

**Galveston County Health District  
Galveston County, Texas  
Annual Financial Report  
September 30, 2016**



# Galveston County Health District 2016 Annual Financial Report

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# Independent Auditors' Report

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## **Independent Auditors' Report**

To: Galveston County United Board of Health  
Coastal Health & Wellness Governing Board  
Galveston County Health District

### **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, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Galveston County Health District, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 and the budgetary comparison information and pension information on pages 45 through 53 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 Galveston County Health District's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and 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 March 31, 2017, on our consideration of the 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 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 Galveston County Health District's internal control over financial reporting and compliance.



Sugar Land, Texas  
March 31, 2017



# Management's Discussion and Analysis

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# **Galveston County Health District Management's Discussion and Analysis September 30, 2016**

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, 2016.

## **Financial Highlights**

**Net Position** - The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,838,991 (net position).

**Fund Balances** - As of September 30, 2016, the District's governmental funds reported an ending fund balance of \$12,862,280 .

**Cash and Investments** - The District's cash and investments balance at September 30, 2016 was \$12,398,934 which represented an increase of \$3,135,417 from September 30, 2015.

**Revenues and Expenses** - The District had expenses net of program revenue of \$4,344,760 and general revenues of \$7,981,218 resulting in an increase in net position of \$3,636,458 for the year ended September 30, 2016.

**General Fund Balance** - At the end of the fiscal year, unassigned fund balance for the General Fund was \$806,972 which was 9.6% 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, similar that of to a private-sector business.

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

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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 18-19 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

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Management's Discussion and Analysis  
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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 20 through 23 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 27 through 43 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 45 through 50 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,838,991 as of September 30, 2016.

The largest portion of the District's net position (62.8%) represents unrestricted financial resources available for future operations.

A portion of the District's net position (9.3%) reflects its net investment in capital assets, (e.g. and, 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 position (27.9%) represents resources that are subject to restrictions on how they may be used.

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A summary of the District's net position is highlighted in Table 1 below:

<b>SUMMARY OF STATEMENT OF NET POSITION</b>		
<b>As of September 30, 2016 and 2015</b>		
<b>(amounts expressed in thousands)</b>		
	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 15,342	\$ 12,498
Capital assets, net	<u>1,380</u>	<u>1,546</u>
<b>Total Assets</b>	<u>16,722</u>	<u>14,044</u>
Net difference between projected and actual earnings	972	134
Contributions made subsequent to measurement date	<u>327</u>	<u>361</u>
<b>Total Deferred Outflows of Resources</b>	<u>1,299</u>	<u>495</u>
Long-term liabilities	589	549
Other liabilities	<u>879</u>	<u>1,222</u>
<b>Total Liabilities</b>	<u>1,469</u>	<u>1,771</u>
Differences between expected and actual experience	684	475
Unearned revenue-grants received in advance of timing requirements	<u>30</u>	<u>74</u>
<b>Total Deferred Inflows of Resources</b>	<u>714</u>	<u>549</u>
Net Position:		
Net investment in capital assets	1,476	1,366
Restricted	4,419	3,660
Unrestricted	<u>9,943</u>	<u>7,193</u>
<b>Total Net Position</b>	<u>\$ 15,839</u>	<u>\$ 12,219</u>

Table 1

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

**Galveston County Health District  
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Net position of the District, all of which relates to governmental activities, achieved a \$3,636,458 increase. Key elements of the increase are highlighted in Table 2 below:

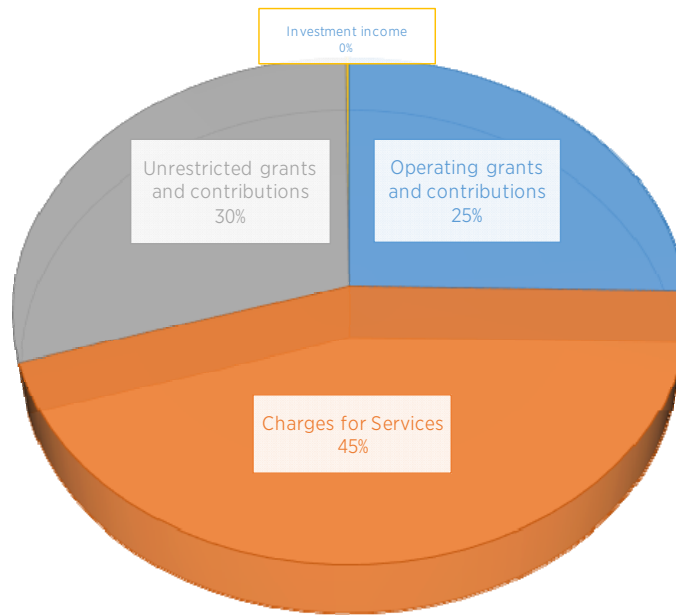
<b>CHANGES IN NET POSITION</b>		
<b>For the Fiscal Years Ended September 30, 2016 and 2015</b>		
<b>(amounts expressed in thousands)</b>		
	<b>Governmental</b>	
	<b>Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 12,066	\$ 11,391
Operating grants and contributions	6,786	5,750
General revenues:		
Unrestricted grants and contributions	7,930	8,059
Gain (loss) on sale of capital assets		9
Investment income	52	58
<b>Total Revenues</b>	<u>26,833</u>	<u>25,267</u>
<b>Expenses</b>		
Public Health	3,202	3,533
Public Health Reimbursable	2,865	2,814
Animal Services	1,207	1,335
Pollution Control	861	879
Patient Services	9,836	9,516
Ambulance Services	5,223	4,947
Interest on long-term debt	2	7
<b>Total Expenses</b>	<u>23,196</u>	<u>23,031</u>
Change in Net Position	3,636	2,236
Net position, beginning	12,219	8,435
Restatement	(16)	1,548
<b>Net Position, Ending</b>	<u>\$ 15,839</u>	<u>\$ 12,219</u>

Table 2

# Galveston County Health District Management's Discussion and Analysis September 30, 2016

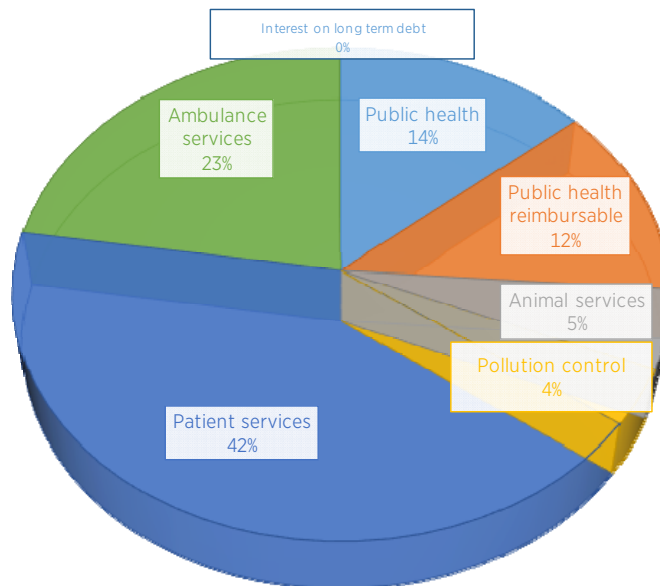
Revenue from governmental activities totaled \$26,832,728 for the fiscal year ended September 30, 2016 and is illustrated by source percentage as follows:

## GOVERNMENTAL FUNCTION REVENUES



Expenses from governmental activities totaled \$23,196,270 for the fiscal year ended September 30, 2016, and is illustrated by functional percentage as follows:

## GOVERNMENTAL FUNCTION EXPENSES



# **Galveston County Health District Management's Discussion and Analysis September 30, 2016**

## **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. 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, 2016, the District's governmental funds, which consist of a general fund and special revenue funds, reported an ending fund balance of \$12,862,280 which is an increase of \$3,277,882 from last year's total of \$9,584,398. The General Fund, the District's main operating fund, had an ending fund balance of \$3,897,093, a \$561,223 increase from the prior year. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 10% of total general fund expenditures. The two Special Revenue funds reported an ending fund balances totaling \$8,965,187, of which \$506,501 are committed for Coastal Health & Wellness equipment expenditures, \$750,000 for Coastal clinic renovations, \$2,750,000 is committed for the Coastal Health & Wellness operating reserves, \$189,000 is committed for GAAA equipment expenditures, \$605,000 is committed for GAAA vehicle replacement expenditures and \$1,596,542 is being held in reserve pending a Medicaid cost report audit.

## **General Fund Budgetary Highlights**

The District's final 2016 General Fund budget estimated revenues and other financing sources of \$12.7 million. The actual realized revenues and other financing sources for this period were \$188,552, or 1.5%, greater than budgeted for this year. General Fund revenues during this fiscal year were higher than budgeted primarily due to higher than projected program service fees received during the fiscal year.

General Fund operating expenditures and other financing uses in 2016 were budgeted at \$12.9 million, and actual expenditures and other financing uses incurred at September 30, 2016 were \$12,342,459, or 96% of what had been projected for this year. When reviewing the individual divisions in the General Fund, Public Health program service revenues exceeded budgeted projections by \$199,282. The Public Health division includes service revenues from immunizations, vital statistics, potable water testing, and inspections/permits associated with food services, septic tanks, swimming pools and waste water. In comparison to budget, program revenues from birth and death records and consumer health permits well exceeded budgeted projections for the period ending September 30, 2016. In addition, Public Health program expenditures were \$444,612 or 12% lower than budgeted due primarily to salary and benefit costs, which were \$315,261 or 14% lower than what had been budgeted for this division in this fiscal year. In addition to salary lapse, supply costs and other expenditures were also lower than what had been budgeted in the public health division during this period. Public Health Reimbursable expenditures (grant funded services) were \$ 34,493 or 1.2% lower than budgeted due primarily to lower contract service fees incurred during this period. Animal Services program revenues (which included both field and shelter services) were higher than budgeted by \$20,130 or 4% due in large part to revenues from redemption fees, fines and donations which were higher than budgeted during this period. In addition, expenditures were \$8,222 or 0.7% higher due to expenditures approved to be expended from fund balance reserve. Pollution Control program revenues were



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\$9,355 or 6.9% lower than budgeted, while expenditures were \$47,421 or 5.2% lower due in large part to salary and benefit costs which were lower than budgeted for this division in this fiscal year. Expenditures for services provided through Coastal Health & Wellness and the County Indigent Healthcare Program ended the year \$12,314 or 6.9% lower than budgeted.

In total, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$561,223 as of September 30, 2016; thereby increasing the fund balance for this period by the same amount.

As of September 30, 2016, the fund balance of the General Fund was \$3,897,093. In October 2015, the United Board of Health had committed \$3 million in reserves and as of September 30, 2016, \$3 million remained in reserves, broken out as follows: \$600 thousand for CH&W clinic construction/renovations; \$316 thousand for IT equipment/software; \$198 thousand for public health emergencies; \$248 thousand for Animal Services; \$60 thousand for reserve pay for leave payouts; and \$1.6 million as an operating reserve.

**Capital Assets and Debt Administration**

**Capital Assets** - The District's investment in capital assets as of September 30, 2016 amounts to \$1,380,202 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, furniture and equipment, and vehicles as summarized in Table 3 below.

<b>CAPITAL ASSETS SCHEDULE</b>		
	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Buildings and improvements	\$ 281,027	\$ 236,734
Furniture and equipment	2,338,550	2,319,103
Vehicles	2,165,312	2,156,181
Less: accumulated depreciation	<u>(3,404,687)</u>	<u>(3,182,551)</u>
<b>Total Capital Assets, Net</b>	<b><u>\$ 1,380,202</u></b>	<b><u>\$ 1,529,467</u></b>

Table 3

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 \$640,174 as summarized in Table 4 below.

<b>SCHEDULE OF LONG-TERM DEBT</b>		
	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Notes payable	\$ 84,025	\$ 116,619
Capital leases payable	0	63,459
Compensated absences	<u>556,149</u>	<u>516,690</u>
<b>Total</b>	<b><u>\$ 640,174</u></b>	<b><u>\$ 696,768</u></b>

Table 4

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Management's Discussion and Analysis  
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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 2017 budget, which was adopted and passed by its respective Boards in accordance with state and federal guidelines. Table 5 following provides a comparison of the fiscal year 2016 and fiscal year 2017 budgets for both estimated revenues and expenditures (amounts expressed in thousands):

<u>Fund</u>	<b>Year Ending September 30,</b>		<b>Increase (Decrease)</b>
	<u>2017</u>	<u>2016</u>	
<b>General Fund</b>			
Revenue and debt proceeds	12,573	12,715	(142)
Expenditures and transfers	12,573	12,873	(300)
<b>Coastal Health &amp; Wellness</b>			
Revenue and transfers	10,125	9,843	282
Expenditures	10,125	9,843	282
<b>Galveston Area Ambulance Authority</b>			
Revenue and debt proceeds	5,740	4,935	805
Expenditures	6,534	5,512	1,022

Table 5

**General Fund** - In comparison to last year, revenues budgeted under the *General Fund* decreased by \$142 thousand or 1.1%. County funding decreased by \$219 thousand or 3% from last year and represented a \$250 thousand reduction in the amount funded to Coastal Health & Wellness for primary care and an increase of \$31 thousand in funding to the Animal Resource Center. Grant revenues were budgeted \$46 thousand less than the prior year but were offset by an additional \$60 thousand in projected administrative fees; however, revenues related to animal services and food services were projected to increase in comparison to last year by \$39 thousand and \$35 thousand respectively. All other General Fund revenues were expected to remain in line with prior year funding levels.

**Coastal Health & Wellness (CH&W)** - The budget for *Coastal Health & Wellness* (formerly 4C's) increased by \$282 thousand or 2.9% from last year. Although County funding was reduced by \$250 thousand, the FY2016 budget included additional funds from HRSA - US Dept. of Health & Human Services to fund a behavioral health integration program and to expand pediatrician, dental and primary care services in the Coastal Health & Wellness clinics. In addition, *Coastal Health & Wellness* was awarded additional HRSA funding for quality improvement as well as a base adjustment to the original grant award. Revenue from patient services was also budgeted higher than the previous year due to changes in payer mix and the initiation of budget payment plans as established by the *Billing & Collection Policy* approved by the CH&W Governing Board in October 2011. Other revenue sources were expected to remain consistent with FY16 operating levels.

