

Galveston County Health District
Independent Auditor's Report and Financial Statements
September 30, 2018



Galveston County Health District
September 30, 2018

Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Notes to Financial Statements	17
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, General Fund	37
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, Coastal Health & Wellness	38
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, Galveston Area Ambulance Authority	39
Notes to Required Supplementary Information	40
Texas County and District Retirement System - Schedule of Changes in Net Pension Liability (Assets) and Related Ratios	41
Texas County and District Retirement System - Schedule of Employer Contributions	42
Notes to the Schedule of Contributions	43
Other Supplementary Information	
Schedule of Revenues – Budget and Actual, General Fund	44
Schedule of Expenditures – Budget and Actual, General Fund	45
Schedule of Revenues – Budget and Actual, GAAP Basis to Financial Status Report Basis Comparison Coastal Health & Wellness Fund	46

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Galveston County Health District (the District), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BKD, LLP

Houston, Texas
February 28, 2019

Galveston County Health District

Management's Discussion and Analysis

September 30, 2018

Introduction

The following discussion and analysis of the financial performance of Galveston County Health District (the District) provides an overview of the District's financial activities for the year ended September 30, 2018. Readers should consider the information presented here in conjunction with the District's financial statements that follow this section.

Financial Highlights

- Total assets and deferred outflows of resources of the District exceeded total liabilities and deferred inflows of resources at the close of 2018 by \$19.3 million.
- Of this amount, \$2.2 million represents the District's net investment in capital assets; \$2.8 million is restricted for net pension asset and there is an unrestricted net surplus of \$14.4 million.
- The District had total cash and investments of \$13.4 million as of September 30, 2018, an increase of \$345 thousand from September 30, 2017.
- The District had expenses net of program revenue of \$6.5 million and general revenues of \$8 million.
- The District reported an increase in total net position of \$1.5 million (8 percent) in 2018.
- As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$15.1 million.

The General Fund reported a fund balance of \$4.4 million at the end of the current year. The unassigned fund balance for the General Fund was \$189 thousand, or 2 percent, of total General Fund expenditures. There was a \$103 thousand increase in the total fund balance for the General Fund from September 30, 2017.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

The statement of activities presents information showing how the government's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future periods, *e.g.*, earned but unused vacation leave.

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

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on Pages 17-36 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund, Coastal Health & Wellness Fund (CHW) and the Galveston Area Ambulance Authority Fund (GAAA) budgets and the District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on Pages 37-43 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19.3 million at September 30, 2018.

Condensed Statement of Net Position (in Thousands)

	2018	2017	Dollar Change	Total Percentage Change
Assets				
Cash and other assets	\$ 18,956	\$ 17,413	\$ 1,543	9 %
Capital assets, net	<u>2,176</u>	<u>1,654</u>	<u>522</u>	<u>32 %</u>
Total assets	<u>21,132</u>	<u>19,067</u>	<u>2,065</u>	<u>11 %</u>
Deferred Outflows of Resources	<u>364</u>	<u>1,071</u>	<u>(707)</u>	<u>(66)%</u>
Liabilities				
Long-term liabilities	458	692	(234)	(34)%
Other liabilities	<u>1,078</u>	<u>1,052</u>	<u>26</u>	<u>2 %</u>
Total liabilities	<u>1,536</u>	<u>1,744</u>	<u>(208)</u>	<u>(12)%</u>
Deferred Inflows of Resources	<u>656</u>	<u>576</u>	<u>80</u>	<u>14 %</u>
Net Position				
Net investment in capital assets	2,159	1,603	556	35 %
Restricted	2,774	1,850	924	50 %
Unrestricted	<u>14,371</u>	<u>14,365</u>	<u>6</u>	<u>- %</u>
Total net position	<u>\$ 19,304</u>	<u>\$ 17,818</u>	<u>\$ 1,486</u>	<u>8 %</u>

The largest portion of the District's net position (\$13.4 million) reflects its cash and cash equivalents. The District was able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

Net position of the District achieved a \$1.5 million increase. Key elements of the increase are shown in the table below.

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

	2018	2017	Dollar Change	Total Percentage Change
Revenues				
Program revenues:				
Charges for services	\$ 11,491	\$ 12,003	\$ (512)	(4)%
Operating grants and contributions	6,876	6,629	247	4 %
General revenues:				
Unrestricted grants and contributions	7,845	7,706	139	2 %
Gain on sale of capital assets	24			
Investment earnings, unrestricted	129	61	68	111 %
Total revenues	<u>26,365</u>	<u>26,399</u>	<u>(34)</u>	<u>0 %</u>
Expenses				
Public health	3,679	3,308	371	11 %
Public health reimbursable	3,052	3,329	(277)	(8)%
Animal services	1,188	1,222	(34)	(3)%
Pollution control	861	930	(69)	(7)%
Patient services	10,295	9,739	556	6 %
Ambulance services	5,804	5,892	(88)	(1)%
Program Expenses	<u>24,879</u>	<u>24,420</u>	<u>459</u>	<u>2 %</u>
Change in Net Position	1,486	1,979	(493)	(25)%
Net Position, Beginning of Year	<u>17,818</u>	<u>15,839</u>	<u>1,979</u>	<u>12 %</u>
Net Position, End of Year	<u>\$ 19,304</u>	<u>\$ 17,818</u>	<u>\$ 1,486</u>	<u>8 %</u>

Revenues from governmental activities totaled \$26.4 million for the fiscal year ended September 30, 2018, while expenses totaled \$24.9 million. The District's total revenues decreased by \$34 thousand or less than 1 percent from prior year. The District's total expenses increased by \$.5 million, or 2 percent from the prior year. Primary factors included an increase in patient services expense of \$556 thousand due to new personnel and increased shared service expenses; and an increase in public health expenses of \$371 thousand due primarily to expenses incurred during the public health event involving the Coastal Health & Wellness dental clinics as discussed further in Note 13 to the financial statements.

