

**GALVESTON COUNTY HEALTH DISTRICT**

**FINANCIAL STATEMENTS AND COMPLIANCE AUDIT REPORTS**

**FISCAL YEAR ENDED SEPTEMBER 30, 2024**

# **GALVESTON COUNTY HEALTH DISTRICT**

## **TABLE OF CONTENTS**

	<u>Page</u>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis</b>	7
<b>Financial Statements</b>	
Statement of Net Position	17
Statement of Activities	18
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
<b>Notes to Basic Financial Statements</b>	23
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual – General Fund	47
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Coastal Health & Wellness Fund	48
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Galveston Area Ambulance Authority Fund	49
Notes to Required Supplementary Information	50
Texas County and District Retirement System - Schedule of Changes in Net Position Liability/(Assets) and Related Ratios of Galveston County Health District	51
Texas County and District Retirement System - Schedule of Employer Contributions	53
Notes to the Schedule of Employer Contributions	54
<b>Other Supplementary Information</b>	
Schedule Of Revenues - Budget and Actual - General Fund	57
Schedule Of Expenditures - Budget and Actual - General Fund	58
GAAP Basis To Financial Status Report Basis Comparison - Coastal Health & Wellness Fund	59
<b>Single Audit Section</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	62
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by The Uniform Guidance	64
Schedule of Findings and Questioned Costs	67
Schedule of Expenditures of State and Federal Awards	72
Notes To Schedule of Expenditures of Federal Awards	75
Summary Schedule of Prior Audit Findings	77
Corrective Action Plan	78

*(This page intentionally left blank)*

## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities and each major fund of the Galveston County Health District (the "District"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2024, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States ("Government Auditing Standards"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter – Restatement of Financial Statements*

We draw attention to Note 16 to the financial statements, which describe i) that the financial statements originally reported on June 30, 2025 by another auditor have been amended and restated; and ii) the matter that gives rise to the amendment of the financial statements. Our opinion is not modified in respect of this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information be presented to supplement the basic financial statements, including the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund; the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Coastal Health & Wellness Fund; the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Galveston Area Ambulance Authority Fund; the Texas County and District Retirement System - Schedule of Changes in Net Pension Liability/(Assets) and Related Ratios; and the Texas County and District Retirement System - Schedule of Employer Contributions. Such information is the responsibility of management and, 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 GAAS, 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.

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

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, including the Schedule of Revenues - Budget and Actual - General Fund, the Schedule of Expenditures - Budget and Actual - General Fund and the GAAP Basis To Financial Status Report Basis Comparison - Coastal Health & Wellness Fund. Similarly, the accompanying schedule of expenditures of federal awards, required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the notes to the schedules of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and the schedules of expenditures of federal awards are 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 January 26, 2026 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 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.

*Hann, Langston & Buzina, LLP*

Houston, Texas  
January 26, 2026

*(This page intentionally left blank)*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*(This page intentionally left blank)*

## **GALVESTON COUNTY HEALTH DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of the Galveston County Health District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2024 (also referred to as fiscal year 2024 or the current fiscal year). Readers should consider the information presented here in conjunction with the District's financial statements that follow this section.

### ***Financial Highlights***

1. Total assets and deferred outflows of resources of the District exceeded total liabilities and deferred inflows of resources at the close of fiscal year 2024 by \$17.2 million.
2. Of this amount, \$3.3 million represents the District's net investment in capital assets. The remaining portion of \$13.8 million is unrestricted net position.
3. The District had total cash and investments of \$8.2 million as of September 30, 2024.
4. The District's total expenses for providing various services to the community, including services provided to the community under contracts with federal agencies, was \$39.9 million for fiscal year 2024. The District generated program revenues of \$31.1 million (i.e., revenues from the services regularly/traditionally provided to the community by the District as a governmental health district as well as revenues earned by the District for providing services billed to federal agencies under grant award contracts). Accordingly, the District's expenses exceeded program revenues by \$8.8 million. Additionally, the District recorded general revenues of \$0.5 million (i.e., non-exchange revenues provided by Galveston County plus any unrestricted investment earnings).
5. The District reported an overall decrease in net position of \$8.3 million in fiscal year 2024.
6. As of the close of the current fiscal year, the District's governmental funds (i.e., the General Fund, the Coastal Health and Wellness Fund, and the Galveston Area Ambulance Authority Fund) reported an ending fund balance of \$8.2 million.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

### ***Statement of Net Position***

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

### ***Statement of Activities***

The Statement of Activities presents information demonstrating how the government's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues are recorded in the period earned and when the amount and timing of the revenue can be reasonably determined.

**GALVESTON COUNTY HEALTH DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Expenses and asset additions are recognized at the time a liability arises which is normally at the time a service is received by, or title of goods passes to, the District. Accordingly, revenue and expenses reported for some items in this statement will only result in cash flows in future periods, e.g., uncollected service billings and earned but unused employee vacation leave.

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 17 and 18 of this report.

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District consist solely of governmental funds—the General Fund, Coastal Health & Wellness Fund, and the Galveston Area Ambulance Authority Fund. (The Coastal Health & Wellness Fund and the Galveston Area Ambulance Authority Fund are Special Revenue Funds). In addition, all governmental funds are reported as major funds.

***Governmental Funds***

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide financial statements.

The basic governmental funds financial statements and the related reconciliations to the government-wide financial statements can be found on pages 19 through 22 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 23 through 44 of this report.

***Other Information***

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the District's governmental funds' budgets and the District's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found on pages 47 through 54 of this report. In addition, other supplementary information and the schedules of expenditures of federal and state awards can be found on pages 72 through 74.

**GALVESTON COUNTY HEALTH DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17.2 million at September 30, 2024.

**Condensed Statement of Net Position**

	<b>Net Position</b>		
	<b>2024</b>	<b>2023</b>	<b>\$ Change</b>
<b>Assets and Deferred Outflows</b>			
Assets:			
Current	\$ 16,989,990	\$ 23,832,802	\$ (6,842,812)
Capital assets	3,534,574	2,886,005	648,569
Total assets	<u>20,524,564</u>	<u>26,718,807</u>	<u>(6,194,243)</u>
Deferred outflows	1,120,892	1,916,935	(796,043)
<b>Total Assets and Deferred Outflows</b>	<u><u>21,645,456</u></u>	<u><u>28,635,742</u></u>	<u><u>(6,990,286)</u></u>
<b>Liabilities and Deferred Inflows</b>			
Liabilities:			
Current	3,648,385	2,292,418	1,355,967
Long-term	773,482	770,963	2,519
Total liabilities	<u>4,421,867</u>	<u>3,063,381</u>	<u>1,358,486</u>
Deferred inflows	48,250	80,097	(31,847)
<b>Total Liabilities and Deferred Inflows</b>	<u><u>4,470,117</u></u>	<u><u>3,143,478</u></u>	<u><u>1,326,639</u></u>
<b>Net Position</b>			
Net investment in capital assets	3,344,412	2,560,881	783,531
Unrestricted	<u>13,830,927</u>	<u>22,931,383</u>	<u>(9,100,456)</u>
<b>Total Net Position</b>	<u><u>\$ 17,175,339</u></u>	<u><u>\$ 25,492,264</u></u>	<u><u>\$ (8,316,925)</u></u>

*Note: The 2023 balances have been restated. See Note 16 for more details on the restatement to beginning Net Position.*

The largest portion (\$8.2 million) of the District's net position reflects its cash and cash equivalents. The District was able to report positive balances in both net position invested in capital assets and unrestricted net position as shown in the preceding table. The same situation held true for the prior fiscal year.

The net position of the District decreased by \$8.3 million during fiscal year 2024. The key elements of this decrease are presented in the following table:

**GALVESTON COUNTY HEALTH DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Condensed Statement of Activities**

	Changes in Net Position		
	2024	2023	\$ Change
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 10,825,351	\$ 14,412,983	\$ (3,587,632)
Operating grants and contributions	20,262,443	12,293,069	7,969,374
General Revenues:			
Investment earnings	410,025	386,997	23,028
Gain on sale of capital assets	20,554	42,873	(22,319)
Unrestricted grants and contributions	28,728	10,459,716	(10,430,988)
<b>Total Revenues</b>	<b>31,547,101</b>	<b>37,595,638</b>	<b>(6,048,537)</b>
<b>Expenses</b>			
Public health	6,751,939	5,948,576	803,363
Public health, reimbursable	3,758,362	4,231,511	(473,149)
Animal services	1,460,415	1,235,499	224,916
Pollution control	909,038	1,316,240	(407,202)
Patient services	16,998,388	13,785,468	3,212,920
Ambulance services	9,928,217	8,108,417	1,819,800
Emergency services	46,759	-	46,759
Interest expense	10,908	-	10,908
<b>Total Expenses</b>	<b>39,864,026</b>	<b>34,625,711</b>	<b>5,238,315</b>
Change in Net Position	(8,316,925)	2,969,927	(11,286,852)
<b>Net Position, Beginning</b>	<b>25,492,264</b>	<b>22,522,337</b>	<b>2,969,927</b>
<b>Net Position - Ending</b>	<b>\$ 17,175,339</b>	<b>\$ 25,492,264</b>	<b>\$ (8,316,925)</b>

Note: The 2023 balances have been restated. See Note 16 for more details on the restatement to beginning Net Position.

Revenues from governmental activities totaled \$31.5 million for the fiscal year ended September 30, 2024, while expenses totaled \$39.0 million for the same period. Patient service expenses increased by \$3.2 million. The other significant increase was ambulance services expenses of \$1.8 million.

The District's total revenues for fiscal year 2024 decreased by \$6.0 million, or 16.1%, from the prior fiscal year. The primary factor for this decrease was due to certain fiscal year 2023 COVID-19-related grants and contributions were not provided during fiscal year 2024 and the shift in the payor mix, which affected overall patient service revenue. Patient service revenues are derived from third-party payors, including insurance, Medicare, Medicaid, contracts, and self-pay, and changes in the composition of these payors can influence the District's revenues.

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

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

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

As of September 30, 2024, the District's governmental funds, which consist of the General Fund and the two Special Revenue Funds, reported an ending fund balance of \$8.2 million, a decrease of \$10.6 million during the fiscal year.

**GALVESTON COUNTY HEALTH DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The General Fund is the chief operating fund of the District. The General Fund had a decrease in fund balance of \$1.4 million during the fiscal year to bring its year-end fund balance to \$4.7 million, after the restatement of \$82 thousand. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$0.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to the total fund expenditures. For the year ended September 30, 2024, unassigned fund balance is 6.5 percent or 24 days of total general fund expenditures. The District does have \$3.8 million in committed fund balance. A large portion of that commitment is for operating reserves totaling \$3.4 million.

The Coastal Health and Wellness Fund (CHW), a major governmental fund, had a decrease of \$7.6 million, causing an overall deficit of \$0.4 million at the end of the year.

The Galveston Area Ambulance Authority Fund (GAAA), a major governmental fund, had a decrease in fund balance of \$1.6 million during the fiscal year, resulting in a year-end fund balance of \$3.9 million.

***Budgetary Highlights***

***Revenues***

The District's final fiscal year 2024 budget estimated General Fund's revenues at \$12.2 million. The actual realized revenues for the year were \$12.0 million. This was primarily due less intergovernmental revenue than expected. The General Fund program service and local actual revenue for fiscal year 2024 totaled \$6.3 million, which is \$0.5 million more than budgeted amount. 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, wastewater and animal control.

CHW and GAAA budgeted revenues of \$14.7 million and \$8.5 million, respectively. Actual revenues for CHW and GAAA were \$9.7 million and \$8.6 million, respectively. CHW's program and patient services were under the budget, primarily due to lower patient volumes and a shift in payor mix resulting in revenue per service below budgeted levels. GAAA exceeded its budget by \$0.1 million.

***Expenditures***

General Fund's operating expenditures and other financing uses in fiscal year 2024 were budgeted at \$12.2 million, but the actual expenditures and other financing uses incurred for the fiscal year were \$13.4 million, exceeding the budget by \$1.2 million. This overage was primarily due to higher program costs and capital expenditures than anticipated.

Public Health program expenditures were more than the budgeted amount by \$0.6 million, driven by increased operational activity in core public health services. Public Health Reimbursable expenditures (i.e., grant-funded services) were lower than the budgeted amount by \$0.6 million, due to less salary costs.

Animal Service actual expenditures were more than the budget by \$0.7 million, due to salary and benefit lapses and savings in supply costs.