**Galveston Area Ambulance Authority (GAAA)** - In comparison to last year, GAAA revenues for FY2016 were budgeted \$805 thousand or 16% higher than last year based on projected call volumes and the current net revenue per call. The contract amount to provide ambulance services

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to the unincorporated areas of the County and cities of Galveston, Bayou Vista, Hitchcock and Tiki Island remained at FY2015 funding levels.

**Expenditures** - Expenditures for *Coastal Health & Wellness* and the *Galveston Area Ambulance Authority (GAAA)* were budgeted higher than the prior year, while expenditures for the General Fund were budgeted lower than the previous year.

In the *General Fund*, FY2016 budgeted expenditures decreased by 300 thousand or 2.3% from last year. Although personnel costs included a 1.5% cost of living increase total salary and benefit costs decreased by \$113 thousand from the prior year. Benefit costs included an increase in the SUTA rate from .1% to 1.9%. Group health insurance premiums increased by 8%; while the District's retirement plan contribution through TCDRS decreased from 3.28% to 2.41% effective January 1, 2017. One time expenditures included \$96 thousand in vehicle replacements for the air and water program and \$125 thousand to fund IT infrastructure replacement equipment. There was no existing or new debt proposed in this fiscal year.

In the *Coastal Health & Wellness Clinic (CH&W)*, expenditures were budgeted \$282 thousand higher than the previous year. Personnel costs included a 1.5% cost of living increase as well as personnel costs to support program initiatives through the Behavioral Health Integration (BHI) grant, Expanded Services grant and the 1115 Waiver project. Benefit costs included an increase in the SUTA rate from .1% to 1.9%. Group health insurance premiums increased by 8%; while the retirement plan contribution through TCDRS decreased from 3.28% to 2.41% effective January 1, 2017. Contract service costs, pharmaceutical costs and lease expense were projected to increase in comparison to the prior year and were based on current costs and estimated annual patient visits. Other CH&W 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)* budgeted expenditures were \$1 million higher in comparison to the previous year. Personnel costs in FY17 included the addition of 12 new positions (2 administrative and 10 field staff positions). Personnel costs also included a 1.5% cost of living increase. Benefit costs included an increase in the SUTA rate from .1% to 1.9%. Group health insurance premiums increased by 8%; while the retirement plan contribution through TCDRS decreased from 3.28% to 2.41% effective January 1, 2017. Proposed equipment expenditures accounted for 11.1% of the overall budget, which is consistent with the rate of 11.3% budgeted last year. One time equipment purchases were budgeted to be expended from operating revenues and prior years' fund balance. These purchases included two 911 ambulance remounts, one 911 ambulance replacement, one SUV and one heavy duty truck for emergency response, 16 stair chairs, 10 radios, 8 ventilators, 2 mechanical CPR devices, 2 laptop computers, station furniture and office equipment. In addition, the FY17 budget included \$36 thousand in principal and interest payments related to repayment of the Community Disaster Loan, which had been awarded by FEMA in February 2009 to assist with the decline in revenues for Galveston operations after Hurricane Ike. The maturity date of this loan is currently February 18, 2019.

The District has added no major new programs or initiatives to the 2017 budget, and anticipates that all fund balances will remain level or potentially be increased by the end of fiscal year 2017 if budget estimates are realized.

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Management's Discussion and Analysis  
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**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 Executive Officer, P.O. Box 939, La Marque, Texas 77568.

# Basic Financial Statements

**Galveston County Health District  
Statement of Net Position  
September 30, 2016**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 12,368,832
Investments	30,102
Receivables:	
Federal	440,684
State	129,553
Due from other governments	612,522
Prepaid expenses	106,992
Inventories	31,505
Net pension asset	1,621,770
Capital assets, net of accumulated depreciation:	
Buildings and improvements	
Improvements other than buildings	44,293
Furniture and equipment	531,298
Vehicles	804,611
<b>Total Assets</b>	<b><u>16,722,162</u></b>
<b>Deferred Outflows of Resources</b>	
Net difference between projected and actual earnings	972,187
Contributions made subsequent to measurement date	326,844
<b>Total Deferred Outflows of Resources</b>	<b><u>1,299,031</u></b>
<b>Liabilities</b>	
Accounts payable and other current liabilities	828,342
Accrued interest payable	173
Noncurrent liabilities:	
Due within one year	88,786
Due in more than one year	551,388
<b>Total Liabilities</b>	<b><u>1,468,689</u></b>
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	683,945
Unearned revenue	29,568
<b>Total Deferred Inflows of Resources</b>	<b><u>713,513</u></b>
<b>Net Position</b>	
Net investment in capital assets	1,476,356
Restricted for:	
Clinic operations	4,419,277
Unrestricted	9,943,358
<b>Total Net Position</b>	<b><u>\$ 15,838,991</u></b>

**Galveston County Health District  
Statement of Activities  
For the Fiscal Year Ended September 30, 2016**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Change in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities (Total)</b>
<b>Governmental Activities:</b>				
Public health	\$ 3,201,698	\$ 1,677,262	\$	\$ (1,524,436)
Public health reimbursable	2,865,049	52,724	2,761,234	(51,091)
Animal services	1,207,160	521,964		(685,196)
Pollution control	861,204	126,280	452,235	(282,689)
Patient services	9,835,545	3,047,531	3,546,190	(3,241,824)
Ambulance services	5,223,471	6,639,826	26,264	1,442,619
Interest on long term debt	2,143			(2,143)
<b>Total Governmental Activities</b>	<b>\$ 23,196,270</b>	<b>\$ 12,065,587</b>	<b>\$ 6,785,923</b>	<b>\$ (4,344,760)</b>
 <b>General Revenues:</b>				
Grants and contributions not restricted to specific programs				7,929,518
Investment income				51,700
<b>Total General Revenues</b>				<b>7,981,218</b>
<b>Change in Net Position</b>				<b>3,636,458</b>
Net Position - beginning (restated)				12,202,533
<b>Net Position - Ending</b>				<b>\$ 15,838,991</b>

