per month.

#### **Galveston Housing Authority**

The District entered into a month to month lease to lease space at the Island Community Center to operate various public health functions. The lease commenced on December 1, 2008. Minimum lease payments are \$11,475 per month.

The District entered into a five year lease to lease space at the Island Community Center to operate the Galveston 4C's medical and dental clinic. The lease commenced on August 1, 2006 and will terminate on July 31, 2011. Minimum lease payments are \$14,161 per month.

The District entered into a five year lease to lease space at the Island Community Center to operate the Women's, Infant's and Children's program. The lease commenced on April 1, 2007 and will expire March 31, 2012. Minimum lease payments are \$1,882 per month.

#### **EETCO Texas General Partnership**

The District entered into a five year lease to lease space for the Immunization and Women's, Infant's and Children's program at 905 Pine Drive in Dickinson, Texas. The lease commenced on

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

## NOTES TO FINANCIAL STATEMENTS

March 1, 2004 and terminated on January 31, 2010. Minimum lease payments were \$3,846 per month. Services at this location were relocated to the Gulf Freeway site.

### Dixie Partners

The District entered into a ten year lease to lease space for the Immunization and Women's, Infant's and Children's program at a new location on the Gulf Freeway in Dickinson, Texas. The lease commenced on April 23, 2009 and will expire on April 23, 2019. Minimum lease payments are \$5,000 per month for years one through five and \$5,500 per month in years six through ten. Additional monthly escrow payments of \$1,023 per month are also required as part of the lease agreement to cover taxes, insurance and maintenance costs.

### Bacliff VFD

The District entered into a lease agreement with the Bacliff Volunteer Fire Department to lease space for the emergency medical services. Minimum lease payments are \$1,000 per month. The lease commenced on October 1, 2008 and is set to automatically renew each year. The District has the right to terminate the lease agreement at any time by furnishing a 120 day written notice.

### Hitchcock VFD

The District entered into a one year memorandum of agreement with the Hitchcock Volunteer Fire Department effective September 1, 2010 to house (1) 24 hour 911 ambulance and crew and (1) 12 hour non-emergency ambulance and crew at a cost of \$650 per month. The agreement may be terminated by either party by furnishing a thirty day written notice. The agreement may also be amended and/or extended at any time by mutual written agreement of both parties.

The District incurred lease expenditures of \$781,141 and \$752,917 during the years ended September 30, 2010 and September 30, 2009, respectively.

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

<u>Year</u>	<u>Minimum Lease Payments</u>
2011	\$ 775,948
2012	414,300
2013	403,008
2014	403,008
	<u>\$ 1,996,264</u>

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10 - 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 program encompasses various means of protecting the District against loss by obtaining property, casualty and liability coverage through commercial insurance carriers and from participation in a risk pool. The participation of the District in the risk pool is limited to the payment of premiums. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

### NOTE 11 - RESERVED FUND BALANCE

The District has reserved/designated General Fund and Galveston County Coordinated Community Clinic Fund equity at September 30, 2010, for the following purposes:

	<u>General</u>	<u>Galveston County Coordinated Community Clinics</u>
<b>Reserved:</b>		
Inventories	\$ 32,429	\$ 25,427
Prepaid items	51,074	166,611
IT Infrastructure/software upgrades	250,131	5,950
Public health emergencies	200,000	
4C's Construction Reimbursement	541,014	
Salary reserve		40,173
4C's clinic renovations	193,500	
Electronic Medical Record System and Pharmacy Perpetual Inventory System		350,000
Medical/dental equipment		50,000
<b>Total Reserved Fund Balance</b>	<u>\$ 1,268,148</u>	<u>\$ 638,161</u>
<b>Designated:</b>		
Operating reserves	\$ 1,200,000	\$ 1,373,247
<b>Total Designated Fund Balance</b>	<u>\$ 1,200,000</u>	<u>\$ 1,373,247</u>

### NOTE 12 - CONCENTRATIONS

Generally Accepted Accounting Principles require disclosure of concentrations in the volume of business transacted with a particular customer, supplier, lender, grantor, or contributor that

# **GALVESTON COUNTY HEALTH DISTRICT**

**Exhibit A-6**

## **NOTES TO FINANCIAL STATEMENTS**

meet certain criteria. The following concentrations with particular customers existed at the financial statement dates:

### **Galveston County**

Approximately 33 percent and 34 percent of the District's revenues for the years ended September 30, 2010 and September 30, 2009, respectively, were provided by Galveston County.

### **Federal Government**

Approximately 28 percent and 26 percent of the District's revenues for the years ended September 30, 2010 and September 30, 2009, respectively, were provided by the Federal Government.