Pollution Control actual expenditures were more than the budgeted amount by \$27 thousand, due to increased operational and compliance-related costs. Emergency services expenditures were under budget by \$0.3 million, reflecting lower overtime and reduced supply usage. Capital outlay exceeded the budget by \$0.6 million, driven by the timing and necessity of equipment and infrastructure purchases. Overall, the General Fund expenditures were over budget by \$1.2 million, reflecting both operational demands and unanticipated capital needs.

CHW and GAAA budgeted expenditures were \$16.3 million and \$9.1 million, respectively. Actual CHW expenditures exceeded the budget by \$1.0 million, which was mainly due to patient services costs, including staffing and supplies required to meet service demand. Actual GAAA expenditures exceeded the budget by \$1.1 million, which was mainly due to the actual capital outlay more than budget amount.

**GALVESTON COUNTY HEALTH DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Capital Assets and Debt Administration Capital Assets:**

The District's investment in capital assets as of September 30, 2024, amounts to \$3.5 million (net of accumulated depreciation and amortization). These capital assets include buildings, improvements, furniture, equipment, vehicles, right-to-use lease and SBITA assets. The District added \$1.6 million in capital assets during fiscal year 2024. In addition, depreciation and amortization increased by \$0.9 million. The net change in capital assets totaled \$0.7 million.

**Summary of Capital Assets**

	<b>2024</b>	<b>2023</b>
Construction in progress	\$ 114,532	\$ 13,200
Buildings, facilities and improvements	169,701	165,365
Office furniture and equipment	4,762,676	3,996,475
Vehicles	4,445,208	3,870,357
Right-to-use SBITA	89,021	89,021
Right-to-use lease assets	366,907	366,907
Accumulated depreciation/amortization	(6,413,471)	(5,615,320)
<b>Total Capital Assets, Net</b>	<b>\$ 3,534,574</b>	<b>\$ 2,886,005</b>

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

**Debt Administration:**

The District's long-term liabilities, made up of compensated absences, lease and SBITA liabilities, increased by \$3 thousand. This increase is due to the increase in compensated absences, offset by the principal payments made for the lease and SBITA liabilities. Compensated absences have been reported in accordance with GASB No. 101 *Compensated Absences*.

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

The District's 2025 budget, compared to the 2024 budget is shown below.

**Budget to Budget Comparison**

	<b>2025</b>	<b>2024</b>
<b>General Fund:</b>		
Revenues and Transfers In	\$ 11,182,646	\$ 12,217,983
Expenditures	11,182,646	12,217,983
<b>Coastal Health and Wellness:</b>		
Revenues and Transfers In	\$ 14,947,330	\$ 14,705,551
Expenditures	17,512,909	16,347,181
<b>Galveston Area Ambulance Authority:</b>		
Revenues and Transfers In	\$ 11,392,555	\$ 8,536,760
Expenditures	11,392,555	9,154,055

**General Fund:** In comparison to 2024, 2025 revenues budgeted under the General fund decreased by \$1.0 million, primarily due to decrease in the anticipated in grant revenue.

**GALVESTON COUNTY HEALTH DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Coastal Health & Wellness (CHW):** The budget for Coastal Health & Wellness for fiscal year 2025 increased by \$1.0 million from fiscal year 2024, reflecting a \$1.2 million increase in expenditures, partially offset by a \$0.2 million increase in revenues and transfers in. The District budgeted to use \$2.5 million of its fund balance. Patient service revenue expected increase is based on payor mix and average income per visit. The clinic has also brought revenue cycle in house which has increased revenue. Expenditures also increased due to growth in the clinic.

**Galveston Area Ambulance Authority (GAAA):** The budget for Galveston Area Ambulance Authority for fiscal year 2025 increased by \$0.6 million in comparison to fiscal year 2024, driven by a \$2.8 million increase in revenues and transfers in, partially offset by a \$2.2 million increase in expenditures. Personnel costs is expected to increase by \$1.4 million in fiscal year 2025.

***Future Outlook***

The future landscape of Galveston County Health District ("GCHD") is supported with many progressive and evidence-based changes and developments. First, a Strategic Health Plan ("SHP") has been developed for Coastal Health & Wellness ("CHW") and GCHD's public health division, including its ambulance service, Galveston Area Authority ("GAAA"). Identifying the SHP as the foundation in which progress is derived is imperative.

We are currently working on accreditation with The Public Health Accreditation Board ("PHAB"). PHAB defines strategic planning as "a disciplined process aimed at producing fundamental decisions and actions that will shape and guide what an organization is, what it does, and why it does what it does.

***Request for Information***

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Galveston County Health District: Ruth Cable, Chief Financial Officer at 9850 Emmett F. Lowry Expressway, Texas City, TX 77591.

*(This page intentionally left blank)*

## **DISTRICT'S BASIC FINANCIAL STATEMENTS**

*(This page intentionally left blank)*

**GALVESTON COUNTY HEALTH DISTRICT**

**STATEMENT OF NET POSITION**

**September 30, 2024**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,025,504
Investments	3,216,197
Receivables, net of allowances	4,748,847
Inventories	45,325
Prepaid items	369,432
Net pension asset	3,584,685
Capital Assets:	
Nondepreciable	114,532
Depreciable, net	3,420,042
Total Capital Assets	<u>3,534,574</u>
<b>Total Assets</b>	<u>20,524,564</u>
<b>Deferred Outflows of Resources</b>	
Pension related	<u>1,120,892</u>
<b>Total Deferred Outflows of Resources</b>	<u>1,120,892</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	2,155,397
Accrued personnel costs	1,446,710
Unearned revenue	42,838
Other liabilities	3,440
Long-term liabilities:	
Leases, Subscription-Based Information Technology Arrangements and compensated absences - due within one year	252,218
Leases, Subscription-Based Information Technology Arrangements and compensated absences - due in more than one year	521,264
<b>Total Liabilities</b>	<u>4,421,867</u>
<b>Deferred Inflows of Resources</b>	
Pension related	<u>48,250</u>
<b>Total Deferred Inflows of Resources</b>	<u>48,250</u>
<b>Net Position</b>	
Net investment in capital assets	3,344,412
Unrestricted	13,830,927
<b>Total Net Position</b>	<u>\$ 17,175,339</u>

**GALVESTON COUNTY HEALTH DISTRICT**

**STATEMENT OF ACTIVITIES**

September 30, 2024

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Public health	\$ 6,751,939	\$ 707,804	\$ -	\$ (6,044,135)
Public health, reimbursable	3,758,362	-	9,275,339	5,516,977
Animal services	1,460,415	101,874	1,334,996	(23,545)
Pollution control	909,038	64,872	850,107	5,941
Patient services	16,998,388	3,632,802	6,095,216	(7,270,370)
Ambulance services	9,928,217	6,314,917	2,666,395	(946,905)
Emergency services	46,759	3,082	40,390	(3,287)
Interest expense	10,908	-	-	(10,908)
<b>Total Governmental Activities</b>	<b>39,864,026</b>	<b>10,825,351</b>	<b>20,262,443</b>	<b>(8,776,232)</b>
<b>General Revenues:</b>				
				410,025
Unrestricted investment earnings				20,554
Gain on sale of assets				28,728
Miscellaneous				<u>459,307</u>
<b>Total General Revenues</b>				
				(8,316,925)
Change in net position				
<b>Net Position - Beginning, as Previously Reported</b>				23,845,506
<b>Restatements - See Note 16</b>				<u>1,646,758</u>
<b>Net Position - Beginning, as Restated</b>				<u>25,492,264</u>
<b>Net Position - Ending</b>				<u>\$ 17,175,339</u>

**GALVESTON COUNTY HEALTH DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

September 30, 2024

	<u>General Fund</u>	<u>Coastal Health &amp; Wellness Fund</u>	<u>Galveston Area Ambulance Authority Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 781,756	\$ 397,893	\$ 3,845,855	\$ 5,025,504
Investments	422,262	344,655	2,449,280	3,216,197
Receivables, net of allowances:				
Federal	1,847,095	-	-	1,847,095
State	13,100	-	-	13,100
Patient and program, net	618,553	1,597,890	660,650	2,877,093
Other	11,544	15	-	11,559
Due from other funds	2,903,345	31,269	-	2,934,614
Inventories	44,673	-	652	45,325
<b>Total Assets</b>	<u>\$ 6,642,328</u>	<u>\$ 2,371,722</u>	<u>\$ 6,956,437</u>	<u>\$ 15,970,487</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 907,772	\$ 851,258	\$ 396,367	\$ 2,155,397
Accrued personnel costs	502,446	514,038	430,226	1,446,710
Unearned revenue	39,238	3,600	-	42,838
Other liabilities	3,440	-	-	3,440
Due to other funds	-	1,280,503	1,654,111	2,934,614
<b>Total Liabilities</b>	<u>1,452,896</u>	<u>2,649,399</u>	<u>2,480,704</u>	<u>6,582,999</u>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows of Resources - Unavailable Revenues	461,162	143,550	568,671	1,173,383
<b>Total Deferred Inflows of Resources</b>	<u>461,162</u>	<u>143,550</u>	<u>568,671</u>	<u>1,173,383</u>
<b>Fund Balances</b>				
Nonspendable	44,673	-	652	45,325
Committed	3,807,131	-	2,780,684	6,587,815
Unassigned	876,466	(421,227)	1,125,726	1,580,965
<b>Total Fund Balances</b>	<u>4,728,270</u>	<u>(421,227)</u>	<u>3,907,062</u>	<u>8,214,105</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 6,642,328</u>	<u>\$ 2,371,722</u>	<u>\$ 6,956,437</u>	<u>\$ 15,970,487</u>

**GALVESTON COUNTY HEALTH DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

**September 30, 2024**

**Total Fund Balance, Governmental Funds** \$ 8,214,105

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.

Capital assets	9,794,528
Accumulated depreciation/amortization	(6,259,954)

Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.

Deferred outflows - pension related	1,120,892
Deferred inflows - pension related	(48,250)

Unavailable revenues recognized as revenue	1,173,383
--	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are either deferred or not reported in the funds.

Net pension asset	3,584,685
Prepaid items	369,432

Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.

Subscription-Based Information Technology Arrangement payable	(17,957)
Leases payable	(172,205)
Compensated absences	(583,320)

---

**Net Position of Governmental Activities in the Statement of Net Position** \$ 17,175,339

**GALVESTON COUNTY HEALTH DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

September 30, 2024

	General Fund	Coastal Health & Wellness Fund	Galveston Area Ambulance Authority Fund	Total Governmental Funds
<b>Revenues</b>				
Federal and State grants	\$ 5,432,283	\$ 3,342,164	\$ -	\$ 8,774,447
Program services	238,733	55,187	544,899	838,819
Other local revenues	6,068,549	2,753,052	2,666,395	11,487,996
Patient services, net where applicable	177,737	3,434,065	5,201,347	8,813,149
Investment income	64,088	131,581	214,356	410,025
Miscellaneous	23,418	5,310	-	28,728
<b>Total Revenues</b>	<u>\$ 12,004,808</u>	<u>\$ 9,721,359</u>	<u>\$ 8,626,997</u>	<u>\$ 30,353,164</u>
<b>Expenditures</b>				
Public health	6,497,766	-	-	6,497,766
Public health, reimbursable	3,804,934	-	-	3,804,934
Animal services	1,457,502	-	-	1,457,502
Pollution control	916,392	-	-	916,392
Patient services	-	17,021,877	-	17,021,877
Ambulance services	-	-	9,498,953	9,498,953
Emergency services	46,759	-	-	46,759
Capital outlay	591,147	236,948	763,812	1,591,907
Debt Service:				
Principal	64,845	41,193	28,924	134,962
Interest	7,147	2,315	1,446	10,908
<b>Total Expenditures</b>	<u>13,386,492</u>	<u>17,302,333</u>	<u>10,293,135</u>	<u>40,981,960</u>
<b>Deficiency of Revenues Over Expenditures</b>	(1,381,684)	(7,580,974)	(1,666,138)	(10,628,796)
<b>Other Financing Sources</b>				
Sale of general capital assets	554	-	20,000	20,554
<b>Total Other Financing Sources</b>	<u>554</u>	<u>-</u>	<u>20,000</u>	<u>20,554</u>
<b>Net Change in Fund Balances</b>	(1,381,130)	(7,580,974)	(1,646,138)	(10,608,242)
<b>Fund Balances - Beginning, as Previously Presented</b>	6,026,564	6,878,935	4,463,685	17,369,184
<b>Restatements</b>	82,836	280,812	1,089,515	1,453,163
<b>Fund Balances - Beginning, as Restated</b>	<u>6,109,400</u>	<u>7,159,747</u>	<u>5,553,200</u>	<u>18,822,347</u>
<b>Fund Balances - Ending</b>	<u>\$ 4,728,270</u>	<u>\$ (421,227)</u>	<u>\$ 3,907,062</u>	<u>\$ 8,214,105</u>