**Galveston County Health District  
Balance Sheet - Governmental Funds  
September 30, 2016**

	<u>General</u>	<u>Coastal Health &amp; Wellness</u>	<u>Galveston Area Ambulance Authority</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,498,603	\$ 4,586,530	\$ 4,283,699	\$ 12,368,832
Investments	10,034	10,034	10,034	30,102
Receivables:				
Federal	474,638			474,638
State	98,137			98,137
Other	250,731	80,064	279,189	609,984
Due from other funds	75,399		149,379	224,778
Due from Galveston County				
Prepaid items	36,076	66,051	4,865	106,992
Inventories	31,505			31,505
<b>Total Assets</b>	<u>\$ 4,475,123</u>	<u>\$ 4,742,679</u>	<u>\$ 4,727,166</u>	<u>\$ 13,944,968</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	425,505	231,998	170,839	828,342
Due to other funds	149,379	75,399		224,778
<b>Total Liabilities</b>	<u>574,884</u>	<u>307,397</u>	<u>170,839</u>	<u>1,053,120</u>
<b>Deferred Inflows of Resources</b>				
Unearned revenue	3,146	16,005	10,417	29,568
<b>Fund Balances</b>				
Non-spendable:				
Inventories	31,505			31,505
Prepaid items	36,076	66,051	4,865	106,992
Committed:				
IT Infrastructure/software upgrades	316,245	265,616		581,861
Public health emergencies	198,000			198,000
Reserve for leave payouts	60,000			60,000
Medical/dental equipment		240,885		240,885
Vehicle replacements			605,000	605,000
CH&W clinic renovations	600,000	750,000		1,350,000
Animal services	248,295			248,295
Operating equipment			189,000	189,000
Reserve for Medicaid Cost Report Audit			1,596,542	1,596,542
Operating reserves	1,600,000	2,750,000		4,350,000
Unassigned	806,972	346,725	2,150,503	3,304,200
<b>Total Fund Balances</b>	<u>3,897,093</u>	<u>4,419,277</u>	<u>4,545,910</u>	<u>12,862,280</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 4,475,123</u>	<u>\$ 4,742,679</u>	<u>\$ 4,727,166</u>	<u>\$ 13,944,968</u>



**Galveston County Health District  
 Reconciliation of the Balance Sheet - Governmental Funds to  
 the Statement of Net Position  
 September 30, 2016**

<b>Total Fund Balances</b>	\$ 12,862,280
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,380,202
The Net Pension Asset (\$1,621,770) and deferred outflows of resources (\$1,299,031) are not financial resources and, therefore, are not reported in the funds.	2,920,801
Deferred inflows of resources pertaining to actuarial pension differences between expected and actual experience are not due and payable in the current period and are therefore not reported in the funds.	(683,945)
Long-term liabilities, including notes payable (\$84,025), accrued interest payable (\$173) and accrued compensated absences (\$556,149) are not due and payable in the current period and are therefore not reported in the funds.	(640,347)
<b>Net Position of Governmental Activities</b>	<u>\$ 15,838,991</u>

**Galveston County Health District**  
**Statement of Revenues, Expenditures, and Changes in Fund**  
**Balance - Governmental Funds**  
**For the Fiscal Year Ended September 30, 2016**

	<u>General</u>	<u>Coastal Health &amp; Wellness</u>	<u>Galveston Area Ambulance Authority</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Program services	\$ 2,370,545	\$ 3,047,531	\$ 5,731,114	\$ 11,149,190
Intergovernmental				
Federal/state	3,213,469	3,514,585		6,728,054
Local	7,305,075	31,605	1,559,419	8,896,099
Investment earnings	14,558	20,254	16,888	51,700
Other				
<b>Total Revenues</b>	<u>12,903,647</u>	<u>6,613,975</u>	<u>7,307,421</u>	<u>26,825,043</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public health	3,249,697			3,249,697
Public health reimbursable	2,860,256			2,860,256
Animal services	1,209,926			1,209,926
Pollution control	865,693			865,693
Patient services	178,095	9,778,145		9,956,240
Ambulance services			5,018,774	5,018,774
<b>Debt Service:</b>				
Principal retirement			96,054	96,054
Interest and fiscal charges			2,243	2,243
<b>Capital Outlay</b>	<u>30,361</u>	<u>25,152</u>	<u>232,765</u>	<u>288,278</u>
<b>Total Expenditures</b>	<u>8,394,028</u>	<u>9,803,297</u>	<u>5,349,836</u>	<u>23,547,161</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>4,509,619</u>	<u>(3,189,322)</u>	<u>1,957,585</u>	<u>3,277,882</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in		3,948,396		3,948,396
Transfers (out)	<u>(3,948,396)</u>			<u>(3,948,396)</u>
Proceeds from long-term debt				
<b>Total Other Financing Sources (Uses)</b>	<u>(3,948,396)</u>	<u>3,948,396</u>		
<b>Net Change in Fund Balance</b>	561,223	759,074	1,957,585	3,277,882
Fund balances - Beginning	<u>3,335,870</u>	<u>3,660,203</u>	<u>2,588,325</u>	<u>9,584,398</u>
<b>Fund Balances - Ending</b>	<u>\$ 3,897,093</u>	<u>\$ 4,419,277</u>	<u>\$ 4,545,910</u>	<u>\$ 12,862,280</u>

**Galveston County Health District**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Governmental Funds to the**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2016**

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 3,277,882</b>
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Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$437,543) exceeded capital outlay \$288,278 in the current period.	(149,265)
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Repayment of note principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	96,154
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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 the net pension asset (\$144,427), deferred outflows of resources \$804,004, deferred inflows of resources (\$208,431), and accrued compensated absences (\$39,459).	<u>411,687</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 3,636,458</u></u></b>
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# Notes to Financial Statements

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**Galveston County Health District**  
**Notes to Financial Statements (continued)**  
**For the Fiscal Year Ended September 30, 2016**

**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 Coastal Health & Wellness (formerly 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, Coastal Health & Wellness 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.

**B. Basis of Accounting**

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.

**Galveston County Health District**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended September 30, 2016**

**C. Government-wide Financial Statements**

The District Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. 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 liabilities and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. 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 inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position 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 position and changes in net position 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 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 and Basis of Accounting**

**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



**Galveston County Health District**  
**Notes to Financial Statements (continued)**  
**For the Fiscal Year Ended September 30, 2016**

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.

**Fund Balance Reporting.** The Governmental Accounting Standards Board has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

*Non-spendable.* To indicate fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

*Restricted.* To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. Restrictions may effectively 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.

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

*Assigned.* To indicate fund balance to be used for specific purposes but do meet the criteria to be classified as restricted or committed.

*Unassigned.* To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

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.

**Funds.** 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 *Coastal Health & Wellness Fund* ("CH&W" and formerly 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.

**Financial Statement Presentation.** 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.

**Galveston County Health District**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended September 30, 2016**

As a rule, the effect of inter-fund 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, deferred outflows/inflows of resources, and net position/fund balance**

***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 medical and office supplies and is reported at original cost.

***Deferred Outflows of Resources***

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of net differences between projected and actual pension earnings and employer retirement contributions made after the measurement date.

***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 of more 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. Depreciation on capital assets is calculated on the straight line basis over the following estimated useful lives:

<b>Asset Description</b>	<b>Estimated Useful Life</b>
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

**Galveston County Health District**  
**Notes to Financial Statements (continued)**  
**For the Fiscal Year Ended September 30, 2016**

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.

***Deferred Inflows of Resources***

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of differences between expected and actual pension experience and unearned grant revenues and service charges.

***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 position.

***Fund Equity***

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that can be spent for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. Amounts considered non-spendable relate to prepaid items and inventory that have already been expended and represent a portion of the fund balance that is not available for future operations. Committed fund balance represents fund balance that can be used only for the specific purposes determined by a formal action of the Galveston County United Board of Health. 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.

***Pensions***

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 the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through March 31, 2017, 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**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended September 30, 2016**

**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, 2016, 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 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.