Financial Analysis of the Government's Funds

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

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

As of September 30, 2018, the District's governmental funds, which consist of a General Fund and Special Revenue Funds, reported ending fund balances of \$15.1 million, an increase of \$.6 million during the year.

The General Fund is the chief operating fund of the District. At the end of the year, unassigned fund balance of the General Fund was \$189 thousand, a \$26 thousand increase from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 2 percent of total General Fund expenditures, while overall General Fund balance represents 49 percent of that same amount.

The CHW, a major governmental fund, had an increase of \$563 thousand to an overall CHW Fund balance of \$5.8 million at the end of the year.

The GAAA Fund, a major governmental fund, had a decrease in fund balance of \$74 thousand during the year to bring the year-end fund balance to \$5 million.

General Fund Budgetary Highlights

Revenues

The District's final 2018 General Fund budget estimated revenues of \$12.8 million. The actual realized revenues for the period were \$12.9 million, or 0.5 percent, greater than budgeted primarily due to increased grant revenue due to new grants.

Public Health Program service revenues were under budgeted amounts by \$39 thousand, or 2 percent, due to decreases in immunizations provided and birth/death certificates issued. The Public Health division includes service revenues from immunization, vital statistics, potable water testing, and inspections/permits associated with food services, septic tanks, swimming pools and waste water.

Animal Service program revenues (which included both field and shelter services) were over budgeted amounts by \$19 thousand, or 3 percent, due to donations, increased animal redemptions, and the addition of an in-house vaccination clinic.

Pollution Control program revenues were \$402 or 0.3 percent higher than budgeted primarily due to the sale of a storm water permit.

Expenditures

Operating expenditures and other financing uses in 2018 were budgeted at \$13.1 million, and actual expenditures and other financing uses incurred at September 30, 2018, were \$12.8 million, or 98 percent, of what had been projected for the year.

Public Health Program expenditures were \$183 thousand or 5 percent, lower than budgeted due primarily to savings in supply costs and in salary and benefit costs due to salary lapses.

Public Health Reimbursable expenditures (grant funded services) were \$97 thousand, or 3 percent, higher than budgeted due primarily to increased supply and advertising costs related to grants. These costs were offset by increases in grant revenue.

Animal Service expenditures were \$150 thousand, or 11 percent, lower due to savings from spay/neuter costs and salary and benefit costs from salary lapses.

Pollution Control expenditures were \$71 thousand, or 8 percent, lower due to savings in salary and benefit costs from salary lapses.

Capital Assets and Debt Administration

Capital Assets: The District's investment in capital assets as of September 30, 2018, amounts to \$2.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture and equipment, and vehicles. The total increase in the District's investment in capital assets for 2018 was 32 percent.

	Capital Assets (In Thousands)			Total Percentage Change
	2018	2017	Dollar Change	
Improvements other than buildings	\$ 52	\$ 52	\$ -	0%
Furniture and equipment	2,754	2,593	161	6%
Vehicles	3,057	2,294	763	33%
Less accumulated depreciation	<u>(3,687)</u>	<u>(3,285)</u>	<u>(402)</u>	12%
Total capital assets, net	<u>\$ 2,176</u>	<u>\$ 1,654</u>	<u>\$ 522</u>	32%

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

The District's long-term liabilities decreased by \$235 thousand due to a decrease in compensated absences of \$201 thousand and principal payments of \$34 thousand on the District's note payable.

	Long-term Liabilities (in Thousands)		
	2017	Decrease	2018
Notes payable	\$ 51	\$ (34)	\$ 17
Compensated absences	<u>642</u>	<u>(201)</u>	<u>441</u>
Total	<u>\$ 693</u>	<u>\$ (235)</u>	<u>\$ 458</u>

Economic Factors and Next Year's Budgets and Rates

The District is currently operating under its fiscal year 2019 budget, which was adopted and passed by its respective Boards in accordance with state and federal guidelines. The table below provides a comparison of the fiscal year 2018 and fiscal year 2019 budgets for both estimated revenues and expenditures.

Fund	Year Ending September 30,	
	2019	2018
General Fund:		
Revenue and transfers	\$ 13,219,174	\$ 13,093,390
Expenditures	13,201,000	13,093,390
Coastal Health & Wellness:		
Revenue and transfers	11,784,120	10,905,838
Expenditures	11,784,120	10,905,838
Galveston Area Ambulance Authority:		
Revenue and transfers	6,890,759	7,312,003
Expenditures	6,890,759	7,312,003

General Fund: In comparison to 2018, 2019 revenues budgeted under the General fund increase by \$126 thousand, or 1 percent, primarily due to increases in grant revenue, Animal Services funding and interest income. Public health revenues projected to be \$16,139 less than 2018 due to decreased volumes in immunizations, septic tank inspections and birth/death certificates. Animal Services revenues projected to be \$60,705 more than 2018 due primarily to the addition of an in-house vaccination clinic.