**GALVESTON COUNTY HEALTH DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**September 30, 2024**

**Net Change in Fund Balances - Total Governmental Funds:** \$ (10,608,242)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	1,591,942
Depreciation/amortization expense	(870,776)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is an increase (decrease) to net position.	(72,597)
--	----------

Prepaid items recorded using the purchase method at the fund level, but recorded on the consumption method for government-wide purposes.	(69,960)
--	----------

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, does not have any effect on net position. Also, governmental funds report the effect of bond premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Principal paid - leases	\$117,080
Principal paid -Subscription-Based Information Technology Arrangements	17,882

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Intergovernmental receivables	1,173,383
-------------------------------	-----------

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:

Compensated absences	(137,481)
Changes in pension liabilities and related deferred outflows and inflows of resources	541,844

<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (8,316,925)</u></b>
--	------------------------------

# **GALVESTON COUNTY HEALTH DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

### **Note 1: Summary of Significant Accounting Policies**

#### **A. Organization and Purpose**

The Galveston County Health District (the "District") was established in accordance with Subtitle E, Texas Health and Safety Code, Chapter 121 Local Public Health Reorganization Act. This law also prescribes the structure and operation of the District. The District was formed by an interlocal contractual arrangement between the County of Galveston and the cities within the county, which provides for an Administrative Board—the Galveston County United Board of Health (the "Board of Health") to govern the District by setting policies that protect the everyday health and well-being of county residents. The Board of Health sets the policies and associated operating budget(s) for the public health, pollution control, animal services, and ambulance services operated by the District. The Board of Health comprises 5 members nominated by the Commissioners Court of Galveston County, Texas, and ratified by a majority of the member cities. Board members serve two-year terms, after which they may be renewed or replaced. The Board of Health has delegated to the Coastal Health & Wellness ("CHW") Governing Board the operational responsibility for healthcare that is provided through the District's community health center's medical and dental clinics.

#### **B. The Reporting Entity**

These financial statements include all activities and operations of the District including the District's public health activities, the CHW, and the Galveston Area Ambulance Authority ("GAAA"). These financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations or functions have been included in the District's financial reporting entity.

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

#### **C. Basis of Accounting and Presentation**

The Governmental Accounting Standards Board ("GASB") establishes the accounting and financial reporting standards that govern the preparation of financial reports by governmental entities in accordance with GAAP.

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

##### *1. Government-Wide Financial Statements*

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

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

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1: Summary of Significant Accounting Policies (continued)**

**C. Basis of Accounting and Presentation (continued)**

*2. Funds Financial Statements*

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

The District reports the following three major governmental funds:

- 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 Fund** is used to account for the operations throughout Galveston County of the District's two community clinics. The principal sources of revenues for this fund are Federal and Local grants, program revenues from Galveston County and charges for patient services. Expenditures relate to the costs of providing medical and dental outpatient services at the clinics.
- The **GAAA Fund** accounts for the contract operations of emergency medical services and medical transport services. Principal revenues consist of charges for services.

**D. Measurement Focus and Basis of Accounting**

*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred which is normally at the time title passes to, or a service is received by, District regardless of the timing of related cash flows.

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

*Governmental Funds Financial Statements*

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

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

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1: Nature Of Activities and Summary of Significant Accounting Policies (continued)**

**E. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows and outflows of resources, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Significant estimates included in the financial statements include (a) actuarial assumptions that went into the determination of the net pension asset (or liability), (b) allowances made for uncollectible receivables, (c) the useful lives assumed for the depreciation of capital assets, and (d) governmental fund balances reserved for contingent liabilities. Actual amounts could differ from these estimates.

**F. Cash and Cash Equivalents**

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. The total cash and cash equivalents balance at September 30, 2024 was \$5,025,504.

**G. Investments**

As of September 30, 2024, investments were comprised of amounts held in TexPool and are stated at amortized cost. These have a weighted average maturity of less than three months.

**H. Inventory**

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

**I. Capital Assets**

Capital assets, which include improvements other than buildings, furniture and equipment, and vehicles, right-to-use lease asset and subscription-based information technology arrangements (SBITAs) are reported in the governmental activities column, in the government-wide financial statements. Capital assets are defined as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than two years. Costs for the purchase or construction of facilities and other fixed assets are recorded as capital outlay expenditures in the governmental fund financial statements. Interest incurred during construction periods is not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Improvement 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.

**J. Capital Asset Impairment**

The District evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the year ended September 30, 2024.

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1: Nature Of Activities and Summary of Significant Accounting Policies (continued)**

**K. Long-Term Obligations**

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

**L. Compensated Absences**

In accordance with GASB Statement No. 101, *Compensated Absences*, the District recognizes a liability for compensated absences when the following criteria are met:

- The leave is attributable to services already rendered,
- The leave accumulates and carries forward to future periods, and
- It is more likely than not (MLTN) to be used or otherwise paid or settled.

As of the financial statement date, the District has evaluated its leave policies and determined sick leave and vacation leave meet the requirements of GASB No. 101. Sick leave accrues and can be used for time off, but it is not payable at termination or retirement. Vacation accrues monthly at various rates based on position and tenure. It can be used for time off and is payable when an employee leaves the District in accordance with policy.

The District evaluated leave data for the last three years and applied a Last-In-First-Out (LIFO) flows assumption in determining the liability for leave expected to be used as time off. That is, the leave used is less than the leave earned. The liability at the end of the fiscal year has been calculated for both the amounts of leave to be used as time off and leave available for payout at retirement or termination in accordance with policy limits. In addition, the payroll related liabilities have also been added to the overall liability.

**M. Pensions**

The District participates in an agent defined benefit pension plan Texas County and District Retirement System (“TCDRS”). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of TCERS and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by TCERS. 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.

**N. Unearned Revenue**

Unearned revenue represents advances on grants and contract awards for which the District has not met all of the applicable eligibility requirements. When the criteria for recognizing it as revenue have been met, the District reclassifies unearned revenue to revenue.

**O. 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.

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1: Nature Of Activities and Summary of Significant Accounting Policies (continued)**

**P. Receivables**

Federal accounts receivable for General Fund and patient accounts receivable for CHW are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the District analyzes its history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts.

For patient accounts receivable for CHW, management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant allowance for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference 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 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.

**Q. Fund Balances – Governmental Funds**

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

*Non-spendable Fund Balances*

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

*Restricted Fund Balances*

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

*Assigned Fund Balances*

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

*Committed Fund Balances*

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

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1: Nature Of Activities and Summary of Significant Accounting Policies (continued)**

**Q. Fund Balances – Governmental Funds (continued)**

*Unassigned Fund Balances*

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

**R. Income Taxes**

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

**S. Subscription-Based Information Technology Arrangements**

For the year ended September 30, 2024, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (“SBITAs”). The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

**T. Adoption of New Accounting Standard – GASB Statement No. 96**

The following accounting pronouncements issued by GASB are effective for fiscal year 2024 and are described below.

*GASB Statement No. 100.*

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62. The objective of this new standard is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District has implemented this standard in the financial statements.

*GASB Statement No. 101.*

In June 2022, the GASB issued Statement No. 101, Compensable Absences. The objective of this new accounting standard is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensable absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensable absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The requirements of this standard are effective for fiscal year 2025, but the District early implemented this standard. The effects of this standard are reflected in the District’s compensated absences balances.

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 1: Nature Of Activities and Summary of Significant Accounting Policies (continued)**

**U. Budgetary Information**

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

**Note 2: Deposits and Investments**

**Deposits**

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

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

**Investments**

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles ("GAAP"). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. GASB Statement No. 72, Fair Value Measurement and Application provides a framework for measuring fair value by establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 input) and the lowest priority to unobservable inputs (level 3 inputs). The three levels of the fair value hierarchy according to generally accepted accounting principles, are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets.

Level 2 inputs are significant directly or indirectly other observable inputs such as prices for assets or liabilities that are similar to items in active markets or are identical to items in inactive markets.

Level 3 inputs are unobservable inputs. The inputs into the determination of fair value for these items require significant management judgment or estimation.

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 2: Deposits and Investments (continued)**

**Investments (continued)**

If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the Trust Company) to provide a safe environment for the placement of local government funds. The portfolio consists of U.S. Treasury and government agency securities, repurchase agreements, certain mutual funds, collateralized repurchase and reverse repurchase agreements, no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized statistical rating organization, securities lending programs, and certificates of deposit. TexPool is overseen by the State Comptroller of Public Accounts and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. TexPool follows chapter 2256 of the Texas Public Funds Investment Act. TexPool uses amortized cost rather than fair value to report net assets to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at amortized cost, which approximates fair value.

The TexPool balance as of September 30, 2024 is \$3,216,197 and carries a weighted average maturity of 31 days. TexPool has a credit rating of AAAM.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Avg. Maturity</u>	<u>Credit Rating</u>
Measured at Amortized Costs				
TexPool	\$ 3,216,197	N/A	0.03	AAAM

TexPool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

**Note 3: Receivables**

As of September 30, 2024, accounts receivable are shown below:

	<u>General Fund</u>	<u>Coastal Health and Wellness</u>	<u>Galveston Area Ambulance Authority Fund</u>	<u>Total</u>
Due from Other Governments - Grants	\$ 1,860,195	\$ -	\$ -	\$ 1,860,195
Patient and program	618,553	1,597,890	660,650	2,877,093
Other	11,544	15	-	11,559
<b>Total</b>	<u>\$ 2,490,292</u>	<u>\$ 1,597,905</u>	<u>\$ 660,650</u>	<u>\$ 4,748,847</u>

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 4: Capital Assets**

Capital assets activity for the fiscal year ended September 30, 2024, is presented below.

	Balance as of October 1, 2023, Restated	Additions	Retirements	Balance as of 9/30/2024
<b>Capital Assets, not being Depreciated/Amortized</b>				
Construction in progress	\$ 13,200	\$ 101,332	\$ -	\$ 114,532
<b>Total Capital Assets, not being Depreciated/Amortized</b>	<u>13,200</u>	<u>101,332</u>	<u>-</u>	<u>114,532</u>
<b>Capital Assets, being Depreciated/Amortized</b>				
Buildings, facilities and improvements	165,365	21,995	(17,659)	169,701
Office furniture and equipment	3,996,475	870,415	(104,214)	4,762,676
Vehicles	3,870,357	598,200	(23,349)	4,445,208
Right-to-use SBITA*	89,021	-	-	89,021
Right-to-use lease assets*	366,907	-	-	366,907
<b>Total Capital Assets, being Depreciated/Amortized</b>	<u>8,488,125</u>	<u>1,490,610</u>	<u>(145,222)</u>	<u>9,833,513</u>
<b>Less Accumulated Depreciation/Amortization for:</b>				
Buildings, facilities and improvements	(71,526)	(12,615)	7,613	(76,528)
Office furniture and equipment	(2,982,008)	(299,718)	55,597	(3,226,129)
Vehicles	(2,426,073)	(421,574)	9,415	(2,838,232)
Right-to-use SBITA*	(53,412)	(17,804)	-	(71,216)
Right-to-use lease assets*	(82,301)	(119,065)	-	(201,366)
<b>Total Accumulated Depreciation/Amortization</b>	<u>(5,615,320)</u>	<u>(870,776)</u>	<u>72,625</u>	<u>(6,413,471)</u>
<b>Total Capital Assets, being Depreciated/Amortized, net</b>	<u>2,872,805</u>	<u>619,834</u>	<u>(72,597)</u>	<u>3,420,042</u>
<b>Total Capital Assets</b>	<u>\$ 2,886,005</u>	<u>\$ 721,166</u>	<u>\$ (72,597)</u>	<u>\$ 3,534,574</u>

\* The beginning balances for both the right-to-use lease assets and SBITAs and associate liabilities of have been restated by \$84,477 and \$89,385 for a net impact of \$4,908 to net position. See Note 16.