**Galveston County Health District**  
**Notes to Financial Statements (continued)**  
**For the Fiscal Year Ended September 30, 2016**

**Note 4 - Receivables**

At September 30, 2016 accounts receivable consisted of the following:

	<u>General</u>	<u>Coastal Health &amp; Wellness</u>	<u>Galveston Ambulance Authority</u>
<b>Federal:</b>			
Reimbursement of expenditures under federal grants	\$ 440,684	\$	\$
<b>State:</b>			
Reimbursement of expenditures under state grants	\$ 129,553	\$	\$
<b>Other:</b>			
Patient or program fees	\$ 253,269	\$ 80,064	\$ 279,189

**Note 5 - Capital Assets**

The following is a summary of changes in capital assets for the year ended September 30, 2016:

	<u>Balance Oct. 01, 2015</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance Sep. 30, 2016</u>
<b>Governmental Activities:</b>				
Buildings and improvements	\$ 236,734	\$ 44,293	\$	\$ 281,027
Furniture and equipment	2,319,103	100,545	(81,098)	2,338,550
Vehicles	<u>2,156,181</u>	<u>143,440</u>	<u>(134,309)</u>	<u>2,165,312</u>
Total cost	<u>4,712,018</u>	<u>288,278</u>	<u>(215,407)</u>	<u>4,784,889</u>
Less accumulated depreciation for:				
Buildings and improvements	(236,734)			(236,734)
Furniture and equipment	(1,703,518)	81,098	(184,832)	(1,807,252)
Vehicles	<u>(1,242,299)</u>	<u>134,309</u>	<u>(252,711)</u>	<u>(1,360,701)</u>
Total accumulated depreciation	<u>(3,182,551)</u>	<u>215,407</u>	<u>(437,543)</u>	<u>(3,404,687)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 1,529,467</u>	<u>\$ 503,685</u>	<u>\$ (652,950)</u>	<u>\$ 1,380,202</u>

**Galveston County Health District**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended September 30, 2016**

Depreciation was charged to functions of the District as follows:

<b>Function:</b>	
Public health	\$ 9,746
Public health-reimbursable	55,619
Animal services	18,733
Pollution control	10,894
Coastal Health & Wellness	48,673
GAAA	<u>293,878</u>
<b>Total Depreciation Expense</b>	<b>\$ <u>437,543</u></b>

**Note 6 - Long-Term Debt**

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2016, was as follows:

	<b>Balance,</b>			<b>Balance,</b>	<b>Amounts</b>
	<b>Oct. 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Sep. 30, 2016</b>	<b>Due within</b>
					<b>One Year</b>
Notes payable	\$ 116,619	\$	\$ (32,594)	\$ 84,025	\$ 33,171
Capital leases payable	63,459		(63,459)		
Compensated absences	<u>516,690</u>	<u>39,459</u>		<u>556,149</u>	<u>55,615</u>
	<u>\$ 696,768</u>	<u>\$ 39,459</u>	<u>\$ (96,053)</u>	<u>\$ 640,174</u>	<u>\$ 88,786</u>

Notes payable at September 30, 2016 consist of the following:

Note payable bearing interest at 1.75%, with unforgiven balance due February 18, 2019.	<u>\$ 84,025</u>
	<u>\$ 84,025</u>

Maturities on the notes payable are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 33,171
2018	33,755
2019	<u>17,099</u>
	<u>\$ 84,025</u>

Accrued compensated absences represent vacation and compensatory time off earned by District, CH&W and GAAA employees. These employees are 100% 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

**Galveston County Health District**  
**Notes to Financial Statements (continued)**  
**For the Fiscal Year Ended September 30, 2016**

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.

**Capital Lease Obligations**

The District previously entered into two capital lease agreements in order to purchase an animal services truck, four ambulances and four defibrillators. The animal services truck capital lease obligation is paid out of the General Fund, while the ambulance and defibrillators capital lease obligation is paid out of the GAAA Fund.

The assets acquired through the capital leases are as follows:

<b>Asset:</b>	
Furniture and equipment	\$ 128,078
Vehicles	<u>313,466</u>
	441,544
Less: accumulated depreciatio	<u>(246,501)</u>
	<u>\$ 195,043</u>

**Note 7 - Inter-Fund Transactions**

Inter-fund balances due to/from as of September 30, 2016 are as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amounts</b>
Galveston Area Ambulance Authority Fund	General Fund	\$149,379
General Fund	Coastal Health & Wellness Fund	<u>75,399</u>
		<u>\$224,778</u>

The outstanding balances between funds primarily result from the time lag between the dates that 1) inter-fund 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 two groups for retirement plan purposes. The following is a discussion of the retirement plans and a description of the personnel covered by each plan.

**Defined Benefit 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 benefit 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 TCERS, 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, 2016, the District made the required contributions of to this plan.

**Galveston County Health District**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended September 30, 2016**

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

**Employees Covered by Benefit Terms**

TCDRS reports annual financial information on the calendar year basis which coincides with the federal payroll reporting year end. At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

<b>Covered Employees - TCDRS Calendar Year Basis</b>	<b>2015</b>
Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	236
Active employees	281
Totals	530

**Funding Policy/Contributions**

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 3.80% 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



**Galveston County Health District**  
**Notes to Financial Statements (continued)**  
**For the Fiscal Year Ended September 30, 2016**

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.

**Net Pension Asset**

The District's Net Pension Asset ("NPA") was measured as of December 31, 2015, 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 Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall Payroll Growth	2.0% per year
Investment Rate of Return	8.1% per year

Salary increases were based on a service-related table. Mortality rates for active depositing members were based on the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Mortality Table for females with a four-year setback, both with the projection scale AA. Mortality rates for service retirees, beneficiaries and non-depositing members were based on the RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females. Mortality rates for disabled retirees were based on the RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disable Mortality Table for females with a two-year set-forward, both with the projection scale AA.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TCDRS was for the period January 1, 2009 through December 31, 2012, except where required to be different by GASB 68. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal ("EAN") actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 8.0%. The pension plan's policy for to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each 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

**Galveston County Health District**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended September 30, 2016**

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Geometric Real Rate of Return (Expected Minus Inflation)</b>
US Equity	14.5%	5.45%
Private Equity	14.0%	8.45%
Global Equities	1.5%	5.75%
International Equities-Developed	10.0%	5.45%
International Equities-Emerging	8.0%	6.45%
Investment-Grade Bonds	3.0%	1.00%
High-Yield Bonds	3.0%	5.10%
Opportunistic Credit	2.0%	5.09%
Direct Lending	5.0%	6.40%
Distressed Debt	3.0%	8.10%
REIT Equities	3.0%	4.00%
Master Limited Partnerships	5.0%	6.80%
Private Real Estate Partnerships	3.0%	6.90%
Hedge Funds	25.0%	5.25%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 8.10%. 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 Total Pension Liability.