CHW Fund: The budget for CHW increased by \$878 thousand, or 8 percent, from 2018. Patient revenue increased based on higher visit rates per HRSA target. Also, DSRIP revenue increased by \$337 thousand. Expenses increased due to added staff, pharmaceutical supplies, IT expenses and contract services.

GAAA Fund: The budget for GAAA decreased by \$421 thousand, or 6 percent, due mainly to decreased spending on equipment and vehicles. In addition, the mainland non-emergent transfer service was eliminated. This was offset by the addition of \$300 thousand for Medicaid Supplemental Cost Report revenue which was not included in 2018.

Request for Information

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

Basic Financial Statements

Galveston County Health District
Statement of Net Position
September 30, 2018

Assets

Cash and cash equivalents	\$	6,999,702
Investments		6,405,166
Receivables, net		2,603,433
Prepaid expenses		143,096
Inventories		30,431
Net pension asset		2,773,688
Capital assets, net of depreciation:		
Improvements, other than buildings		26,576
Furniture and equipment		653,643
Vehicles		1,495,912
		21,131,647
Total assets		21,131,647

Deferred Outflows of Resources

Pensions:		
Change in assumptions		88,590
Contributions made subsequent to measurement date		275,262
		363,852
Total deferred outflows of resources		363,852
Total assets and deferred outflows of resources		21,495,499

Liabilities

Accounts payable and accrued liabilities		984,431
Unearned revenue		93,772
Noncurrent liabilities:		
Due within one year		61,159
Due in more than one year		396,538
		1,535,900
Total liabilities		1,535,900

Deferred Inflows of Resources

Pensions:		
Difference between projected and actual earnings		166,142
Differences between expected and actual experience		489,432
		655,574
Total deferred inflows of resources		655,574
Total liabilities and deferred inflows of resources		2,191,474

Net Position

Net investment in capital assets		2,159,032
Restricted for net pension asset		2,773,688
Unrestricted		14,371,305
		19,304,025
Total net position	\$	19,304,025

Galveston County Health District
Statement of Activities
Year Ended September 30, 2018

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Functions/Programs:				
Governmental activities:				
Public health	\$ 3,678,561	\$ 1,599,612	\$ -	\$ (2,078,949)
Public health, reimbursable	3,052,070	49,526	2,902,183	(100,361)
Animal services	1,188,195	576,565	-	(611,630)
Pollution control	860,872	133,734	452,177	(274,961)
Patient services	10,294,434	3,404,035	3,521,398	(3,369,001)
Ambulance services	5,804,050	5,727,268	-	(76,782)
Total governmental activities	<u>\$ 24,878,182</u>	<u>\$ 11,490,740</u>	<u>\$ 6,875,758</u>	<u>\$ (6,511,684)</u>
General revenues:				
Grants and contributions not restricted to specific programs				\$ 7,845,332
Gain on sale of capital assets				23,654
Investment earnings, unrestricted				129,059
Total general revenues				<u>7,998,045</u>
Change in net position				1,486,361
Net position, beginning of year				<u>17,817,664</u>
Net position, end of year				<u>\$ 19,304,025</u>

Galveston County Health District
Balance Sheet – Governmental Funds
September 30, 2018

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,526,472	\$ 2,274,727	\$ 2,198,503	\$ 6,999,702
Investments	1,327,223	3,042,824	2,035,119	6,405,166
Receivables:				
Federal	673,751	382,684	-	1,056,435
State	146,470	-	-	146,470
Patient, program and other (net where applicable)	105,775	380,608	914,145	1,400,528
Due from other funds	27,216	7,905	-	35,121
Prepaid expenses	43,751	85,247	14,098	143,096
Inventories	30,431	-	-	30,431
	<u>4,881,089</u>	<u>6,173,995</u>	<u>5,161,865</u>	<u>16,216,949</u>
Total assets	<u>\$ 4,881,089</u>	<u>\$ 6,173,995</u>	<u>\$ 5,161,865</u>	<u>\$ 16,216,949</u>
Liabilities				
Accounts payable and accrued liabilities	435,165	\$ 327,497	\$ 221,769	\$ 984,431
Unearned revenue	50,540	32,815	10,417	93,772
Due to other funds	7,905	-	27,216	35,121
	<u>493,610</u>	<u>360,312</u>	<u>259,402</u>	<u>1,113,324</u>
Total liabilities	<u>493,610</u>	<u>360,312</u>	<u>259,402</u>	<u>1,113,324</u>
Fund Balances				
Nonspendable	74,182	85,247	14,098	173,527
Committed	4,124,067	6,244,597	2,469,362	12,838,026
Assigned	-	-	2,419,003	2,419,003
Unassigned	189,230	(516,161)	-	(326,931)
	<u>4,387,479</u>	<u>5,813,683</u>	<u>4,902,463</u>	<u>15,103,625</u>
Total fund balances	<u>4,387,479</u>	<u>5,813,683</u>	<u>4,902,463</u>	<u>15,103,625</u>
Total liabilities and fund balances	<u>\$ 4,881,089</u>	<u>\$ 6,173,995</u>	<u>\$ 5,161,865</u>	<u>\$ 16,216,949</u>

Galveston County Health District
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2018

Total fund balances – governmental funds	\$	15,103,625
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,176,131
Deferred inflows and outflows related to pensions are not recognized on the fund financial statements.		(291,722)
Net pension asset is not financial resources and is not reported in the funds.		2,773,688
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Notes payable		(17,099)
Compensated absences		(440,598)
Net position of governmental activities	\$	<u>19,304,025</u>