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

Public Health	\$ 198,058
Public, health reimbursable	20,095
Animal services	14,863
Pollution control	9,896
Coastal Health and Wellness	93,867
Galveston Ambulance Authority Fund	533,997
	<u>\$ 870,776</u>

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 5: Net Patient Service Revenue**

Service rendered by CHW (a federally qualified health center) 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. In almost all the cases, these contractual rates are lower than the District's standard billing rates for the patient services. In addition, a significant percentage of the patients served by the District meet the family income threshold to benefit from the federally established Sliding Fee Discount Program" (SFDP) for low-income families. Discounts are applied to most patients' bills to adjust them to either the applicable contractual rates or the SFDP rates. Patient revenues collected for CHW and GAAA for the year ended September 30, 2024 were \$3.4 million and \$5.2 million, respectively, on the statement of revenues, expenditures, and changes in fund balances.

Agreements with third-party payers that provide for payments to the District at amounts different from its established service rates included the following:

*Medicare.*

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

*Medicaid.*

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

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

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

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 6: Fund Balances**

The District reports nonspendable amounts for inventories in the General Fund and the Galveston Area Ambulance Authority Fund totaling \$44,673 and \$652, respectively.

The District committed fund balance in the General Fund and the Galveston Area Ambulance Authority Fund of \$3.8 million and \$2.8 million, respectively, as shown below:

	<u>General Fund</u>	<u>Galveston Area Ambulance Authority Fund</u>	<u>Total</u>
IT Infrastructure/software upgrades	\$ 15,840	\$ -	\$ 15,840
Public health emergencies	300,000	-	300,000
Reserve for leave payouts	78,065	45,756	123,821
Medical/dental equipment	-	25,600	25,600
Vehicle replacements	-	984,000	984,000
Animal services	13,226	-	13,226
Reserve for Medicaid cost report audit	-	300,000	300,000
Reserve for payment to the County	-	689,668	689,668
Prior fiscal year planned expenditures remaining to be purchased from reserve	-	735,660	735,660
Operating reserves	3,400,000	-	3,400,000
	<u>\$ 3,807,131</u>	<u>\$ 2,780,684</u>	<u>\$ 6,587,815</u>

**Note 7: Interfund Balances and Transfers**

Balances due between the District’s different funds as of September 30, 2024, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Total</u>
General Fund	\$ 2,903,345	\$ -	\$ 2,903,345
Coastal Health and Wellness	31,269	(1,280,503)	(1,249,234)
Galveston Ambulance Authority Fund	-	(1,654,111)	(1,654,111)
<b>Total</b>	<u>\$ 2,934,614</u>	<u>\$ (2,934,614)</u>	<u>\$ -</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.

**Note 8: Long-Term Obligations**

The following is a summary of long-term obligation transactions for the year ended September 30, 2024:

	<u>Balance as of October 1, 2023, Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance as of 9/30/2024</u>	<u>Current Portion</u>
Lease liability	\$ 289,285	\$ -	\$ (117,080)	\$ 172,205	\$ 108,585
SBITA liability	35,839	-	(17,882)	17,957	17,957
Compensated absences	445,839	137,481	-	583,320	125,676
	<u>\$ 770,963</u>	<u>\$ 137,481</u>	<u>\$ (134,962)</u>	<u>\$ 773,482</u>	<u>\$ 252,218</u>

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

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 9: Pension Plans**

The District provides retirement benefits for full-time employees through agent, multiple-employer, defined-benefit plan. This plan is administered by the state-wide, public-employee TCDRS. TCDRS is governed by the TCDRS Board of Trustees and administers the pension plans of approximately 850 counties and districts. It issues in the aggregate, on a calendar-year basis, an annual comprehensive financial report (“ACFR”) which is available upon request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034. The ACFR is available, upon written request, from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034 or at [www.tcdrs.org](http://www.tcdrs.org).

The TCDRS plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (“TCDRS Act”). Members can retire before age 60 if they meet one of the following requirements, set by the employer under the rule of eligibility. Under these rules, a vested member can retire if their age plus years of service time add up to at least 75 or 80. In addition, under the 20-year or 30-year retirement rule, members can retire at any age when they have at least 20 or 30 years of service time. Members' employers may choose 5-, 8- or 10-year vesting option for their eligible employees. Members who are vested 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, 2023, valuation and measurement date, the following employees were covered by the benefit terms.

<u>Covered Employees</u>	<u>2023 Count</u>
Active members	335
Retirees and beneficiaries	
currently receiving benefits	57
Inactive members entitled to	
but not yet receiving benefits	458

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 9: Pension Plans (continued)**

**Funding Policy**

The District has chosen a variable rate plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee-contribution rates are set by the District and are currently 7 percent. The District's required contribution rate during the year ended September 30, 2024, was 3.22 percent.

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

**Net Pension Asset**

The District's net pension asset was measured as of December 31, 2023, and the Total Pension Liability ("TPL") used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The TPL in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17.3 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.5%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010

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.

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 9: Pension Plans (continued)**

**A. Discount rate**

The discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability ("UAAL") shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the factors above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.6%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 9: Pension Plans (continued)**

**B. Long-term Expected Rate of Return**

Actuarial assumptions used in the December 31, 2023, valuation were based on the results of an actuarial investigation over the years 2017 - 2020, except where required to be different by GASB 68. The pension plan's policy in regard 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, in order to satisfy the short term and long-term funding needs of TCDRS. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2024 information for a 10-year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon; the most recent analysis was performed in 2021.

Asset Class	Benchmark Target	Allocation	Rate of Return
U.S. equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global equities	MSCI World (net) Index	2.50%	4.75%
Int'l equities - developed markets	MSCI World Ex USA (net) Index	5.00%	4.75%
Int'l equities - emerging markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-grade bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.35%
Strategic credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.65%
Direct lending	S&P/LSTA Leveraged Loan Index	16.00%	7.25%
Distressed debt	Cambridge Associates Distressed Securities Index	4.00%	6.90%
REIT equities	67% FTSE NAREIT All Equity REIT's Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master limited partnerships	Alerian MLP Index	2.00%	5.20%
Private real estate partnerships	Cambridge Associates Real Estate Index	6.00%	5.70%
Private equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.75%
Hedge funds	Hedge Fund Research, Inc. (HERI) Fund of Funds Composite Index	6.00%	3.25%
Cash equivalents	90-Day U. S. Treasury	2.00%	0.60%
<b>Total</b>		<u>100.00%</u>	

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 9: Pension Plans (continued)**

**C. Changes in Net Pension (Asset) Liability**

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes.

The TPL as of December 31, 2023 was calculated as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Asset</u>
Balances as of December 31, 2022	\$ 26,461,281	\$ 28,739,924	\$ (2,278,643)
Changes for the year:			
Service cost	1,948,625	-	1,948,625
Interest on total pension liability	2,121,605	-	2,121,605
Effect of economic/demographic gains or losses	18,209	-	18,209
Refund of contributions	(549,827)	(549,827)	-
Benefit payments	(456,717)	(456,717)	-
Administrative expenses	-	(17,298)	17,298
Member contributions	-	1,487,558	(1,487,558)
Net investment income/(loss)	-	3,170,079	(3,170,079)
Employer contributions	-	684,277	(684,277)
Other	-	69,865	(69,865)
Net changes	<u>3,081,895</u>	<u>4,387,937</u>	<u>(1,306,042)</u>
<b>Balances as of December 31, 2023</b>	<u><u>\$ 29,543,176</u></u>	<u><u>\$ 33,127,861</u></u>	<u><u>\$ (3,584,685)</u></u>

Although the General Fund is the primary fund to liquidate pension liabilities through contributions, other funds with eligible employees make proportional contributions as well.

**Sensitivity of the Net Pension Liability (Asset)**

The following presents the net pension liability (asset) of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (i.e., 6.60%) or 1 percentage point higher (i.e., 8.60%) than the current rate.

	<u>1% Decrease 6.60%</u>	<u>Current Discount Rate 7.60%</u>	<u>1% Increase 8.60%</u>
Total pension liability	\$ 34,847,044	\$ 29,543,176	\$ 25,305,790
Fiduciary net position	<u>33,127,860</u>	<u>33,127,861</u>	<u>33,127,860</u>
Net pension liability	<u><u>\$ 1,719,184</u></u>	<u><u>\$ (3,584,685)</u></u>	<u><u>\$ (7,822,070)</u></u>

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 9: Pension Plans (continued)**

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

For the fiscal year ended September 30, 2024, the District recognized pension expense of \$194,202. At September 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences in expected and actual experience	\$ 13,657	\$ (47,732)
Change in assumptions	301,499	(518)
Difference in projected and actual earnings on pension plan investments	266,928	-
Contributions subsequent to measurement date	538,808	-
	<u>\$ 1,120,892</u>	<u>\$ (48,250)</u>

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

<b>Fiscal Year</b>	<b>Net Deferred Outflows/(Inflows) of Resources</b>
2025	\$ 145,433
2026	(55,725)
2027	632,207
2028	(188,081)
<b>Total</b>	<u>\$ 533,834</u>

**Deferred Compensation Plan**

In addition, the District makes available a deferred compensation plan under Internal Revenue Code Section 457 (the Plan). The Plan was effective April 1, 2000, and is available to employees of the General Fund, CHW Fund and GAAA Fund. The assets of the Plan shall be held in trust for the exclusive benefit of the plan participants and their beneficiaries. The Plan is administered by an authorized administrator who is responsible for ensuring that the Plan is operating in accordance with Plan terms and conditions including but not limited to investment options. Employees may voluntarily contribute to the Plan up to a basic annual limit of \$18,500 or \$24,500 if the participant is over the age of 50 or more.

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 10: Leases and Subscription-Based Information Technology Arrangements**

**Accounting for Leases Under GASB Statements No. 87**

As a lessee for noncancellable leases of real and personal property, and in accordance with the adoption of GASB Statement No. 87, Leases, the District recognizes a lease liability (current and noncurrent), and a right-to-use lease asset (reported net of amortization in the capital assets section), in the statement of net position as of September 30, 2024. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use lease asset is initially measured as the initial amount calculated for the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs as applicable. Subsequently, the right-to-use lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Accounting estimates and judgments related to leases include (1) the discount rate used to discount the expected lease payments to present value, (2) certain lease terms, and (3) lease payments.

1. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
2. The lease term includes the noncancellable period of the lease.
3. Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the District is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the right-to-use lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

*Astra Properties, LLC.*

The District entered into a three-year lease for the Immunization and Women's, Infant's and Children's program in Dickinson, Texas. The lease amendment commenced on October 10, 2023 and expires September 30, 2026. Minimum lease payment is \$3,300 per month. The incremental borrowing rate used to calculate the present value is 4.60%.

*Hitchcock VFD*

The District entered into a two-year memorandum of agreement with the Hitchcock VFD effective April 15, 2023 and expires on April 15, 2025, at a cost of \$2,300 per month. The incremental borrowing rate used to calculate the present value is 4.31%.

*Xerox Copier Lease*

Beginning in fiscal year 2023, the District entered into a three-year copier lease agreement, expiring February 28, 2026. The District makes \$5,056 monthly payments. The incremental borrowing rate used to calculate the present value is 4.61%.

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 10: Leases and Subscription-Based Information Technology Arrangements (continued)**

**Accounting for Leases Under GASB Statements No. 87 (continued)**

*Future Lease Principal and Interest Payments*

Total future principal and interest payments are shown below by fiscal year.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>2025</b>	\$ 108,585	\$ 5,486	\$ 114,071
<b>2026</b>	63,620	1,258	64,878
<b>Total</b>	<u>\$ 172,205</u>	<u>\$ 6,744</u>	<u>\$ 178,949</u>

**Subscription Based Information Technology Arrangements (SBITAs) Under GASB No. 96**

The District has one medical-related subscription with a term of 60 months and makes monthly payment of \$1,500. The incremental borrowing rate used to calculate the present value of the SBITA is 0.431 percent. The arrangement ends on September 30, 2025. The future principal and interest payments are all due within one year and are presented below.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>2025</b>	\$ 17,957	\$ 43	\$ 18,000

**Note 11: Risk Management**

The District is exposed to various risks related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District's risk management programs encompass various means of protecting the District against loss by obtaining property, casualty and liability coverage through commercial insurance carriers and from participation in a risk pool. The participation of the District in the risk pool is limited to the payment of premiums. Settled claims have not exceeded insurance coverage in any of the previous four fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year. The District is a party to legal proceedings, many of which occur in the normal course of operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the District with respect to the various proceedings. Management believes any unfavorable outcomes would not be material.