**Galveston County Health District**  
**Notes to Financial Statements (continued)**  
**For the Fiscal Year Ended September 30, 2016**

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
<b>Balance at 12/31/14</b>	\$ 8,250,953	\$ 10,017,150	\$ (1,766,197)
<b>Changes for the year:</b>			
Service cost	1,150,880		1,150,880
Interest on total pension liability	698,684		698,684
Effect of plan changes	(208,950)		(208,950)
Effect of economic/demographic gains or losses	(364,240)		(364,240)
Effect of assumptions changes or inputs	122,207		122,207
Refund of contributions	(242,099)	(242,099)	
Benefit payments	(57,611)	(57,611)	
Administrative expenses		(7,621)	7,621
Member contributions		873,563	(873,563)
Net investment income		(101,429)	101,429
Employer contributions		474,220	(474,220)
Other		15,421	(15,421)
<b>Net Changes</b>	<u>1,098,871</u>	<u>954,444</u>	<u>144,427</u>
<b>Balance at 12/31/15</b>	<u>\$ 9,349,824</u>	<u>\$ 10,971,594</u>	<u>\$ (1,621,770)</u>

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

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

	<b>1% Decrease in Discount Rate 7.10%</b>	<b>Current Discount Rate 8.10%</b>	<b>1% Increase in Discount Rate 9.10%</b>
Total pension liability	\$ 10,942,880	\$ 9,349,824	\$ 8,079,511
Fiduciary net position	<u>10,971,594</u>	<u>10,971,594</u>	<u>10,971,594</u>
District's net pension liability (asset)	<u>\$ (28,714)</u>	<u>\$ (1,621,770)</u>	<u>\$ (2,892,083)</u>

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

For the year ended September 30, 2016, the District recognized pension expense of \$441,853.

At September 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Galveston County Health District**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended September 30, 2016**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 0	\$ 683,945
Changes in actuarial assumptions	101,840	0
Net difference between projected and actual investment earning	870,347	0
Contributions subsequent to the measurement date	<u>326,844</u>	<u>N/A</u>
<b>Totals</b>	<b><u>\$ 1,299,031</u></b>	<b><u>\$ 683,945</u></b>

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

<u>Year Ended Dec 31:</u>	
2016	\$ 90,516
2017	90,516
2018	90,516
2019	57,032
2020	(40,339)
Thereafter	0

**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, Coastal Health & Wellness and Galveston Area Ambulance Authority*. 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 \$18,000 into the plan.

**Note 9 - Operating Leases**

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

**Galveston Housing Authority.** The District entered into a five-year lease to lease space at the Island Community Center to operate the *Galveston Coastal Health & Wellness* (formerly 4C's) medical and dental clinic. The lease commenced on August 1, 2011 and terminated on July 31, 2016. Minimum lease payments were \$14,530 per month. The Coastal Health & Wellness Governing Board is responsible for evaluating current needs and options for the Galveston clinic site for future years.

The District also 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

**Galveston County Health District**  
**Notes to Financial Statements (continued)**  
**For the Fiscal Year Ended September 30, 2016**

on April 1, 2012 and will expire March 31, 2017. Minimum lease payments were \$1,788 per month for the first four years of the lease term, with an increase in year five.

**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 on the Gulf Freeway in Dickinson, Texas. The lease commenced on April 23, 2009 and will expire on April 23, 2019. Minimum lease payments were stated at \$5,000 per month in year 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 *emergency medical services*. Minimum lease payments were \$1,000 per month. The lease commenced on October 1, 2008 and was set to automatically renew each year. The District has the right to terminate the lease agreement 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, 2015 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.

**Galveston County.** Beginning in FY2012, 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 lease expenditures of \$1,395,028 and \$1,393,660 during the years ended September 30, 2016 and September 30, 2015, respectively.

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

<u>Year</u>	<u>Minimum Lease Payments</u>
2017	1,395,924
2018	1,341,918
2019	<u>1,341,918</u>
	<u>\$ 4,079,760</u>

**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

**Galveston County Health District**  
**Notes to Financial Statements (Continued)**  
**For the Fiscal Year Ended September 30, 2016**

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 - Non-spendable, Restricted and Committed Fund Balance**

The District reports the following General Fund, Coastal Health & Wellness Fund and Galveston Area Ambulance Authority Fund equity as non-spendable and committed at September 30, 2016:

	<u>General</u>	<u>Coastal Health &amp; Wellness</u>	<u>Galveston Area Ambulance Authority</u>
<b>Non-spendable:</b>			
Inventories	\$ 31,505	\$	\$
Prepaid items	<u>36,076</u>	<u>66,051</u>	<u>4,865</u>
<b>Total Non-spendable Fund Balance</b>	<b><u>\$ 67,581</u></b>	<b><u>\$ 66,051</u></b>	<b><u>\$ 4,865</u></b>
<b>Committed:</b>			
IT Infrastructure/software upgrades	\$ 316,245	\$ 265,616	\$
Public health emergencies	198,000		
Reserve for leave payouts	60,000		
Medical/dental equipment		240,885	
Vehicle replacements			605,000
CH&W clinic renovations	600,000	750,000	
Animal services	248,295		
Operating equipment			189,000
Reserve for Medicaid Cost Report Audit			1,596,542
Operating reserves	<u>1,600,000</u>	<u>2,750,000</u>	
<b>Total Committed Fund Balance</b>	<b><u>\$ 3,022,540</u></b>	<b><u>\$ 4,006,501</u></b>	<b><u>\$ 2,390,542</u></b>

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

**Galveston County.** Approximately 32% and 34% of the District's revenues, for the years ended September 30, 2016 and September 30, 2015, respectively, were provided by Galveston County.

**Galveston County Health District**  
**Notes to Financial Statements (continued)**  
**For the Fiscal Year Ended September 30, 2016**

**Federal Government.** Approximately 23% and 24% of the District's revenues for the years ended September 30, 2016 and September 30, 2015, respectively, were provided by the Federal Government.

**Note 13 - Prior Period Adjustments**

The District has determined that certain transactions were unrecorded in the prior year.

Governmental Activities: In the Government-Wide statements, furniture and equipment was overstated due to the omission of an asset disposal transaction and a computed instance of depreciation. Both restatements had a corresponding effect on change in net position.

	<u>Net Position, as Previously Reported</u>	<u>Furniture and Equipment Restatement</u>	<u>Net Position as Restated</u>
<b>Governmental Activities:</b>			
Total Net Position	<u>\$ 12,219,167</u>	<u>\$ (16,374)</u>	<u>\$ 12,202,793</u>
<b>Total Governmental Activities</b>	<u>\$ 12,219,167</u>	<u>\$ (16,374)</u>	<u>\$ 12,202,793</u>

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# Required Supplementary Information

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**Galveston County Health District**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>from Final</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Program services	\$ 2,174,659	\$ 2,174,659	\$ 2,370,580	\$ 195,921
Intergovernmental				
Federal/state	3,219,396	3,219,396	3,213,469	(5,927)
Local	7,305,075	7,305,075	7,305,075	
Investment earnings	16,000	16,000	14,558	(1,442)
<b>Total Revenues</b>	<u>12,715,130</u>	<u>12,715,130</u>	<u>12,903,682</u>	<u>188,552</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public health	3,694,274	3,694,266	3,249,697	444,569
Public health reimbursable	2,925,147	2,925,147	2,860,291	64,856
Animal services	1,201,701	1,201,701	1,209,926	(8,225)
Pollution control	913,114	913,114	865,693	47,421
Patient services	190,445	190,445	178,095	12,350
<b>Capital Outlay:</b>			<u>30,361</u>	<u>(30,361)</u>
<b>Total Expenditures</b>	<u>8,924,681</u>	<u>8,924,673</u>	<u>8,394,063</u>	<u>530,610</u>
<b>Excess of Revenues</b>				
<b>Over Expenditures</b>	3,790,449	3,790,457	4,509,619	719,162
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	<u>(3,948,396)</u>	<u>(3,948,396)</u>	<u>(3,948,396)</u>	
<b>Total Other Financing Sources (Uses)</b>	<u>(3,948,396)</u>	<u>(3,948,396)</u>	<u>(3,948,396)</u>	
<b>Net Change in Fund Balance</b>	(157,947)	(157,939)	561,223	719,162
Fund balances - Beginning	3,335,870	3,335,870	3,335,870	
<b>Fund Balances - Ending</b>	<u>\$ 3,177,923</u>	<u>\$ 3,177,931</u>	<u>\$ 3,897,093</u>	<u>\$ 719,162</u>