Galveston County Health District
Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds
Year Ended September 30, 2018

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total Governmental Funds
Revenues				
Program services and patient service revenue, net, where applicable	\$ 2,359,437	\$ 3,404,035	\$ 5,727,268	\$ 11,490,740
Intergovernmental:				
Federal/state	3,354,360	3,521,398	-	6,875,758
Local	7,125,079	95,562	624,692	7,845,333
Investment earnings	33,353	52,172	43,534	129,059
Total revenues	12,872,229	7,073,167	6,395,494	26,340,890
Expenditures				
Current:				
Public health	3,713,409	-	-	3,713,409
Public health reimbursable	3,052,028	-	-	3,052,028
Animal services	1,182,193	-	-	1,182,193
Pollution control	852,110	-	-	852,110
Patient services	-	10,332,893	-	10,332,893
Ambulance services	-	-	5,651,297	5,651,297
Debt service:				
Principal retirement	-	-	33,755	33,755
Interest and fiscal charges	-	-	62	62
Capital outlay	87,986	66,262	800,323	954,571
Total expenditures	8,887,726	10,399,155	6,485,437	25,772,318
Excess (Deficiency) of Revenues Over Expenditures	3,984,503	(3,325,988)	(89,943)	568,572
Other Financing Sources (Uses)				
Transfers in (out)	(3,888,844)	3,888,844	-	-
Proceeds from sale of capital assets	7,741	-	15,913	23,654
Total other financing sources (uses)	(3,881,103)	3,888,844	15,913	23,654
Net Change in Fund Balances	103,400	562,856	(74,030)	592,226
Fund Balances, Beginning of Year	4,284,079	5,250,827	4,976,493	14,511,399
Fund Balances, End of Year	\$ 4,387,479	\$ 5,813,683	\$ 4,902,463	\$ 15,103,625

Galveston County Health District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2018

Net change in fund balances – total governmental funds	\$	592,226
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,092,316) exceeded depreciation expense (\$569,873) in the current period.</p>		
		522,443
<p>Repayment of note principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		33,755
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Net change in net pension asset	\$	923,678
Net change in deferred inflows and outflows of resources		(786,708)
Net change in accrued compensated absences		200,967
		337,937
Change in net position of governmental activities	\$	1,486,361

Galveston County Health District

Notes to Financial Statements

September 30, 2018

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

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

Reporting Entity

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

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

Basis of Accounting and Presentation

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

Government-Wide Financial Statements

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

Galveston County Health District

Notes to Financial Statements

September 30, 2018

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Galveston County Health District

Notes to Financial Statements

September 30, 2018

Governmental Fund Financial Statements

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

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

Use of Estimates

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

Cash and Investments

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2018, all investments represent amounts held in TexPool and are stated at amortized cost.

Inventories

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

Capital Assets

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

Galveston County Health District
Notes to Financial Statements
September 30, 2018

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

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

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

Long-term Obligations

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

Compensated Absences

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

Pensions

The District participates in an agent defined benefit pension plan *Texas County and District Retirement System* (TCDRS). For purposes of measuring the net pension asset (NPA), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of TCDRS and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Galveston County Health District

Notes to Financial Statements

September 30, 2018

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

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

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

Patient Accounts Receivable

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

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

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are

Galveston County Health District

Notes to Financial Statements

September 30, 2018

considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known. Patient service revenue as reported for CHW for the year ended September 30, 2018, is net of an allowance for uncollectible accounts of \$1,087,999.

Fund Balances – Governmental Funds

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

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

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

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

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

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

Income Taxes

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

Budgetary Information

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

Note 2: Deposits and Investments

Deposits

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

Galveston County Health District

Notes to Financial Statements

September 30, 2018

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

At September 30, 2018, the District's deposits were fully collateralized and, therefore, were not exposed to custodial credit risk.

Investments

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

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operation; (2) designation of management and (3) accountability for fiscal matters. Additionally, the state Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Although TexPool is not registered with the U.S. Securities and Exchange Commission as an investment company, it operates in a manner consistent with the U.S. Securities and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares.

Note 3: Receivables

As of September 30, 2018, accounts receivable consisted of the following.

Galveston County Health District
Notes to Financial Statements
September 30, 2018

	General	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total
Federal:				
Reimbursement of expenditures under federal grants	\$ 673,751	\$ 382,684	\$ 0	\$ 1,056,435
State:				
Reimbursement of expenditures under state grants	146,470	0	0	146,470
Patient, program and other:				
Patient, net	-	380,608	268,121	648,729
Program and other	105,775	-	646,024	751,799
	<u>105,775</u>	<u>380,608</u>	<u>914,145</u>	<u>1,400,528</u>
Total	<u>\$ 925,996</u>	<u>\$ 763,292</u>	<u>\$ 914,145</u>	<u>\$ 2,603,433</u>

Note 4: Capital Assets

Capital assets activity for the year ended September 30, 2018, is presented below:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Improvements, other than buildings	\$ 52,069	\$ -	\$ -	\$ 52,069
Furniture and equipment	2,592,366	329,366	167,401	2,754,331
Vehicles	2,294,175	762,950	-	3,057,125
Total cost	<u>4,938,610</u>	<u>1,092,316</u>	<u>167,401</u>	<u>5,863,525</u>
Less accumulated depreciation:				
Improvements, other than buildings	(16,635)	(8,858)		(25,493)
Furniture and equipment	(2,018,714)	(249,375)	(167,401)	(2,100,688)
Vehicles	(1,249,573)	(311,640)	-	(1,561,213)
Total accumulated depreciation	<u>(3,284,922)</u>	<u>(569,873)</u>	<u>(167,401)</u>	<u>(3,687,394)</u>
Capital assets, net	<u>\$ 1,653,688</u>	<u>\$ 522,443</u>	<u>\$ 0</u>	<u>\$ 2,176,131</u>