***Self-Insurance Program***

The District maintains a self-insurance program to manage its healthcare-related claims and administrative liabilities. For the fiscal year ended September 30, 2024, an actuarial evaluation was performed to determine the estimated ultimate cost of settling outstanding claims.

Based on this evaluation, a liability of \$262,080 has been recognized for claims incurred but not reported ("IBNR"). This amount is included within the \$2,155,397 balance of Accounts Payable and Accrued Expenses on the Statement of Net Position. The District periodically reviews these estimates, including claim charges and administration fees, to ensure the recorded liabilities reflect current trends and available information.

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 12: 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.

**Note 13: Concentrations**

*Concentrations of Custodial Credit Risks*

Custodial credit risk refers to the risk that in the event of the failure of a depository financial institution, the depositor will not be able to recover the deposits, resulting in a financial loss to the depositor. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are not otherwise collateralized. The District’s financial instruments that are subject to concentrations of credit risk consist of cash deposited with financial institutions. The District maintains cash deposit balances with a financial institution considered by management as credit-worthy and strong. These deposit balances may occasionally exceed limits insured by the Federal Deposit Insurance Corporation (“FDIC”), which is \$250,000 per customer per bank. Cash deposits include money market funds with financial institutions which are insured by FDIC because they did not meet the criteria to be insured by the Securities Investor Protection Corporation (“SIPC”). At September 30, 2024, the District’s cash deposit balances with the financial institution exceeded the FDIC insured limit by a combined total of approximately \$4,775,504. The District did not experience any loss of assets resulting from a custodial credit risk during the fiscal year ended September 30, 2024.

*Concentrations of Revenue Sources*

The following concentrations with particular customers or revenue sources existed as of and for the fiscal year ended September 30, 2024:

**Galveston County:** Approximately 28% or \$8.4 million of the District's total revenues for the fiscal year ended September 30, 2024, were provided by Galveston County.

**Federal Government:** Approximately 28% or \$8.4 million of the District’s total revenues for the fiscal year ended September 30, 2024, were provided by the Federal Government.

Patient service revenues of the Coastal Health & Wellness Fund are diversified across multiple payors, with insurance (31%) and self-pay (28%) representing the largest portions, followed by contracts (15%), Medicaid (13%), and Medicare (13%). Revenues of the Galveston Area Ambulance Authority are more concentrated, with insurance reimbursements comprising 72%, Medicare 13%, and all other payors individually under 10%. Patient service revenues are primarily from third-party payors, which represent a significant component of the District’s revenue mix.

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

*Concentrations of Receivables*

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, 2024, is as follows.

	<b>Coastal Health &amp; Wellness Fund</b>	<b>Gaveston Area Ambulance Authority</b>
Insurance	15%	39%
Contract	29%	0%
Medicaid	25%	7%
Medicare	18%	0%
Self Pay	13%	54%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The General Fund reports a total of \$2.5 million in accounts receivable. Approximately 75% of those receivables are attributable to amounts due from the federal, state and local governments. The remaining portion is primarily due from patients and other programs.

**Note 14: Deficit Fund Balance**

The Coastal Health and Wellness Fund reported a deficit fund balance of \$0.4 million. The District plans to eliminate the deficit with future year operations.

**Note 15 – Subsequent Events**

In preparing the financial statements, the District has evaluated all subsequent events and transactions for potential recognition or disclosure through the date of the report.

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Note 16: Restatements of Net Position and Fund Balance**

	<u>Amount</u>
<b>Government-wide</b>	
<b>Net Position as of September 30, 2023 as Previously Reported</b>	\$ 23,845,506
SBITA and lease error of a correction	(4,908)
Prepaid at the government-wide level	439,392
Pension correction of an error	(240,889)
Governmental funds restatements as shown below	<u>1,453,163</u>
Total restatements	<u>1,646,758</u>
<b>Net Position as of September 30, 2024 as Restated</b>	<u><u>\$ 25,492,264</u></u>

	<u>Major Funds</u>			
	<u>Galveston Area</u>			<u>Total</u>
	<u>General Fund</u>	<u>Coastal Health &amp; Wellness Fund</u>	<u>Ambulance Authority Fund</u>	
<b>Fund balance as of September 30, 2024, as previously reported</b>	\$ 6,026,564	\$ 6,878,935	\$ 4,463,685	\$ 17,369,184
Correction of an error :				
Interfund activities	132,988	673	(140,490)	(6,829)
Accounts payable and accrued expenses	(410,103)	131,051	86,057	(192,995)
Prepays	(250,880)	(150,711)	(37,801)	(439,392)
Pension expense	-	23,905	-	23,905
Payroll and payroll related liabilities	(92,928)	(62,573)	(76,675)	(232,176)
Revenue/accounts receivable	703,759	338,467	1,258,424	2,300,650
Total restatements	<u>82,836</u>	<u>280,812</u>	<u>1,089,515</u>	<u>1,453,163</u>
<b>Fund Balance as of September 30, 2024 As Restated</b>	<u><u>\$ 6,109,400</u></u>	<u><u>\$ 7,159,747</u></u>	<u><u>\$ 5,553,200</u></u>	<u><u>\$ 18,822,347</u></u>

*(This page intentionally left blank)*

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GALVESTON COUNTY HEALTH DISTRICT**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL**

*Fiscal Year Ended September 30, 2024*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Federal and State grants	\$ 6,393,360	\$ 6,393,360	\$ 5,432,283	\$ (961,077)
Program services	1,419,282	1,419,282	238,733	(1,180,549)
Other local revenues	4,369,906	4,369,906	6,068,549	1,698,643
Patient services	-	-	177,737	177,737
Investment income	15,000	15,000	64,088	49,088
Miscellaneous	20,435	20,435	23,418	2,983
<b>Total Revenues</b>	<u>12,217,983</u>	<u>12,217,983</u>	<u>12,004,808</u>	<u>(213,175)</u>
<b>Expenditures</b>				
Public health	5,872,645	5,872,645	6,497,766	(625,121)
Public health, reimbursable	4,395,235	4,395,235	3,804,934	590,301
Animal services	729,912	729,912	1,457,502	(727,590)
Pollution control	889,129	889,129	916,392	(27,263)
Emergency services	331,062	331,062	46,759	284,303
Capital outlay	-	-	591,147	(591,147)
Debt Service:				
Principal	-	-	64,845	(64,845)
Interest	-	-	7,147	(7,147)
<b>Total Expenditures</b>	<u>12,217,983</u>	<u>12,217,983</u>	<u>13,386,492</u>	<u>(1,168,509)</u>
<b>Deficiency of Revenues Over Expenditures</b>	-	-	(1,381,684)	(1,381,684)
<b>Other Financing Resource</b>				
Sale of general capital assets	-	-	554	554
<b>Total Other Financing Uses</b>	<u>-</u>	<u>-</u>	<u>554</u>	<u>554</u>
<b>Net Change in Fund Balances</b>	-	-	(1,381,130)	(1,381,130)
<b>Fund Balances - Beginning, as Previously Presented</b>	6,026,564	6,026,564	6,026,564	-
<b>Restatements</b>	<u>-</u>	<u>-</u>	<u>82,836</u>	<u>82,836</u>
<b>Fund Balances - Beginning</b>	<u>6,109,400</u>	<u>6,109,400</u>	<u>6,109,400</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 6,109,400</u>	<u>\$ 6,109,400</u>	<u>\$ 4,728,270</u>	<u>\$ (1,381,130)</u>

**GALVESTON COUNTY HEALTH DISTRICT**

**COASTAL HEALTH & WELLNESS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

*Fiscal Year Ended September 30, 2024*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Federal and State grants	\$ 3,410,040	\$ 4,302,764	\$ 3,342,164	\$ (960,600)
Program services	3,334,667	4,334,667	55,187	(4,279,480)
Other local revenues	9,000	-	2,753,052	2,753,052
Patient services	5,061,881	5,914,120	3,434,065	(2,480,055)
Investment income	34,000	-	131,581	131,581
Miscellaneous	16,500	154,000	5,310	(148,690)
<b>Total Revenues</b>	<u>11,866,088</u>	<u>14,705,551</u>	<u>9,721,359</u>	<u>(4,984,192)</u>
<b>Expenditures</b>				
Patient services	14,584,336	16,347,181	17,021,877	(674,696)
Debt Service:				
Capital outlay	-	-	236,948	(236,948)
Principal	-	-	41,193	(41,193)
Interest	-	-	2,315	(2,315)
<b>Total Expenditures</b>	<u>14,584,336</u>	<u>16,347,181</u>	<u>17,302,333</u>	<u>(955,152)</u>
<b>Net Change in Fund Balances</b>	(2,718,248)	(1,641,630)	(7,580,974)	(5,939,344)
<b>Fund Balances - Beginning, as Previously Presented</b>	6,878,935	6,878,935	6,878,935	-
<b>Restatements</b>	<u>-</u>	<u>-</u>	<u>280,812</u>	<u>280,812</u>
<b>Fund Balances - Beginning</b>	<u>7,159,747</u>	<u>7,159,747</u>	<u>7,159,747</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 4,441,499</u>	<u>\$ 5,518,117</u>	<u>\$ (421,227)</u>	<u>\$ (5,939,344)</u>

**GALVESTON COUNTY HEALTH DISTRICT**  
**GALVESTON AREA AMBULANCE AUTHORITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Fiscal Year Ended September 30, 2024**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>				
Program services	\$ 1,331,794	\$ 1,331,794	\$ 544,899	\$ (786,895)
Other local revenues	2,561,927	2,561,927	2,666,395	104,468
Patient services	4,588,348	4,588,348	5,201,347	612,999
Investment income	54,691	54,691	214,356	159,665
<b>Total Revenues</b>	<b>8,536,760</b>	<b>8,536,760</b>	<b>8,626,997</b>	<b>90,237</b>
<b>Expenditures</b>				
Ambulance services	9,154,055	9,154,055	9,498,953	(344,898)
Capital Outlay	-	-	763,812	(763,812)
Debt Service:				
Principal	-	-	28,924	(28,924)
Interest	-	-	1,446	(1,446)
<b>Total Expenditures</b>	<b>9,154,055</b>	<b>9,154,055</b>	<b>10,293,135</b>	<b>(1,139,080)</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(617,295)</b>	<b>(617,295)</b>	<b>(1,666,138)</b>	<b>(1,018,473)</b>
<b>Other Financing Sources</b>				
Sale of general capital assets	-	-	20,000	20,000
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>20,000</b>
<b>Net Change in Fund Balances</b>	<b>(617,295)</b>	<b>(617,295)</b>	<b>(1,646,138)</b>	<b>(998,473)</b>
<b>Fund Balances - Beginning, as Previously Presented</b>	<b>4,463,685</b>	<b>4,463,685</b>	<b>4,463,685</b>	<b>-</b>
<b>Restatements</b>	<b>-</b>	<b>-</b>	<b>1,089,515</b>	<b>1,089,515</b>
<b>Fund Balances - Beginning</b>	<b>5,553,200</b>	<b>5,553,200</b>	<b>5,553,200</b>	<b>(30,370)</b>
<b>Fund Balances - Ending</b>	<b>\$ 4,935,905</b>	<b>\$ 4,935,905</b>	<b>\$ 3,907,062</b>	<b>\$ (1,028,843)</b>

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
*Fiscal Year Ended September 30, 2024*