**Galveston County Health District  
Schedule of Revenues, Expenditures And  
Changes in Fund Balances - Budget and Actual  
Coastal Health and Wellness  
For the Fiscal Year Ended September 30, 2016**

	Budgeted Amounts		Actual	Variance from Final Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Program services	\$ 2,973,290	\$ 2,973,290	\$ 3,047,531	\$ 74,241
Intergovernmental				
Federal/state	2,864,438	2,864,438	3,514,585	\$ 650,147
Local	31,200	31,200	31,605	\$ 405
Investment earnings	21,500	21,500	20,254	(1,246)
<b>Total Revenues</b>	<u>5,890,428</u>	<u>5,890,428</u>	<u>6,613,975</u>	<u>723,547</u>
<b>Expenditures</b>				
<b>Current:</b>				
Patient services (primary care)	9,843,827	9,843,827	9,778,145	65,682
<b>Capital Outlay:</b>			25,152	(25,152)
<b>Total Expenditures</b>	<u>9,843,827</u>	<u>9,843,827</u>	<u>9,803,297</u>	<u>40,530</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	(3,953,399)	(3,953,399)	(3,189,322)	764,077
<b>Other Financing Sources</b>				
Transfers in	3,953,399	3,953,399	3,948,396	(5,003)
<b>Total Other Financing Sources</b>	<u>3,953,399</u>	<u>3,953,399</u>	<u>3,948,396</u>	<u>(5,003)</u>
<b>Net Change in Fund Balance</b>			759,074	759,074
Fund balances - Beginning	3,660,203	3,660,203	3,660,203	
<b>Fund Balances - Ending</b>	<u>\$ 3,660,203</u>	<u>\$ 3,660,203</u>	<u>\$ 4,419,277</u>	<u>\$ 759,074</u>

**Galveston County Health District  
Schedule of Revenues, Expenditures And  
Changes in Fund Balances - Budget and Actual  
Galveston Area Ambulance Authority  
For the Fiscal Year Ended September 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Program services	\$ 4,035,068	\$ 4,035,068	\$ 5,731,114	\$ 1,696,046
Intergovernmental				
Local	890,000	890,000	1,559,419	669,419
Investment earnings	<u>10,000</u>	<u>10,000</u>	<u>16,888</u>	<u>6,888</u>
<b>Total Revenues</b>	<u>4,935,068</u>	<u>4,935,068</u>	<u>7,307,421</u>	<u>2,372,353</u>
<b>Expenditures</b>				
<b>Current:</b>				
Ambulance services	4,858,614	4,858,614	5,018,774	(160,160)
<b>Debt Service:</b>				
Principal retirement	28,357	28,357	96,054	(67,697)
Interest and fiscal charges	1,593	1,593	2,243	(650)
<b>Capital Outlay</b>	<u>623,827</u>	<u>623,827</u>	<u>232,765</u>	<u>391,062</u>
<b>Total Expenditures</b>	<u>5,512,391</u>	<u>5,512,391</u>	<u>5,349,836</u>	<u>162,555</u>
<b>Net Change in Fund Balance</b>	(577,323)	(577,323)	1,957,585	2,534,908
Fund balances - Beginning	<u>2,588,325</u>	<u>2,588,325</u>	<u>2,588,325</u>	
<b>Fund Balances - Ending</b>	<u>\$ 2,011,002</u>	<u>\$ 2,011,002</u>	<u>\$ 4,545,910</u>	<u>\$ 2,534,908</u>

**Galveston County Health District**  
**Notes to Required Supplementary Information**  
**September 30, 2016**

**Budgets and Budgetary Accounting**

An annual operating budget is prepared for all of the District's funds. The general fund by the District's consultants. The District prepares its annual budget on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of compliance is at the fund level.

**Galveston County Health District**  
**Texas County and District Retirement System**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**  
**Last Ten Years Ending December 31, <sup>Ⓐ</sup>**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Total Pension Liability</b>										
Service cost	\$ 1,150,880	\$ 1,242,706	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	698,684	636,959	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	(208,950)		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	122,207		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(364,240)	(570,617)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(299,711)	(613,133)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net Change in Total Pension Liability</b>	1,098,870	695,915	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	8,250,954	7,555,039	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Pension Liability, Ending (a)</b>	<u>\$ 9,349,824</u>	<u>\$ 8,250,954</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Plan Fiduciary Net Position</b>										
Employer contributions	474,220	498,239	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	873,563	836,373	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(101,429)	575,465	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(299,711)	(613,133)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(7,621)	(7,265)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	15,421	(8,021)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net Change in Plan Fiduciary Net Position</b>	954,443	1,281,658	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position, beginning	10,017,151	8,735,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Plan Fiduciary Net Position, Ending (b)</b>	<u>\$ 10,971,594</u>	<u>\$ 10,017,151</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Net Pension Liability (Asset), Ending (a) - (b)</b>	<u>\$ (1,621,770)</u>	<u>\$ (1,766,197)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Plan Fiduciary Net Position as a % of Total Pension Liability</b>	117%	121.41%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	12,479,471	\$ 11,948,185	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	-13.00%	-14.78%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Ⓐ - GASB 68 requires 10 years of data to be provided in this schedule. Only two years of data is available at this time.

**Galveston County Health District  
Texas County and District Retirement System  
Schedule of Employer Contributions  
Last Ten Years Ending December 31, <sup>Ⓐ</sup>**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Actuarially Determined Contribution</b>	\$ 474,220	\$ 498,239	\$ 519,265	\$ 524,315	\$ 545,245	\$ 567,108	\$ 563,075	\$ 244,525	N/A	N/A
<b>Actual Employer Contribution</b>	<u>474,220</u>	<u>498,239</u>	<u>519,265</u>	<u>524,315</u>	<u>545,245</u>	<u>567,108</u>	<u>563,075</u>	<u>244,525</u>	<u>N/A</u>	<u>N/A</u>
<b>Contribution Deficiency (Excess)</b>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>N/A</u>	<u>N/A</u>
<b>Pensionable Covered Payroll</b>	\$12,479,471	\$11,948,185	\$12,189,327	\$11,889,227	\$12,143,539	\$12,546,631	\$11,657,875	\$5,062,640	N/A	N/A
<b>Actual Contributions as a % of Covered Payroll</b>	3.80%	4.17%	4.26%	4.41%	4.49%	4.52%	4.83%	4.83%	N/A	N/A

Ⓐ - GASB 68 requires 10 years of data to be provided in this schedule. Only eight years of data are available at this time.