Galveston County Health District
Notes to Financial Statements
September 30, 2018

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

Function:		
Public health	\$	45,654
Public health, reimbursable		42,817
Animal services		19,094
Pollution control		24,084
CHW		79,545
GAAA		<u>358,679</u>
 Total depreciation expense, functions	 \$	 <u><u>569,873</u></u>

Note 5: Net Patient Service Revenue

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

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

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

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

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

Galveston County Health District
Notes to Financial Statements
September 30, 2018

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

Note 6: Interfund Balances and Transfers

Interfund balances due to/from as of September 30, 2018, are as follows:

Receivable Fund	Payable Fund	Amounts
CHW Fund	General Fund	\$ 7,905
General Fund	GAAA Fund	27,216
		<u>\$ 35,121</u>

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

Transfers between funds during the year ended September 30, 2018, were as follows:

Transfers From Fund	Transfers in Fund	Amount
General Fund	CHW Fund	\$ 3,888,844

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

Note 7: Long-term Obligations

The following is a summary of long-term obligation transactions for the year ended September 30, 2018.

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Note payable	\$ 50,854	\$ -	\$ (33,755)	\$ 17,099	\$ 17,099
Compensated absences	641,565	239,631	(440,598)	440,598	44,060
Total long-term obligations	<u>\$ 692,419</u>	<u>\$ 239,631</u>	<u>\$ (474,353)</u>	<u>\$ 457,697</u>	<u>\$ 61,159</u>

Galveston County Health District
Notes to Financial Statements
September 30, 2018

Note payable is due to a federal agency in monthly principal installments, plus interest at an annual rate of 1.75 percent through February 18, 2019. The note is collateralized by a pledge of the District's revenues for each fiscal year while any of the notes are outstanding, after a provision has been made for the payments required in connection with any outstanding indebtedness of the District.

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

Note 8: Fund Balances

The District reports the following General Fund, CHW Fund and GAAA Fund equity as non-spendable and committed at September 30, 2018, classified governmental fund balances as follows:

	General	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund
Nonspendable:			
Prepaid items	\$ 43,751	\$ 85,247	\$ 14,098
Inventories	30,431	-	-
Total nonspendable fund balances	<u>\$ 74,182</u>	<u>\$ 85,247</u>	<u>\$ 14,098</u>
Committed:			
IT infrastructure/software upgrades	\$ 192,834	\$ 191,318	\$ 43,164
Public health emergencies	250,000	-	-
Reserve for leave payouts	30,000	-	-
Medical/dental equipment	-	275,000	-
Vehicle replacements	-	-	600,000
CHW clinic renovations	374,020	850,000	-
Animal services	459,085	-	-
Operating equipment	-	-	-
Texas City furniture/fixtures/remodel	-	12,750	-
Employee one-time supplemental payment	-	103,816	29,588
Reserve for Medicaid cost report audit	-	-	1,427,302
Reserve for payment to the County	-	-	313,180
Reserve for other	118,128	-	56,128
Operating reserves	2,700,000	4,811,713	-
Total committed fund balances	<u>\$ 4,124,067</u>	<u>\$ 6,244,597</u>	<u>\$ 2,469,362</u>

Galveston County Health District
Notes to Financial Statements
September 30, 2018

Note 9: Pension Plans

TCDRS Defined Benefit Plan

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

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

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits, with interest. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitments to contribute. At retirement, disability or death, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly 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, 2017, valuation and measurement date the following employees were covered by the benefit terms:

Covered Employees - TCDRS Calendar Year Basis	2017
Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	270
Active employees	291
Totals	584

Galveston County Health District
Notes to Financial Statements
September 30, 2018

Funding Policy/Contributions

The District has chosen a variable rate plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the District and are currently 7 percent. The District's required contribution rate was 2.46 percent during the 2018 fiscal year.

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

Net Pension Asset

The District's NPA was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the NPA was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

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

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

Galveston County Health District
Notes to Financial Statements
September 30, 2018

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TCDRS was for the period January 1, 2013 through December 31, 2016, except where required to be different by Governmental Accounting Standards Board (GASB) Statement No. 68.

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return
U.S. Equity	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities, Developed	11.00%	4.55%
International Equities, Emerging	8.00%	5.55%
Investment, Grade Bonds	3.00%	0.75%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%
Total	<u>100.00%</u>	

Galveston County Health District
Notes to Financial Statements
September 30, 2018

Discount Rate

The discount rate used to measure the TPL was 8.10 percent. This rate reflects the long-term rate of return funding valuation assumption of 8.00 percent, plus 0.10 percent adjustment to be gross of administrative expenses. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balances as of December 31, 2016	\$ 11,031,573	\$ 12,881,583	\$ (1,850,010)
Changes for the year:			
Service cost	1,355,009	-	1,355,009
Interest on total pension liability	988,004	-	988,004
Effect of economic/demographic gains or losses	(98,563)	-	(98,563)
Effect of assumptions changes or inputs	34,358	-	34,358
Refund of contributions	(272,477)	(272,477)	-
Benefit payments	(113,044)	(113,044)	-
Administrative expenses	-	(10,440)	10,440
Member contributions	-	971,246	(971,246)
Net investment income	-	1,895,061	(1,895,061)
Employer contributions	-	334,386	(334,386)
Other	-	12,233	(12,233)
Net changes	<u>1,893,287</u>	<u>2,816,965</u>	<u>(923,678)</u>
Balances as of December 31, 2017	<u>\$ 12,924,860</u>	<u>\$ 15,698,548</u>	<u>\$ (2,773,688)</u>