**Budgets and Budgetary Accounting**

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

**GALVESTON COUNTY HEALTH DISTRICT**

**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM - SCHEDULE OF CHANGES IN NET**

**POSITION LIABILITY/(ASSETS) AND RELATED RATIOS OF GALVESTON COUNTY HEALTH DISTRICT**

Reporting Period: Fiscal Year Ended September 30, 2024

	2023	2022	2021	2020	2019
<b>Total Pension Liability</b>					
Service cost	\$ 1,948,625	\$ 1,741,498	\$ 1,676,982	\$ 1,521,337	\$ 1,372,156
Interest on total pension liability	2,121,605	1,900,721	1,690,919	1,480,295	1,292,908
Effect of plan changes	-	-	-	-	-
Effect of assumption changes or inputs	18,209	-	(2,072)	1,507,487	-
Effect of economic/demographic (gains)/losses	-	(61,473)	(5,096)	(78,613)	58,746
Benefit payments/refunds of contributions	(1,006,544)	(760,966)	(571,908)	(650,809)	(471,824)
<b>Net Change in Total Pension Liability</b>	<b>3,081,895</b>	<b>2,819,780</b>	<b>2,788,825</b>	<b>3,779,697</b>	<b>2,251,986</b>
<b>Total Pension Liability, Beginning</b>	<b>26,461,281</b>	<b>23,641,501</b>	<b>20,852,676</b>	<b>17,072,979</b>	<b>14,820,993</b>
<b>Total Pension Liability, Ending {a}</b>	<b>29,543,176</b>	<b>26,461,281</b>	<b>23,641,501</b>	<b>20,852,676</b>	<b>17,072,979</b>
<b>Plan Fiduciary Net Position</b>					
Contributions by the employer	684,277	727,926	389,087	353,007	333,493
Contributions by the members	1,487,558	1,351,587	1,205,137	1,118,121	1,101,156
Investment income, net of applicable expenses	3,170,079	(1,815,007)	5,139,215	2,064,494	2,677,040
Benefit payments/refunds of contributions	-	(760,966)	(571,908)	(650,809)	(471,824)
Administrative expenses	(17,298)	(16,842)	(15,713)	(16,729)	(15,217)
Other	69,864	209,911	35,259	26,253	35,746
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(4,387,936)</b>	<b>(303,391)</b>	<b>6,181,077</b>	<b>2,894,337</b>	<b>3,660,394</b>
<b>Fiduciary Net Position - Beginning</b>	<b>28,739,924</b>	<b>29,043,316</b>	<b>22,862,239</b>	<b>19,967,902</b>	<b>16,307,508</b>
<b>Plan Fiduciary Net Position - Ending {b}</b>	<b>33,127,861</b>	<b>28,739,925</b>	<b>29,043,316</b>	<b>22,862,239</b>	<b>19,967,902</b>
<b>Net Pension (Asset)/Liability - Ending = {a}-{b}</b>	<b>\$ (3,584,685)</b>	<b>\$ (2,278,644)</b>	<b>\$ (5,401,815)</b>	<b>\$ (2,009,563)</b>	<b>\$ (2,894,923)</b>
<b>Fiduciary Net Position as a Percentage of Total Pension Liability/(Assets)</b>	<b>112.13%</b>	<b>108.61%</b>	<b>122.85%</b>	<b>109.64%</b>	<b>116.96%</b>
<b>Pensionable Covered Payroll</b>	<b>\$ 21,250,829</b>	<b>\$ 19,308,387</b>	<b>\$ 17,216,238</b>	<b>\$ 15,973,153</b>	<b>\$ 15,730,801</b>
<b>Net Pension (Asset)/Liability as a Percentage of Covered Payroll</b>	<b>-16.87%</b>	<b>-11.80%</b>	<b>-31.38%</b>	<b>-12.58%</b>	<b>-18.40%</b>

Measurement Date: As of and for the Calendar Years Ended December 31,

**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM - SCHEDULE OF CHANGES IN NET**

**POSITION LIABILITY/(ASSETS) AND RELATED RATIOS OF GALVESTON COUNTY HEALTH DISTRICT**

**Reporting Period: Fiscal Year Ended September 30, 2024**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>					
Service cost	\$ 1,299,404	\$ 1,355,009	\$ 1,347,810	\$ 1,150,880	\$ 1,242,706
Interest on total pension liability	1,131,946	988,004	794,836	698,684	636,959
Effect of plan changes	-	-	-	(208,950)	-
Effect of assumption changes or inputs	-	34,358	-	122,207	-
Effect of economic/demographic (gains)/losses	(26,065)	(98,563)	(57,384)	(364,240)	(570,617)
Benefit payments/refunds of contributions	<u>(509,152)</u>	<u>(385,521)</u>	<u>(403,513)</u>	<u>(299,711)</u>	<u>(613,133)</u>
<b>Net Change in Total Pension Liability</b>	1,896,133	1,893,287	1,681,749	1,098,870	695,915
<b>Total Pension Liability, Beginning</b>	12,924,860	11,031,573	9,349,824	8,250,954	7,555,039
<b>Total Pension Liability, Ending {a}</b>	14,820,993	12,924,860	11,031,573	9,349,824	8,250,954
<b>Plan Fiduciary Net Position</b>					
Contributions by the employer	360,566	334,386	428,694	474,220	498,239
Contributions by the members	1,026,002	971,246	914,897	873,563	836,373
Investment income, net of applicable expenses	(282,666)	1,895,061	819,567	(101,429)	575,465
Benefit payments/refunds of contributions	(509,152)	(385,521)	(403,513)	(299,711)	(613,133)
Administrative expenses	(13,098)	(10,440)	(8,912)	(7,621)	(7,265)
Other	27,308	12,233	159,256	15,421	(8,021)
<b>Net Change in Plan Fiduciary Net Position</b>	608,960	2,816,965	1,909,989	954,443	1,281,658
<b>Fiduciary Net Position - Beginning</b>	15,698,548	12,881,583	10,971,594	10,017,151	8,735,493
<b>Plan Fiduciary Net Position - Ending {b}</b>	16,307,508	15,698,548	12,881,583	10,971,594	10,017,151
<b>Net Pension (Asset)/Liability - Ending = {a}-{b}</b>	\$ (1,486,515)	\$ (2,773,688)	\$ (1,850,010)	\$ (1,621,770)	\$ (1,766,197)
<b>Fiduciary Net Position as a Percentage of Total Pension Liability/(Assets)</b>	110.03%	121.46%	116.77%	117.35%	121.41%
<b>Pensionable Covered Payroll</b>	\$ 14,657,155	\$ 13,874,942	\$ 13,069,941	\$ 12,479,471	\$ 11,948,185
<b>Net Pension (Asset)/Liability as a Percentage of Covered Payroll</b>	-10.14%	-19.99%	-14.15%	-13.00%	-14.78%

Measurement Date: As of and for the Calendar Years Ended December 31,

**GALVESTON COUNTY HEALTH DISTRICT**

**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM - SCHEDULE OF EMPLOYER CONTRIBUTIONS**

*Reporting Period: Fiscal Year Ended September 30, 2024*

<b>10 Years Fiscal Period Ending September 30,</b>	<b>Determined Contributions {1}</b>	<b>Employer Actual Contributions {1}</b>	<b>Contribution Deficiency(Excess)</b>	<b>Pensionable Covered Payroll</b>	<b>% of Covered Payroll</b>
2024	\$ 736,971	\$ 736,971	\$ -	\$ 21,989,481	3.35%
2023	510,141	510,141	-	18,569,445	4.04%
2022	626,902	626,902	-	18,569,445	3.38%
2021	376,079	376,079	-	16,737,284	2.25%
2020	347,644	347,644	-	15,730,801	2.21%
2019	327,756	327,756	-	14,962,017	2.19%
2018	355,405	355,405	-	14,515,712	2.45%
2017	354,346	354,346	-	13,770,402	2.57%
2016	441,853	441,853	-	13,118,255	3.37%
2015	478,634	478,634	-	12,337,624	3.88%
2014	N/A	N/A	N/A	N/A	N/A

*{1} TCDRS calculates actuarially determined contributions on a calendar year basis. However, these are based on fiscal year contributions.*

**GALVESTON COUNTY HEALTH DISTRICT**  
**NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Fiscal Year Ended September 30, 2024**

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 (level percentage of pay)
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	0.0 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset Valuation Method:	5-years smoothed market
Inflation:	2.50%
Salary Increases:	Varies by age and service. 4.7 percent average over career including inflation
Investment Rate of Return:	7.5%, net of administrative and investment expenses, including inflation
Retirement Age:	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality:	135% of the Pub-2010 General Retiree Table for males and 120% of the Pub-2010 General Retiree Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods in Plan Provisions Reflected in the Schedule of Employer Contributions*:	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*:	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule. 2023: No changes in plan provisions were reflected in the Schedule.

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

*(This page intentionally left blank)*

## **OTHER SUPPLEMENTARY INFORMATION**

**GALVESTON COUNTY HEALTH DISTRICT**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**

*Fiscal Year Ended September 30, 2024*

*With Comparative Actual Amounts for the Fiscal Year Ended September 30, 2024*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Federal and State grants	\$ 6,393,360	\$ 6,393,360	\$ 5,432,283	\$ (961,077)
Program services	1,419,282	1,419,282	238,733	(1,180,549)
Other local revenues	4,369,906	4,369,906	6,068,549	1,698,643
Patient services	-	-	177,737	177,737
Investment income	15,000	15,000	64,088	49,088
Miscellaneous	20,435	20,435	23,418	2,983
<b>Total Revenues</b>	<u>\$ 12,217,983</u>	<u>\$ 12,217,983</u>	<u>\$ 12,004,808</u>	<u>\$ (213,175)</u>

**GALVESTON COUNTY HEALTH DISTRICT**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**

*Fiscal Year Ended September 30, 2024*

*With Comparative Actual Amounts for the Fiscal Year Ended September 30, 2024*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Expenditures</b>				
Public health:				
Personnel services	\$ 4,749,161	\$ 4,749,161	\$ 5,221,964	\$ (472,803)
Contractual services	37,775	37,775	173,912	(136,137)
Professional services	139,513	139,513	109,726	29,787
Supplies	192,139	192,139	281,375	(89,236)
Other operating expenditures	726,303	726,303	710,789	15,514
Other fees and charges	463,116	463,116	-	463,116
Capital outlay	3,000	3,000	410,198	(407,198)
Debt service	-	-	71,992	(71,992)
Public health, reimbursable:				
Personnel services	2,256,413	2,256,413	2,481,051	(224,638)
Contractual services	25,165	25,165	115,855	(90,690)
Professional services	324	324	255	69
Supplies	98,781	98,781	144,659	(45,878)
Other operating expenditures	726,323	726,323	705,297	21,026
Other fees and charges	-	-	357,817	(357,817)
Capital outlay	-	-	25,152	(25,152)
Animal services:				
Personnel services	1,035,650	1,035,650	895,020	140,630
Contractual services	49,170	49,170	121,143	(71,973)
Professional services	-	-	195	(195)
Supplies	156,966	156,966	164,959	(7,993)
Other operating expenditures	265,029	265,029	273,468	(8,439)
Other fees and charges	22,964	22,964	2,717	20,247
Capital outlay	50,000	50,000	88,021	(38,021)
Pollution control:				
Personnel services	687,645	687,645	712,997	(25,352)
Contractual services	50,000	50,000	57,799	(7,799)
Professional services	27,381	27,381	700	26,681
Supplies	12,000	12,000	46,002	(34,002)
Other operating expenditures	45,023	45,023	89,615	(44,592)
Other fees and charges	17,080	17,080	9,279	7,801
Capital outlay	50,000	50,000	67,776	(17,776)
Emergency services:				
Personnel services	300,810	300,810	46,636	254,174
Other operating expenditures	30,252	30,252	123	30,129
<b>Total Expenditures</b>	<u>12,217,983</u>	<u>12,217,983</u>	<u>13,386,492</u>	<u>(1,168,509)</u>

**GALVESTON COUNTY HEALTH DISTRICT**  
**COASTAL HEALTH & WELLNESS FUND**  
**GAAP BASIS TO FINANCIAL STATUS REPORT BASIS COMPARISON**  
**Fiscal Year Ended September 30, 2024**

	<b>Coastal Health &amp; Wellness Fund</b>	<b>Donated Services</b>	<b>Balance per Financial Status Report</b>
<b>Revenues</b>			
Program services and patient services, net where applicable	\$ 3,489,252	\$ -	\$ 3,489,252
Federal/State grants	3,342,164	-	3,342,164
Other local revenues	2,758,362	-	2,758,362
Investment income	131,581	-	131,581
<b>Total Revenues</b>	<b>9,721,359</b>	<b>-</b>	<b>9,721,359</b>
<b>Expenditures</b>			
Patient services	17,021,877	-	17,302,333
Capital outlay	236,948	-	-
Debt Service:			
Principal	41,193	-	-
Interest	2,315	-	-
<b>Total Expenditures</b>	<b>17,302,333</b>	<b>-</b>	<b>17,302,333</b>
<b>Net Change in Fund Balances</b>	<b>(7,580,974)</b>	<b>-</b>	<b>(7,580,974)</b>
<b>Fund Balances - Beginning, as Previously Presented</b>	<b>6,878,935</b>	<b>-</b>	<b>6,878,935</b>
<b>Restatements</b>	<b>280,812</b>	<b>-</b>	<b>280,812</b>
<b>Fund Balances - Beginning</b>	<b>7,159,747</b>	<b>-</b>	<b>7,159,747</b>
<b>Fund Balances - Ending</b>	<b>\$ (421,227)</b>	<b>\$ -</b>	<b>\$ (421,227)</b>