**Galveston County Health District  
Notes to Schedule of Contributions  
September 30, 2016**

**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 Normal
Asset Valuation Method	5 Year smoothed market, Non-asymptotic
Inflation	3.00%
Salary Increases	3.50% to 8.93% including inflation
Investment Rate of Return	8.10%
Retirement Age	Experience-based table of rates that are specific to the District's plan of benefits.
Mortality:	
Depositing Members	RP-2000 Active Employee Mortality Table with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service Retirees, Beneficiaries and Non-depositing Members	RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled Retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

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## Other Supplementary Information

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**Galveston County Health District**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GENERAL FUND**

**For the Year Ended September 30, 2016**

**With Comparative Actual Amounts for the Year Ended September 30, 2015**

	2016				
	Budgeted Amounts		Actual	Variance	2015 Actual
	Original	Final		from Final Positive (Negative)	
<b>Revenues</b>					
Program services					
Public health	\$ 1,470,367	\$ 1,470,367	\$ 1,669,649	\$ 199,282	\$ 1,586,669
Public health reimbursable	66,825	66,825	52,724	(14,101)	63,107
Animal services	501,832	501,832	521,962	20,130	740,010
Pollution control	135,635	135,635	126,245	(9,390)	136,135
	<u>2,174,659</u>	<u>2,174,659</u>	<u>2,370,580</u>	<u>195,921</u>	<u>2,525,921</u>
Intergovernmental					
Federal/state					
Public health reimbursable	2,755,497	2,755,497	2,761,234	5,737	2,636,869
Animal services					
Pollution control	463,899	463,899	452,235	(11,664)	447,144
	<u>3,219,396</u>	<u>3,219,396</u>	<u>3,213,469</u>	<u>(5,927)</u>	<u>3,084,013</u>
Local - Galveston County	7,305,075	7,305,075	7,305,075		7,435,075
Investment earnings	<u>16,000</u>	<u>16,000</u>	<u>14,558</u>	<u>(1,442)</u>	<u>17,300</u>
<b>Total Revenues</b>	<u>\$ 12,715,130</u>	<u>\$ 12,715,130</u>	<u>\$ 12,903,682</u>	<u>\$ 188,552</u>	<u>\$ 13,062,309</u>

**Galveston County Health District**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GENERAL FUND**

**For the Year Ended September 30, 2016**

**With Comparative Actual Amounts for the Year Ended September 30, 2015**

Function	2016				
	Budgeted Amounts		Actual	Variance from Final Positive (Negative)	2015 Actual
	Original	Final			
<b>Public Health</b>					
Personnel services	\$ 2,565,528	\$ 2,565,528	\$ 2,250,377	\$ 315,151	\$ 2,348,463
Supplies	252,700	252,700	165,494	87,206	309,907
Contractual services	36,870	36,870	37,860	(990)	75,165
Other	839,176	839,176	795,931	43,245	835,211
Capital outlay					24,507
	<u>3,694,274</u>	<u>3,694,274</u>	<u>3,249,662</u>	<u>444,612</u>	<u>3,593,253</u>
<b>Public Health Reimbursable</b>					
Personnel services	2,086,425	2,086,425	2,034,490	51,935	1,852,215
Supplies	60,308	60,308	93,072	(32,764)	88,156
Contractual services	428,663	428,663	333,334	95,329	440,527
Other	349,751	349,751	399,397	(49,646)	402,102
Capital outlay			30,361	(30,361)	
	<u>2,925,147</u>	<u>2,925,147</u>	<u>2,890,654</u>	<u>34,493</u>	<u>2,783,000</u>
<b>Animal Services</b>					
Personnel services	764,454	764,454	732,957	31,497	787,400
Supplies	121,448	121,448	147,678	(26,230)	193,524
Contractual services	54,500	54,500	62,101	(7,601)	57,909
Other	261,299	261,299	267,187	(5,888)	289,573
	<u>1,201,701</u>	<u>1,201,701</u>	<u>1,209,923</u>	<u>(8,222)</u>	<u>1,328,406</u>
<b>Pollution Control</b>					
Personnel services	714,268	714,268	684,878	29,390	638,957
Supplies	14,958	14,958	11,337	3,621	25,943
Contractual services	55,019	55,019	48,899	6,120	92,776
Other	128,869	128,869	120,579	8,290	120,641
Capital outlay					15,030
	<u>913,114</u>	<u>913,114</u>	<u>865,693</u>	<u>47,421</u>	<u>893,347</u>
<b>Patient Services (Indigent Care)</b>					
Personnel services	151,599	151,599	138,840	12,759	145,286
Supplies	5,000	5,000	5,665	(665)	6,343
Contractual services	6,000	6,000	5,941	59	5,445
Other	27,846	27,846	27,685	161	27,580
	<u>190,445</u>	<u>190,445</u>	<u>178,131</u>	<u>12,314</u>	<u>184,654</u>
<b>Debt Service</b>					
Principal					14,466
Interest					299
					<u>14,765</u>
<b>Total Expenditures</b>	<u>\$ 8,924,681</u>	<u>\$ 8,924,681</u>	<u>\$ 8,394,063</u>	<u>\$ 530,618</u>	<u>\$ 8,797,425</u>

**Galveston County Health District**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**GAAP Basis to Financial Status Report Basis Comparison**  
**Coastal Health and Wellness Fund**  
**For the Year Ended September 30, 2016**

	<u>GAAP</u>	<u>Donated</u>	<u>Balance per</u>
	<u>Basis</u>	<u>Services</u>	<u>Financial</u>
			<u>Status</u>
			<u>Report</u>
<b>Revenues</b>			
Program services	\$ 3,047,531	\$	\$ 3,047,531
Intergovernmental			
Federal/state	3,514,585		3,514,585
Local	31,605	7,685	39,290
Investment earnings	20,254		20,254
<b>Total Revenues</b>	<u>6,613,975</u>	<u>7,685</u>	<u>6,621,660</u>
<b>Expenditures</b>			
<b>Current:</b>			
Patient services			
Personnel services	6,634,540		6,634,540
Supplies	1,310,069		1,310,069
Contracted services	727,249		727,249
Other	1,106,288	7,684	1,113,972
<b>Debt Service:</b>			
Principal retirement			
Interest and fiscal charges			
<b>Capital Outlay</b>	<u>25,152</u>		<u>25,152</u>
<b>Total Expenditures</b>	<u>9,803,298</u>	<u>7,684</u>	<u>9,810,982</u>
<b>(Deficiency) of Revenues</b>			
<b>(Under) Expenditures</b>	(3,189,323)	1	(3,189,322)
<b>Other Financing Sources</b>			
Issuance of debt			
Transfers in	3,948,396		3,948,396
<b>Total Other Financing Sources</b>	<u>3,948,396</u>		<u>3,948,396</u>
<b>Net Change in Fund Balance</b>	759,073	1	759,074
Fund Balances - Beginning	3,660,203		3,660,203
<b>Fund Balances - Ending</b>	<u>\$ 4,419,276</u>	<u>\$ 1</u>	<u>\$ 4,419,277</u>