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**REQUIRED SUPPLEMENTARY INFORMATION**

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit B-1

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Program services	\$ 2,090,935	\$ 2,090,935	\$ 2,141,693	\$ 50,758
Intergovernmental				
Federal/state	3,539,347	3,539,347	4,110,591	571,244
Local	6,915,200	6,915,200	6,937,720	22,520
Investment earnings	70,000	70,000	38,116	(31,884)
<b>Total Revenues</b>	<u>12,615,482</u>	<u>12,615,482</u>	<u>13,228,120</u>	<u>612,638</u>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
Public health	3,510,247	3,510,247	3,750,979	(240,732)
Public health reimbursable	3,151,031	3,151,031	3,751,085	(600,054)
Animal services	807,671	807,671	769,541	38,130
Pollution control	853,767	853,767	846,651	7,116
Patient services	101,498	101,498	124,392	(22,894)
<b>Debt Service:</b>				
Principal retirement			4,888	(4,888)
Interest and fiscal charges			35	(35)
<b>Total Expenditures</b>	<u>8,424,214</u>	<u>8,424,214</u>	<u>9,247,571</u>	<u>(823,357)</u>
<b>Excess of Revenues     Over Expenditures</b>	4,191,268	4,191,268	3,980,549	(210,719)
<b><u>Other Financing (Uses)</u></b>				
Transfers (out)	<u>(4,191,268)</u>	<u>(4,191,268)</u>	<u>(4,088,337)</u>	<u>102,931</u>
<b>Total Other Financing (Uses)</b>	<u>(4,191,268)</u>	<u>(4,191,268)</u>	<u>(4,088,337)</u>	<u>102,931</u>
<b>Net Change in Fund Balance</b>			(107,788)	(107,788)
Fund balances - Beginning	<u>3,026,519</u>	<u>3,026,519</u>	<u>3,026,519</u>	
<b>Fund Balances - Ending</b>	<u>\$ 3,026,519</u>	<u>\$ 3,026,519</u>	<u>\$ 2,918,731</u>	<u>\$ (107,788)</u>

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit B-2

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GALVESTON COUNTY COORDINATED COMMUNITY CLINICS FUND

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Program services	\$ 1,607,093	\$ 1,607,093	\$ 1,567,877	\$ (39,216)
Intergovernmental				
Federal/state	2,055,416	2,055,416	2,618,713	563,297
Local	25,000	25,000	27,500	2,500
Investment earnings	45,000	45,000	33,858	(11,142)
<b>Total Revenues</b>	<u>3,732,509</u>	<u>3,732,509</u>	<u>4,247,948</u>	<u>515,439</u>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
Patient services (primary care)	7,884,641	7,884,641	8,508,727	(624,086)
<b>Debt Service:</b>				
Principal retirement	19,287	19,287	6,844	12,443
Interest and fiscal charges	1,394	1,394	50	1,344
<b>Total Expenditures</b>	<u>7,905,322</u>	<u>7,905,322</u>	<u>8,515,621</u>	<u>(610,299)</u>
<b>(Deficiency) of Revenues     (Under) Expenditures</b>	(4,172,813)	(4,172,813)	(4,267,673)	(94,860)
<b><u>Other Financing Sources</u></b>				
Transfers in	4,172,813	4,172,813	4,088,337	(84,476)
<b>Total Other Financing Sources</b>	<u>4,172,813</u>	<u>4,172,813</u>	<u>4,088,337</u>	<u>(84,476)</u>
<b>Net Change in Fund Balance</b>			(179,336)	(179,336)
Fund balances - Beginning	2,190,743	2,190,743	2,190,743	
<b>Fund Balances - Ending</b>	<u>\$ 2,190,743</u>	<u>\$ 2,190,743</u>	<u>\$ 2,011,407</u>	<u>\$ (179,336)</u>

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit B-3

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GALVESTON AREA AMBULANCE AUTHORITY FUND