## **SINGLE AUDIT SECTION**

*(This page intentionally left blank)*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the Galveston County Health District (the "District"), as of and for the fiscal year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 26, 2026.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

**To the Galveston County United Board of Health and the Coastal Health & Wellness Governing Board  
Galveston County Health District**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The District’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hann, Langston & Buzina, LLP*

Houston, Texas  
January 26, 2026

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the compliance of Galveston County Health District, (the "District") with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major Federal Programs for the year ended September 30, 2024. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

**To the Galveston County United Board of Health and the Coastal Health & Wellness Governing Board  
Galveston County Health District**

***Auditor’s Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-002 through 2024-005. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on the District’s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

**To the Galveston County United Board of Health and the Coastal Health & Wellness Governing Board  
Galveston County Health District**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-002 through 2024-005.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hann, Langston & Buzina, LLP*

Houston, Texas  
January 26, 2026

**GALVESTON COUNTY HEALTH DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For The Year Ended September 30, 2024*

**I. SUMMARY OF AUDITOR’S RESULTS**

**Financial Statement Section**

- |  |               |
|--|---------------|
| 1. Type of auditor’s report issued:  | Unmodified    |
| 2. Internal control over financial reporting:  |               |
| • Material weakness identified?  | Yes           |
| • Significant deficiencies identified, which are not considered to be material weaknesses? | None Reported |
| • Noncompliance material to financial statements noted?                                    | No            |

**Federal Awards Section**

- |  |                |
|--|----------------|
| 1. Internal control over major programs  |                |
| • Material weaknesses identified?  | Yes            |
| • Significant deficiencies identified, which are not considered to be material weaknesses? | None Reported. |
| 2. Type of auditor’s report issued on compliance for major programs:                       | Unmodified     |

- |   |     |
|---|-----|
| 3. Any audit findings disclosed, which are required to be reported in accordance with 2 CFR Section 200.516(a)? | Yes |
|---|-----|

4. Identification of major federal programs:

<u>Name of Federal Program</u>	<u>Assistance Listing Number</u>
Health Center Program (COVID-19)	93.224
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
Immunization Cooperative Agreements	93.268

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B federal programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee under 2 CFR Section 200.520                | No        |

**GALVESTON COUNTY HEALTH DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For The Year Ended September 30, 2024**

**II. FINANCIAL STATEMENT FINDINGS**

**2024-001 Material Weakness in Internal Control Over Financial Reporting**

**Criteria:** Internal controls should be designed to ensure that financial statements are prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”). This requires reporting on the modified accrual and full accrual bases of accounting, ensuring that revenues are recognized when they become measurable and available, and that liabilities are recorded when they are incurred.

**Condition:** Although the District maintains its internal records on a cash basis for operational monitoring, it did not perform an effective year-end conversion to the accrual basis. This resulted in material misstatements concerning the cutoff and valuation of accounts receivable and accrued expenditures. Consequently, material adjustments to the trial balance were necessary to ensure the financial statements were presented fairly in all material respects.

**Cause:** The District lacks a formal GAAP-conversion protocol to transition its cash-basis accounting records to the required accrual reporting framework. This deficiency was compounded by the software transition challenges and significant turnover in key accounting and finance personnel identified in the prior year, which prevented the District from establishing a reliable and automated accrual process.

**Effect:** The absence of a conversion process creates a reasonable possibility that a material misstatement of the financial statements would not be prevented, or detected and corrected, on a timely basis.

**Recommendation:** We recommend that the District develop and implement a formal year-end closing checklist to facilitate a complete GAAP conversion. This should include specific procedures to identify unrecorded liabilities, and evaluate revenue availability.

**Management’s Response:** Management acknowledges the finding and is committed to strengthening its financial reporting controls. The District will develop a comprehensive GASB-compliant conversion protocol and a year-end closing checklist to ensure that all financial activity is accurately reported on the modified accrual and full accrual bases basis of accounting.

**2024-002 Material Weakness in Internal Control Over Period of Performance – Health Center Program, WIC Special Supplemental Nutrition Program for Women, Infants, and Children, and Immunization Cooperative Agreements (93.224, 10.557, 93.268)**

**Criteria:** As discussed in the material weakness in internal control over financial reporting item 2024-001, this requires the statement of expenditures of federal awards to report on the accrual bases of accounting.

**Condition:** See material weakness in internal control over financial reporting item 2024-001. Audit procedures identified that payroll periods overlapping the fiscal year-end were not properly allocated. Specifically, for the WIC (10.557), Immunization (93.268) and Health Center (93.224) programs, the District incorrectly included two days of salary from the prior fiscal year (September 2023) while failing to accrue three days of salary earned within the current fiscal year (September 2024). Additionally, for the Health Center (93.224) program, the District failed to properly adjust the SEFA for a salary overpayment, which was further impacted by improper fiscal year-end accrual timing.

The cumulative impact of these errors resulted in a net understatement of \$5,513 in SEFA expenditures as follows:

- Immunization (93.268): \$2,469 Net Understatement
- WIC (10.557): \$3,085 Net Understatement
- Health Center (93.224): \$41 Net Overstatement

**GALVESTON COUNTY HEALTH DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For The Year Ended September 30, 2024**

**II. FINANCIAL STATEMENT FINDINGS (continued)**

**2024-002 Material Weakness in Internal Control Over Period of Performance – Health Center Program, WIC Special Supplemental Nutrition Program for Women, Infants, and Children, and Immunization Cooperative Agreements (93.224, 10.557, 93.268) (continued)**

**Cause:** See material weakness in internal control over financial reporting item 2024-001.

**Effect:** As discussed in the material weakness in internal control over financial reporting item 2024-001, the statement of expenditures of federal awards was under accrued as of year end.

**Recommendation:** See material weakness in internal control over financial reporting item 2024-001.

**Management’s Response:** See material weakness in internal control over financial reporting item 2024-001.

**Questioned Costs:** None. The costs were determined to be allowable and substantiated; however, they were reported in the incorrect fiscal period.

**Recurring Finding:** No. (New finding for the fiscal year ended September 30, 2024).

**2024-003 Material Weakness in Internal Control Over Allowable Costs/Cost Principles and Reporting – WIC Special Supplemental Nutrition Program for Women, Infants, and Children, and Immunization Cooperative Agreements (10.557, 93.268)**

**Criteria:** The District’s internal control structure should ensure that the indirect costs be properly calculated and reported according to the allowable indirect costs provided by Texas Health and Human Services.

**Condition:** During the audit, formula errors were identified and total allowable costs were over reported and reimbursed. Specifically, the District utilized inaccurate salary bases when applying the approved indirect cost rate of 21.51%, resulting in the following program-specific variances:

- WIC (10.557): Based on the audited allowable salary base of \$654,232, the total allowable indirect cost was determined to be \$140,725. However, the District only requested reimbursement for \$139,492, representing an under-reported variance of \$1,234.
- Immunization Cooperative Agreements (93.268): The District reported indirect costs of \$57,255. Based on the audited allowable salary base of \$258,449, the maximum allowable indirect cost was \$55,592, representing an over-reported variance of \$1,663. (Note: This variance was partially offset by the under-reporting in other programs).

The aggregate impact of these discrepancies resulted in a net over-reimbursement of \$429. These errors were primarily attributed to manual spreadsheet formula inaccuracies and the omission of certain eligible salary categories from the financial reports.

**Cause:** The District lacks a formal review of reporting. This deficiency was compounded by the software transition challenges and significant turnover in key accounting and finance personnel identified in the prior year, which prevented the District to properly review the reporting and the associated calculation.

**Effect:** The total indirect costs were over reported and reimbursed.

**Recommendation:** We recommend that the District develop and implement a formal review of reporting.

**GALVESTON COUNTY HEALTH DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For The Year Ended September 30, 2024**

**II. FINANCIAL STATEMENT FINDINGS (continued)**

**2024-003 Material Weakness in Internal Control Over Allowable Costs/Cost Principles and Reporting – WIC Special Supplemental Nutrition Program for Women, Infants, and Children, and Immunization Cooperative Agreements (10.557, 93.268) (continued)**

**Management’s Response:** Management acknowledges the finding and is committed to strengthening its reporting controls.

**Questioned Costs:** None. The \$429 over-reimbursement of indirect costs was fully offset by the \$5,513 understatement of salary expenditures identified in Finding 2024-002. Consequently, the cumulative impact resulted in a net understatement of federal expenditures, and no repayment is required.

**Recurring Finding:** No. (This specific calculation error is a new finding for the fiscal year ended September 30, 2024).

**2024-004 Material Weakness in Internal Control Over Special Tests – Health Center Program (93.224)**

**Criteria:** The District’s internal control structure should ensure that patients whom have filled out a sliding scale fee application were charged the appropriate rate.

**Condition:** During the audit, it was identified three out of sixty tested patients were determined to be a full discount eligibility, self-pay patients but the associated support documents could not be located. This testing focused on the Special Tests and Provisions regarding how the District maintains program documentation for federal compliance; the missing records represent a control deficiency in record retention rather than a direct impact on expenditures.

**Cause:** The District lacks a formal review of maintaining all of the associated documentation. This deficiency was compounded by the significant turnover in key accounting and finance personnel identified in the prior year, which prevented the District to properly review the processes.

**Effect:** Any incorrect calculated self pay patients discount could be not properly identified.

**Recommendation:** We recommend that the District develop and implement a formal review process.

**Management’s Response:** Management acknowledges the finding and is committed to strengthening its review process.

**Questioned Costs:** None. While the documentation was missing, there was no evidence that the services provided were unallowable or that the lack of documentation resulted in an overpayment of federal funds.

**Recurring Finding:** Yes. (A similar deficiency regarding sliding scale fee overrides was identified in the prior year as Finding 2023-002).

**2024-005 Material Weakness in Internal Control Over Eligibility – WIC Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)**

**Criteria:** The District’s internal control structure should ensure that only eligible applicants participate into the program.

**Condition:** During the audit, it was identified partial of the associated support documents could not be located for two out of sixty tested participants. This testing was performed to evaluate the District’s controls over maintaining federal program eligibility files; as the participants were served by the program, the finding relates to document maintenance and has no direct impact on federal expenditures.

**GALVESTON COUNTY HEALTH DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For The Year Ended September 30, 2024**

**II. FINANCIAL STATEMENT FINDINGS (continued)**

**2024-005 Material Weakness in Internal Control Over Eligibility – WIC Special Supplemental Nutrition Program for Women, Infants, and Children (10.557) (continued)**

**Cause:** The District lacks a formal review of maintaining all of the associated documentation for review purpose. This deficiency was compounded by the significant turnover in key accounting and finance personnel identified in the prior year, which prevented the District to properly review the processes.

**Effect:** The associated information for the participants could be incorrectly reported.

**Recommendation:** We recommend that the District develop and implement a formal review process.

**Management’s Response:** Management acknowledges the finding and is committed to strengthening its review process.

**Questioned Costs:** None. The finding relates to a failure in the control process for maintaining participant documentation. No unauthorized expenditures were identified.