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

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

Galveston County Health District
Notes to Financial Statements
September 30, 2018

	1% Decrease in Discount Rate (7.1%)	Current Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
District's net pension liability (asset) \$	(548,103)	\$ (2,773,688)	\$ (4,560,780)

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

For the year ended September 30, 2018, the District recognized pension expense of \$248,844. At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 489,432	\$ -
Changes in actuarial assumptions	-	88,590
Net difference between projected and actual investment earnings	166,142	-
Contributions subsequent to the measurement date	-	275,262
	\$ 655,574	\$ 363,852

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

Year Ended September 30	
2018	\$ (72,411)
2019	(105,894)
2020	(203,265)
2021	(185,414)
Total	\$ (566,984)

Galveston County Health District
Notes to Financial Statements
September 30, 2018

Deferred Compensation Plan

In addition, the District makes available a deferred compensation plan under Internal Revenue Code Section 457 (the Plan). The Plan was effective April 1, 2000, and is available to employees of the General Fund, CHW Fund and GAAA Fund. The assets of the Plan shall be held in trust for the exclusive benefit of the plan participants and their beneficiaries. The Plan is administered by an authorized administrator who is responsible for ensuring that the Plan is operating in accordance with Plan terms and conditions including but not limited to investment options. Employees may voluntarily contribute up to a basic annual limit of \$18,000 into the Plan.

Note 10: Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of September 30, 2018, are comprised as follows:

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total
Trade payables	\$ 259,669	\$ 112,504	\$ 74,881	\$ 447,054
Accrued payroll	174,484	214,993	146,888	536,365
Other	1,012	-	-	1,012
	<u>\$ 435,165</u>	<u>\$ 327,497</u>	<u>\$ 221,769</u>	<u>\$ 984,431</u>

Note 11: Operating Leases

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

Galveston Housing Authority. The District entered into a five-year lease to lease space at the Island Community Center to operate the CHW (formerly 4C's) medical and dental clinic. The lease commenced on August 1, 2011, and terminated on July 31, 2017. The District signed a one-year extension on a month-to-month basis with lease payments of \$14,530 per month. The CHW 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 on April 1, 2017, and will expire March 31, 2022. Minimum lease payments are \$2,086 per month.

Galveston County Health District
Notes to Financial Statements
September 30, 2018

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

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

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

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

The District incurred total lease expenditures of \$1,363,699 during the year ended September 30, 2018.

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

Year	Minimum Lease Payments
2019	\$ 1,181,988
2020	1,181,988
2021	64,632
2022	52,116
2023	1,760
	\$ 2,482,484

Galveston County Health District

Notes to Financial Statements

September 30, 2018

Note 12: Risk Management

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

The District is the defendant in a lawsuit claiming personal injuries due to an accident with a District vehicle. The District is the defendant in a lawsuit claiming wrongful termination under the False Claims Act by a former employee of the District, who is demanding approximately \$975,000. The District is a defendant in a lawsuit claiming negligence of an employee of the District and negligent entrustment against the District due to an accident with a District vehicle, who is demanding damages of over \$1,000,000 but not more than \$10,000,000. The District and its attorney are vigorously defending the matters.

Note 13: Professional Liability Claims

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

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

Galveston County Health District
Notes to Financial Statements
September 30, 2018

reopened on December 18, 2018. Since the investigation the District has received asserted claims regarding potential claims which were forwarded to the U.S. Department of Health and Human Services for review.

Note 14: Concentrations

The following concentrations with particular customers existed as of and for the year ended September 30, 2018:

Galveston County. Approximately 42 percent of the District's revenues for the year ended September 30, 2018, were provided by Galveston County.

Federal Government. Approximately 26 percent of the District's revenues for the year ended September 30, 2018, were provided by the Federal Government.

Through CHW and GAAA, the District grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at September 30, 2018, is as follows.

	Coastal Health & Wellness Fund	Galveston Ambulance Authority Fund	Total
Medicare	42%	44%	44%
Medicaid	18%	11%	11%
Other third-party payers	11%	29%	29%
Self-pay	29%	16%	16%
Total	100%	100%	100%

Note 15: Future Change in Accounting Principles

GASB Statement No. 87, *Leases* – This statement provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly. This statement will become effective for the District in fiscal year 2021.