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Program services	\$ 3,633,981	\$ 3,575,002	\$ 3,920,119	\$ 345,117
Intergovernmental				
Federal/state			45,272	45,272
Local	2,023,300	1,931,300	1,858,147	(73,153)
Investment earnings	16,000	16,000	23,112	7,112
<b>Total Revenues</b>	<u>5,673,281</u>	<u>5,522,302</u>	<u>5,846,650</u>	<u>324,348</u>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
Ambulance services	6,156,202	6,043,960	5,464,973	578,987
<b>Debt Service:</b>				
Principal retirement	218,087	186,806	138,724	48,082
Interest and fiscal charges	16,960	14,462	9,278	5,184
<b>Capital Outlay</b>	<u>374,000</u>	<u>369,042</u>	<u>384,550</u>	<u>(15,508)</u>
<b>Total Expenditures</b>	<u>6,765,249</u>	<u>6,614,270</u>	<u>5,997,525</u>	<u>616,745</u>
<b>Excess (Deficiency) of Revenues     Over (Under) Expenditures</b>	(1,091,968)	(1,091,968)	(150,875)	941,093
<b><u>Other Financing Sources</u></b>				
Issuance of debt	<u>280,000</u>	<u>280,000</u>	<u>367,425</u>	<u>87,425</u>
<b>Total Other Financing Sources</b>	<u>280,000</u>	<u>280,000</u>	<u>367,425</u>	<u>87,425</u>
<b>Net Change in Fund Balance</b>	(811,968)	(811,968)	216,550	1,028,518
Fund balances - Beginning	<u>1,283,507</u>	<u>1,283,507</u>	<u>1,283,507</u>	
<b>Fund Balances - Ending</b>	<u>\$ 471,539</u>	<u>\$ 471,539</u>	<u>\$ 1,500,057</u>	<u>\$ 1,028,518</u>

# **GALVESTON COUNTY HEALTH DISTRICT**

Exhibit B-4

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

### **A. Budgets and Budgetary Accounting**

An annual appropriated budget is adopted for all of the District's funds with the exception of the Other Grants Fund, which is used for reimbursable operations. The budgets are prepared on a basis consistent with generally accepted accounting principles. The legal level of compliance is at the fund level. All annual appropriations lapse at fiscal year end. Encumbrance accounting is not utilized.

### **B. Excess of Expenditures over Appropriations**

For the year ended September, 30, 2010, expenditures exceeded appropriations in the General Fund (the legal level of budgetary control) by \$823,357. These overexpenditures were funded by additional grant revenues and available fund balance.

# GALVESTON COUNTY HEALTH DISTRICT

## TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS

The District's annual covered payroll and annual pension costs are actuarially valued on a calendar year basis. Because the District makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below was determined as part of the actuarial valuation as of December 31, for each period presented.

Calendar Year	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarial Value of Assets	\$ 1,979,155	\$ 596,892	\$
Actuarial Accrued Liability	\$ 2,694,629	\$ 1,390,412	\$ 814,041
Percentage Funded	73.4%	42.9%	0.0%
Unfunded or (Overfunded) Actuarial Accrued Liability	\$ 715,474	\$ 793,520	\$ 814,041
Annual Covered Payroll	\$ 11,657,875	\$ 10,125,279	\$ 9,273,144
Unfunded or (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll	6.1%	7.8%	8.8%

**OTHER SUPPLEMENTARY INFORMATION**

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**GALVESTON COUNTY HEALTH DISTRICT**

Exhibit C-1

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GENERAL FUND**

**Year Ended September 30, 2010**

**with Comparative Actual Amounts for the Year Ended September 30, 2009**

	2010				2009 Actual
	Budgeted Amounts		Actual	Variance from Final Positive (Negative)	
	Original	Final			
<b>Revenues</b>					
Program services					
Public health	\$ 1,510,500	\$ 1,510,500	\$ 1,560,827	\$ 50,327	\$ 1,404,067
Animal services	470,968	470,968	460,593	(10,375)	494,169
Pollution control	109,467	109,467	120,273	10,806	112,612
	<u>2,090,935</u>	<u>2,090,935</u>	<u>2,141,693</u>	<u>50,758</u>	<u>2,010,848</u>
Intergovernmental					
Federal/state					
Public health					50,101
Public health reimbursable	3,106,031	3,106,031	3,696,536	590,505	2,823,996
Animal services					8,700
Pollution control	433,316	433,316	414,055	(19,261)	396,442
	<u>3,539,347</u>	<u>3,539,347</u>	<u>4,110,591</u>	<u>571,244</u>	<u>3,279,239</u>
Local - Galveston County	6,915,200	6,915,200	6,937,720	22,520	6,893,900
Investment earnings	70,000	70,000	38,116	(31,884)	84,093
<b>Total Revenues</b>	<u>\$ 12,615,482</u>	<u>\$ 12,615,482</u>	<u>\$ 13,228,120</u>	<u>\$ 612,638</u>	<u>\$ 12,268,080</u>