**Recurring Finding:** No. (New finding for FY 2024).

**GALVESTON COUNTY HEALTH DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS**  
**For The Year Ended September 30, 2024**

<u>State Grantor / Pass-through Grantor / Program Title</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expenditures and Indirect Cost</u>
<b>Texas Department of State Health Services</b>			
<b>Direct Programs:</b>			
<i>Project Grants and Cooperative Agreements for</i>			
<i>Tuberculosis Control Programs</i>	HHS001437400018	\$ -	\$ 12,402
<i>Tuberculosis Prevention and Control State Grant Program</i>	HHS001182200016	-	110,097
<i>HIV Surveillance Grant Program</i>	HHS001186300003	-	54,624
<i>Texas Epidemiology Capacity Expansion Grant Program</i>	HHS001315700020	-	72,215
<b>Total Texas Department of State Health Services Services</b>		<u>-</u>	<u><b>249,338</b></u>
<b>Passed Through Houston Regional HIV/AIDS Resource Group, Inc.:</b>			
<i>Ryan White Oral Health</i>	23CHW00RWB/SR	-	166,035
<b>Texas Commission on Environmental Quality</b>			
<b>Direct Programs:</b>			
<i>Local Air Program</i>	582-23-40128	-	140,900
<b>Total Texas Commission on Environmental Quality</b>		<u>-</u>	<u><b>140,900</b></u>
<b>Total Expenditures of State Awards</b>		<u><b>\$ -</b></u>	<u><b>\$ 556,273</b></u>

**GALVESTON COUNTY HEALTH DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS**  
**For The Year Ended September 30, 2024**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Total Expenditures and Indirect Costs
<b>U.S. Department of Health and Human Services</b>			
<b>Direct Programs:</b>			
<i>Health Center Program Cluster (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) - 2023-2024</i>	93.224	N/A	\$ 1,565,940
<i>COVID-19 Health Center Program Cluster (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) 2024-2025</i>	93.224	N/A	<u>1,530,132</u>
<i>Total ALN 93.224</i>			<u>3,096,072</u>
<i>Total Health Center Program Cluster (ALN 93.224)</i>			<u>3,096,072</u>
<b>Passed Through Texas Department of State Health Services:</b>			
<i>Public Health Emergency Preparedness</i>	93.069	HHS001439500021_25	68,549
<i>Public Health Emergency Preparedness</i>	93.069	HHS001311200035	159,814
<i>Public Health Emergency Preparedness</i>	93.069	HHS001439300011_25	11,337
<i>Public Health Emergency Preparedness</i>	93.069	HHS001311300015_23	51,905
<i>Total ALN 93.069</i>			<u>291,605</u>
<i>Project Grants and Cooperative Agreements for Tuberculosis Control Programs</i>	93.116	HHS001096400016_24	42,776
<i>Immunization Cooperative Agreements</i>	93.268	HHS001331300021	248,245
<i>Immunization Cooperative Agreements</i>	93.268	HHS001019500017_P1	240,933
<i>Immunization Cooperative Agreements</i>	93.268	HHS001019500017_P2	8,728
<i>Immunization Cooperative Agreements</i>	93.268	HHS001019500017_P3	34,255
<i>Immunization Cooperative Agreements</i>	93.268	HHS001019500017_P4	317,717
<i>Total ALN 93.268</i>			<u>849,878</u>
<i>COVID-19 Epidemiological and Laboratory Capacity for Infectious Diseases</i>	93.323	HHS000812700020	72,533
<i>COVID-19 Testing and Mitigation Confinement Facilities Program</i>	93.323	HHS001193700004	303,340
<i>Total ALN 93.232</i>			<u>375,873</u>
<i>COVID-19 Public Health Crisis Response</i>	93.354	HHS001076800001	400,352
<i>COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crisis</i>	93.391	HHS001057600020	90,976
<i>COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crisis</i>	93.391	HHS001057600020-01	50,868
<i>Total ALN 93.391</i>			<u>141,844</u>
<i>COVID-19 Sexually Transmitted Diseases (STD) Prevention and Control Grants</i>	93.977	HHS001120300011	89,689
<i>STD/HIV Prevention Services Grant Program</i>	93.977	HHS001315900005	363,296
<i>Total ALN 93.977</i>			<u>452,985</u>
<i>HIV Prevention Activities Health Department Based - Category A: HIV Prevention</i>	93.940	HHS000077800003	273,444
<i>Preventive Health and Health Services Block Grant</i>	93.991	HHS001324900022	181,490
<i>CPS/PHIG</i>	93.967	HHS001311800001	275,041

**GALVESTON COUNTY HEALTH DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS**  
**For The Year Ended September 30, 2024**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Total Expenditures and Indirect Costs
<b>U.S. Department of Health and Human Services (continued)</b>			
<b>Passed Through Texas Health and Human Services Commission:</b>			
<i>Title V Child Health and Dental (TV CHD)</i>	93.994	HHS000136500013	80,055
<b>Passed Through National Association of County &amp; City Health Officials:</b>			
<i>Medical Reserve Corps Small Grant Program</i>	93.008	120-142	<u>13,258</u>
<b>Total for U.S. Department of Health and Human Services</b>			<b><u>6,474,673</u></b>
<b>U.S. Department of Agriculture</b>			
<b>Passed Through Texas Health and Human Services Commission:</b>			
<i>WIC Special Supplemental Nutrition Program for Women, Infants, and Children</i>	10.557	HHS0008038000	\$ 1,177,358
<i>State Administrative Matching Grants for Supplemental Nutrition Assistance Program</i>	10.561	HHS0008038000	<u>45,227</u>
<i>Total SNAP Cluster (ALN 10.561)</i>			<u>1,222,585</u>
<b>Total for U.S. Department of Agriculture</b>			<b><u>1,222,585</u></b>
<b>U.S. Environmental Protection Agency</b>			
<b>Passed Through General Land Office:</b>			
<i>Beach Monitoring and Notification Program Implementation Grants</i>	66.472	21-043-002 -24	83,861
<i>Beach Monitoring and Notification Program Implementation Grants</i>	66.472	21-043-002	<u>7,774</u>
<i>Total ALN 66.472</i>			<u>91,635</u>
<b>Passed Through Texas Commission on Environmental Quality:</b>			
<i>Performance Partnership Grants - ARP</i>	66.034	582-23-44415	49,709
<i>Performance Partnership Grants</i>	66.605	582-22-30151-24	33,480
<i>Performance Partnership Grants</i>	66.605	582-22-30151-25	<u>1,912</u>
<i>Total ALN 66.605</i>			<u>35,392</u>
<b>Total for U.S. Environmental Protection Agency</b>			<b><u>176,736</u></b>
<b>U.S. Department of Homeland Security</b>			
<b>Passed Through Texas Commission on Environmental Quality:</b>			
<i>Homeland Security Biowatch Program</i>	97.091	582-21-22371-24	93,966
<i>Homeland Security Biowatch Program</i>	97.091	582-21-22371-25	<u>6,641</u>
<i>Total ALN 97.091</i>			<u>100,607</u>
<b>Total for U.S. Department of Homeland Security</b>			<b><u>100,607</u></b>
<b>U.S. Department of Treasury</b>			
<b>Passed Through Galveston County:</b>			
<i>COVID-19 Coronavirus Local Fiscal Recovery Fund</i>	21.027	CM23130	<u>544,070</u>
<b>Total U.S. Department of Treasury</b>			<b><u>544,070</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>8,518,670</u></b>
<b>Total Expenditures of State Awards</b>			<b><u>556,273</u></b>
<b>Total Expenditures of Federal and State Awards</b>			<b><u>\$ 9,074,943</u></b>

**Note 1 - The Organization**

The Galveston County Health District (the "District") receives federal and state grants to provide community health and related services to low-income families throughout the Galveston County, pursuant to the public health administration component of the District's charter.

**Note 2 - Basis of Presentation**

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the financial award activities of the District under programs of the federal government and of the State of Texas for the fiscal year ended September 30, 2024. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance") and the State of Texas Single Audit Circular. Because the Schedule presents only a selected portions of the District's operations, it is not intended to and does not present the net position or changes in net position of the District.

**Note 3 - Summary of Significant Accounting Policies**

In accordance with U.S. generally accepted accounting principles, the District accounts for all awards under federal and state programs on an accrual basis of accounting. Accordingly, expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the State of Texas Uniform Grant Management Standards, wherein certain types of expenditures are not allowable or are limited as to reimbursement by the federal and/or state funding agencies.

Federal and state grant funds are considered to be earned to the extent of qualifying expenditures made under the provisions of the grants. When such funds are advanced to the District, they are recorded as deferred revenues until earned. Otherwise, federal and state grant funds are received on a reimbursement basis from the respective federal and state program agencies or pass-through entities.

**Note 4 - Indirect Cost Rate**

The District did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 5 - Program Income**

The District did not generate program income. Accordingly, no program income was used to reduce the amount of federal or state funds expended in providing the programs. Similarly, any program expenditures funded in cash or kind to meet the District's matching contributions, where applicable, to grant budgets have not been included in the amounts reported on the Schedules.

**Note 6 - Relationship of the Schedules to the Financial Reports Submitted to Grant Awarding Agencies**

Expenditures included on the Schedules may differ from amounts reflected in the financial reports submitted to grant awarding agencies and pass-through entities because of the following reasons:

1. Expenses accrued at the end of the District's fiscal year may not have been included in the financial reports submitted to grant awarding agencies until after fiscal year-end.
2. Program matching costs that are reported, where applicable, in the financial reports submitted to grant awarding agencies are not included in the amounts reported on the Schedules; and
3. Differences may exist between grant periods and the District's accounting period.

**Note 7 - Contingencies**

Federal and state grants require the fulfillment of certain conditions set forth in grant agreements, and may be regularly monitored and reviewed by grantors, both during and after the programs. Failure to satisfy the requirements of contract agreements could result in disallowed costs and return of funds to grantors. Management believes that the District is in substantial compliance with grant provisions and requirements and that disallowed costs, if any, will not be significant to affect the amounts and disclosures in the Schedules or the District's basic financial statements.

**GALVESTON COUNTY HEALTH DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For The Year Ended September 30, 2024**

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs, and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

**I. Prior Audit Findings**

**Finding: 2023-001: Material Weakness in Internal Control Over Financial Reporting**

**Status:** This finding initial occurred during the year ended September 30, 2023 and was partially corrected. See current year finding 2024-001.

**Finding: 2023-002: Material Weakness in Compliance Over Special Tests – Health Center Program**

**Status:** This finding initial occurred during the year ended September 30, 2023 and was partially corrected. See current year finding 2024-004.

**Finding: 2023-003: Significant Deficiency in Internal Control Over the Uniform Data System (UDS) Reporting (Health Care Program ALN 93.224 And 93.527)**

**Status:** Corrective action was implemented.

**Finding: 2023-004 Significant Deficiency in Internal Control Over Cash Management (Health Care Program ALN 93.224 And 93.527)**

**Status:** Corrective action was implemented.

**GALVESTON COUNTY HEALTH DISTRICT**  
**CORRECTIVE ACTION PLAN**  
*For The Year Ended September 30, 2024*

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

**I. Corrective Action Plan**

**Finding: 2024-001 - Material Weakness in Internal Control Over Financial Reporting**

**Corrective Action:** Develop and implement a comprehensive year-end closing checklist and GAAP conversion protocol. We will include procedures for identifying unrecorded liabilities and evaluating revenue availability. We will also provide training to finance staff on these closing procedures and the classification of expenditures in the proper period.

**Proposed Completion Date:** February 28, 2026

**Name of Contact Person:** Ruth Cable, Chief Financial Officer

**Finding: 2024-002 Material Weakness in Internal Control Over Period of Performance – Health Center Program, WIC Special Supplemental Nutrition Program for Women, Infants, and Children, and Immunization Cooperative Agreements (93.224, 10.557, 93.268)**

**Corrective Action:** The District is in the process of developing a comprehensive year-end closing checklist and has already streamlined many of the procedures that caused reconciliation issues. In addition, we will perform spot checks on transactions to ensure that payroll and nonpayroll expenditures are recorded in the proper period. We will also provide additional training to ensure that personnel only record expenditures when confirmation has been received of receipt of goods or services.

**Proposed Completion Date:** February 28, 2026

**Name of Contact Person:** Ruth Cable, Chief Financial Officer; Tomiko Fisher, Chief Operating Officer

**Finding: 2024-003 Material Weakness in Internal Control Over Allowable Costs/Cost Principles and Reporting – WIC Special Supplemental Nutrition Program for Women, Infants, and Children, and Immunization Cooperative Agreements (10.557, 93.268)**

**Corrective Action:** We will work to ensure that the proper indirect cost rate is applied to the various grants.

**Proposed Completion Date:** February 28, 2026

**Name of Contact Person:** Ruth Cable, Chief Financial Officer; Tomiko Fisher, Chief Operating Officer

**Finding: 2024-004 Material Weakness in Internal Control Over Special Tests – Health Center Program (93.224)**

**Corrective Action:** We will develop a checklist for patient discount documentation and implement a control requiring supervisor approval for overrides. We will also perform monthly file audits and report exceptions to the appropriate personnel.

**Proposed Completion Date:** February 28, 2026

**Name of Contact Person:** Ruth Cable, Chief Financial Officer; Lane Baker, CHW Chief Operating Officer

**GALVESTON COUNTY HEALTH DISTRICT**  
***CORRECTIVE ACTION PLAN (Continued)***  
***For The Year Ended September 30, 2024***

**Finding: 2024-005 Material Weakness in Internal Control Over Eligibility – WIC Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)**

**Corrective Action:** We will develop a checklist for eligibility documentation and conduct quarterly file reviews and implement corrective actions as a result of those reviews. We will also provide training to program staff on the eligibility documentation requirements.

**Proposed Completion Date:** February 28, 2026

**Name of Contact Person:** Ruth Cable, Chief Financial Officer; Tomiko Fisher, Chief Operating Officer