Required Supplementary Information

Galveston County Health District
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual,
General Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Program services	\$ 2,378,646	\$ 2,378,646	\$ 2,359,437	\$ (19,209)
Intergovernmental:				
Federal/State	3,294,865	3,294,865	3,354,360	59,495
Local	7,125,079	7,125,079	7,125,079	-
Investment earnings	15,000	15,000	33,353	18,353
Total revenues	12,813,590	12,813,590	12,872,229	58,639
Expenditures				
Public health	3,896,258	3,896,258	3,713,409	182,849
Public health, reimbursable	2,955,325	2,955,325	3,052,028	(96,703)
Animal services	1,332,278	1,332,278	1,182,193	150,085
Pollution control	923,017	923,017	852,110	70,907
Capital outlay	97,668	97,668	87,986	9,682
Total expenditures	9,204,546	9,204,546	8,887,726	316,820
Excess of Revenues Over Expenditures	3,609,044	3,609,044	3,984,503	375,459
Other Financing Uses				
Transfers out	(3,888,844)	(3,888,844)	(3,888,844)	-
Proceeds from sale of capital assets	-	-	7,741	7,741
Total other financing uses	(3,888,844)	(3,888,844)	(3,881,103)	7,741
Net Change in Fund Balance	(279,800)	(279,800)	103,400	383,200
Fund Balance, Beginning of Year	4,284,079	4,284,079	4,284,079	-
Fund Balance, End of Year	\$ 4,004,279	\$ 4,004,279	\$ 4,387,479	\$ 383,200

Galveston County Health District
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual,
Coastal Health & Wellness
Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Program services	\$ 3,778,989	3,778,989	\$ 3,404,035	\$ (374,954)
Intergovernmental:				
Federal/State - grant	3,254,068	3,254,068	3,521,398	267,330
Local - county	32,213	32,213	95,562	63,349
Investment earnings	22,500	22,500	52,172	29,672
	<u>7,087,770</u>	<u>7,087,770</u>	<u>7,073,167</u>	<u>(14,603)</u>
Total revenues				
	<u>7,087,770</u>	<u>7,087,770</u>	<u>7,073,167</u>	<u>(14,603)</u>
Expenditures				
Patient services	10,905,838	10,905,838	10,332,893	572,945
Capital outlay	-	-	66,262	(66,262)
	<u>10,905,838</u>	<u>10,905,838</u>	<u>10,399,155</u>	<u>506,683</u>
Total expenditures				
	<u>10,905,838</u>	<u>10,905,838</u>	<u>10,399,155</u>	<u>506,683</u>
Deficiency of Revenues Over Expenditures	(3,818,068)	(3,818,068)	(3,325,988)	492,080
Other Financing Sources				
Transfers in	3,791,799	3,791,799	3,888,844	97,045
	<u>3,791,799</u>	<u>3,791,799</u>	<u>3,888,844</u>	<u>97,045</u>
Net Change in Fund Balance	(26,269)	(26,269)	562,856	589,125
Fund Balance, Beginning of Year	5,250,827	5,250,827	5,250,827	-
	<u>5,250,827</u>	<u>5,250,827</u>	<u>5,250,827</u>	<u>-</u>
Fund Balance, End of Year	\$ 5,224,558	\$ 5,224,558	\$ 5,813,683	\$ 589,125
	<u>\$ 5,224,558</u>	<u>\$ 5,224,558</u>	<u>\$ 5,813,683</u>	<u>\$ 589,125</u>

Galveston County Health District
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual,
Galveston Area Ambulance Authority
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Program services	\$ 5,751,061	\$ 5,751,061	\$ 5,727,268	\$ (23,793)
Intergovernmental:				
Local	624,442	624,442	624,692	250
Investment earnings	19,500	19,500	43,534	24,034
	<u>6,395,003</u>	<u>6,395,003</u>	<u>6,395,494</u>	<u>491</u>
Total revenues				
Expenditures				
Ambulance services	6,446,578	6,446,578	5,651,297	795,281
Debt service:				
Principal retirement	33,755	33,755	33,755	-
Interest and fiscal charges	670	670	62	608
Capital outlay	831,000	831,000	800,323	30,677
	<u>7,312,003</u>	<u>7,312,003</u>	<u>6,485,437</u>	<u>826,566</u>
Total expenditures				
Deficiency of Revenues Over Expenditures	(917,000)	(917,000)	(89,943)	827,057
Other Financing Sources				
Proceeds from sale of capital assets	-	-	15,913	15,913
	<u>-</u>	<u>-</u>	<u>15,913</u>	<u>15,913</u>
Net Change in Fund Balance	(917,000)	(917,000)	(74,030)	842,970
Fund Balance, Beginning of Year	4,976,493	4,976,493	4,976,493	-
	<u>4,976,493</u>	<u>4,976,493</u>	<u>4,976,493</u>	<u>-</u>
Fund Balance, End of Year	\$ 4,059,493	\$ 4,059,493	\$ 4,902,463	\$ 842,970
	<u>\$ 4,059,493</u>	<u>\$ 4,059,493</u>	<u>\$ 4,902,463</u>	<u>\$ 842,970</u>

Galveston County Health District
Notes to Required Supplementary Information
Year Ended September 30, 2018

Budgets and Budgetary Accounting

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

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

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

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

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

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

Galveston County Health District
Notes to the Schedule of Contributions
September 30, 2018

Valuation Date	Actuarially determined contributions rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	Five years smoothed market
Inflation	2.75 percent (3 percent in prior valuation)
Salary Increases	Varies by age and service. 4.9 percent average over career including inflation.
Investment Rate of Return	8 percent, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130 percent of the RP-2014 Healthy Annuitant Mortality Table for males and 110 percent of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110 percent of the MP-2014 Ultimate scale after 2014.
Changes in Plan Provisions Reflected in the Schedule	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. New Annuity Purchase Rates were reflected for benefits earned after 2017.