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit C-2

## SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL GENERAL FUND

Year Ended September 30, 2010

with Comparative Actual Amounts for the Year Ended September 30, 2009

<u>Function</u>	<u>2010</u>				<u>2009</u> <u>Actual</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>from Final</u> <u>Positive</u> <u>(Negative)</u>	
	<u>Original</u>	<u>Final</u>			
<b>Public Health</b>					
Personnel services	\$ 2,583,858	\$ 2,583,858	\$ 2,697,841	\$ (113,983)	\$ 2,590,717
Supplies	176,177	176,177	227,163	(50,986)	152,915
Contractual services	114,856	114,856	128,703	(13,847)	69,535
Other	635,356	635,356	666,965	(31,609)	613,320
Capital outlay			30,307	(30,307)	18,030
	<u>3,510,247</u>	<u>3,510,247</u>	<u>3,750,979</u>	<u>(240,732)</u>	<u>3,444,517</u>
<b>Public Health Reimbursable</b>					
Personnel services	2,282,808	2,282,808	1,975,507	307,301	1,927,212
Supplies	170,618	170,618	556,775	(386,157)	190,680
Contractual services	253,000	253,000	683,949	(430,949)	282,258
Other	444,605	444,605	369,672	74,933	224,024
Capital outlay			165,182	(165,182)	187,025
	<u>3,151,031</u>	<u>3,151,031</u>	<u>3,751,085</u>	<u>(600,054)</u>	<u>2,811,199</u>
<b>Animal Services</b>					
Personnel services	595,005	595,005	567,513	27,492	596,386
Supplies	102,146	102,146	83,540	18,606	95,152
Contractual services	27,570	27,570	29,125	(1,555)	29,938
Other	82,950	82,950	76,973	5,977	92,043
Capital outlay			12,390	(12,390)	
	<u>807,671</u>	<u>807,671</u>	<u>769,541</u>	<u>38,130</u>	<u>813,519</u>
<b>Pollution Control</b>					
Personnel services	739,908	739,908	721,205	18,703	649,749
Supplies	31,937	31,937	48,172	(16,235)	36,053
Contractual services	5,910	5,910	6,199	(289)	5,571
Other	76,012	76,012	71,075	4,937	75,564
Capital outlay					41,296
	<u>853,767</u>	<u>853,767</u>	<u>846,651</u>	<u>7,116</u>	<u>808,233</u>
<b>Patient Services (Indigent Care)</b>					
Personnel services	64,942	64,942	81,960	(17,018)	66,205
Supplies	7,000	7,000	14,433	(7,433)	645
Contractual services	3,000	3,000	5,071	(2,071)	2,715
Other	26,556	26,556	22,928	3,628	21,720
	<u>101,498</u>	<u>101,498</u>	<u>124,392</u>	<u>(22,894)</u>	<u>91,285</u>
<b>Debt Service</b>					
Principal			4,888	(4,888)	28,361
Interest			35	(35)	1,182
			<u>4,923</u>	<u>(4,923)</u>	<u>29,543</u>
<b>Total Expenditures</b>	<u>\$ 8,424,214</u>	<u>\$ 8,424,214</u>	<u>\$ 9,247,571</u>	<u>\$ (823,357)</u>	<u>\$ 7,998,296</u>

# GALVESTON COUNTY HEALTH DISTRICT

Exhibit C-3

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GAAP BASIS TO FINANCIAL STATUS REPORT BASIS COMPARISON

### GALVESTON COUNTY COORDINATED COMMUNITY CLINICS FUND

Year Ended September 30, 2010

	<u>GAAP Basis</u>	<u>Donated Services</u>	<u>Balance per Financial Status Report</u>
<b><u>Revenues</u></b>			
Program services	\$ 1,567,877	\$	\$ 1,567,877
Intergovernmental			
Federal/state	2,618,713		2,618,713
Local	27,500	86,130	113,630
Investment earnings	33,858		33,858
<b>Total Revenues</b>	<u>4,247,948</u>	<u>86,130</u>	<u>4,334,078</u>
<b><u>Expenditures</u></b>			
<b>Current:</b>			
Patient services			
Personnel services	5,632,389	56,760	5,689,149
Supplies	726,363		726,363
Contracted services	835,384		835,384
Other	926,894	29,370	956,264
<b>Debt Service:</b>			
Principal retirement	6,844		6,844
Interest and fiscal charges	50		50
<b>Capital Outlay</b>	387,697		387,697
<b>Total Expenditures</b>	<u>8,515,621</u>	<u>86,130</u>	<u>8,601,751</u>
<b>(Deficiency) of Revenues     (Under) Expenditures</b>	(4,267,673)		(4,267,673)
<b><u>Other Financing Sources</u></b>			
Transfers in	4,088,337		4,088,337
<b>Total Other Financing Sources</b>	<u>4,088,337</u>		<u>4,088,337</u>
<b>Net Change in Fund Balance</b>	(179,336)		(179,336)
Fund balances - Beginning	2,190,743		2,190,743
<b>Fund Balances - Ending</b>	<u>\$ 2,011,407</u>	<u>\$</u>	<u>\$ 2,011,407</u>