Other Supplementary Information

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

Year Ended September 30, 2018

With Comparative Actual Amounts for the Year Ended September 30, 2017

	2018				2017 Actual
	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)	
	Original	Final			
Revenues					
Program services:					
Public health	1,648,174	1,648,174	\$ 1,617,407	\$ (30,767)	\$ 1,670,420
Public health, reimbursable	40,000	40,000	31,731	(8,269)	40,158
Animal services	557,140	557,140	576,565	19,425	579,811
Pollution control	133,332	133,332	133,734	402	143,778
	<u>2,378,646</u>	<u>2,378,646</u>	<u>2,359,437</u>	<u>(19,209)</u>	<u>2,434,167</u>
Intergovernmental:					
Federal/state:					
Public health, reimbursable	2,819,734	2,819,734	2,902,183	82,449	3,140,271
Pollution control	475,131	475,131	452,177	(22,954)	422,893
	<u>3,294,865</u>	<u>3,294,865</u>	<u>3,354,360</u>	<u>59,495</u>	<u>3,563,164</u>
Local - Galveston County	7,125,079	7,125,079	7,125,079	-	7,081,813
Investment earnings	15,000	15,000	33,353	18,353	15,981
Total revenues	<u>\$ 12,813,590</u>	<u>\$ 12,813,590</u>	<u>\$ 12,872,229</u>	<u>\$ 58,639</u>	<u>\$ 13,095,125</u>

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

Year Ended September 30, 2018

With Comparative Actual Amounts for the Year Ended September 30, 2017

	2018				
	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)	2017 Actual
	Original	Final			
Expenditures					
Public health:					
Personnel services	2,724,627	2,724,627	\$ 2,628,639	\$ 95,988	\$ 2,413,590
Supplies	243,150	243,150	116,111	127,039	109,974
Contractual services	74,946	74,946	176,166	(101,220)	34,631
Other	853,535	853,535	792,493	61,042	802,375
Capital outlay	67,668	67,668	61,504	6,164	-
	<u>3,963,926</u>	<u>3,963,926</u>	<u>3,774,913</u>	<u>189,013</u>	<u>3,360,570</u>
Public health, reimbursable:					
Personnel services	2,178,939	2,178,939	2,149,115	29,824	2,103,428
Supplies	43,367	43,367	154,317	(110,950)	173,929
Contractual services	348,502	348,502	340,165	8,337	340,181
Other	384,517	384,517	408,431	(23,914)	654,808
	<u>2,955,325</u>	<u>2,955,325</u>	<u>3,052,028</u>	<u>(96,703)</u>	<u>3,272,346</u>
Animal services:					
Personnel services	855,053	855,053	740,856	114,197	735,839
Supplies	138,546	138,546	117,177	21,369	138,256
Contractual services	80,076	80,076	64,979	15,097	70,876
Other	258,603	258,603	259,181	(578)	260,038
Capital outlay	30,000	30,000	26,482	3,518	-
	<u>1,362,278</u>	<u>1,362,278</u>	<u>1,208,675</u>	<u>153,603</u>	<u>1,205,009</u>
Pollution control:					
Personnel services	723,963	723,963	671,213	52,750	655,261
Supplies	9,747	9,747	5,126	4,621	6,751
Contractual services	59,268	59,268	57,100	2,168	57,125
Other	130,039	130,039	118,671	11,368	125,941
Capital outlay	-	-	-	-	155,481
	<u>923,017</u>	<u>923,017</u>	<u>852,110</u>	<u>70,907</u>	<u>1,000,559</u>
Patient services (indigent care):					
Personnel services	-	-	-	-	137,125
Supplies	-	-	-	-	3,554
Contractual services	-	-	-	-	6,440
Other	-	-	-	-	27,782
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>174,901</u>
Total expenditures	<u>\$ 9,204,546</u>	<u>\$ 9,204,546</u>	<u>\$ 8,887,726</u>	<u>\$ 316,820</u>	<u>\$ 9,013,385</u>

Galveston County Health District
Schedule of Revenues – Budget and Actual,
GAAP Basis to Financial Status Report Basis Comparison
Coastal Health & Wellness Fund
Year Ended September 30, 2018

	GAAP Basis	Donated Services	Balance Per Financial Status Report
Revenues			
Program services	\$ 3,404,035	\$ -	\$ 3,404,035
Intergovernmental:			
Federal/State	3,521,398	-	3,521,398
Local	95,562	6,042	101,604
Investment earnings	52,172	-	52,172
	<u>7,073,167</u>	<u>6,042</u>	<u>7,079,209</u>
Total revenues			
	<u>7,073,167</u>	<u>6,042</u>	<u>7,079,209</u>
Expenditures			
Patient services:			
Personnel services	6,871,080	-	6,871,080
Supplies	1,349,315	-	1,349,315
Contracted services	998,561	-	998,561
Other	1,180,199	6,042	1,174,157
	<u>10,399,155</u>	<u>6,042</u>	<u>10,393,113</u>
Total expenditures			
	<u>10,399,155</u>	<u>6,042</u>	<u>10,393,113</u>
Deficiency of Revenues Over Expenditures	(3,325,988)	-	(3,313,904)
Other Financing Sources			
Transfers in	3,888,844	-	3,888,844
	<u>3,888,844</u>	<u>-</u>	<u>3,888,844</u>
Net Change in Fund Balance	562,856	-	574,940
Fund Balance, Beginning of Year	5,250,827	-	5,250,827
	<u>5,250,827</u>	<u>-</u>	<u>5,250,827</u>
Fund Balance, End of Year	\$ 5,813,683	\$ 0	\$ 5,825,767
	<u>\$ 5,813,683</u>	<u>\$ 0</u>	<u>\$ 5,825,767</u>