

Galveston County
Health District

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2015

GALVESTON COUNTY HEALTH DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2015

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130 Industrial Blvd, Suite 130 · Sugar Land, Texas 77478 · 281/242-3232 · fax 281/242-3252 · www.sktx.com

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Galveston County Health District, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Galveston County Health District, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the budgetary comparison information and pension information on pages 42 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Galveston County Health District's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2016, on our consideration of the Galveston County Health District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Galveston County Health District's internal control over financial reporting and compliance.



Sugar Land, Texas
January 6, 2016

Management's Discussion and Analysis

As management of Galveston County Health District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2015.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,219,167 (net position).
- As of September 30, 2015, the District's governmental funds reported an ending fund balance of \$9,584,398.
- The District's cash and investments balance at September 30, 2015 was \$9,263,517, representing an increase of \$1,632,909 from September 30, 2014.
- The District had expenses net of program revenue of \$5,890,280 and general revenues of \$8,126,532 resulting in a net increase in net position of \$2,236,252 for the year ended September 30, 2015.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$614,112, or 7.0 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 15-17 of this report.

FUND FINANCIAL STATEMENTS

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

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 18 through 20 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 40 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund and Major Special Revenue Funds budgets and pension data. Required supplementary information can be found on pages 42 through 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,219,167 as of September 30, 2015.

The largest portion of the District's net position (58.9 percent) represents unrestricted financial resources available for future operations.

A portion of the District's net position (11.1 percent) reflects its net investment in capital assets, (e.g. and, buildings, vehicles, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the District's net position (30.0 percent) represents resources that are subject to restrictions on how they may be used.

SUMMARY OF STATEMENT OF NET POSITION
As of September 30, 2015 and 2014
(amounts expressed in thousands)

	Governmental Activities	
	2015	2014
Current and other assets	\$ 12,498	\$ 9,225
Capital assets, net	1,546	1,579
Total Assets	14,044	10,804
Net difference between projected and actual earnings	134	
Contributions made subsequent to measurement date	361	
Total Deferred Outflows of Resources	495	
Long-term liabilities	549	672
Other liabilities	1,222	1,646
Total Liabilities	1,771	2,318
Differences between expected and actual experience	475	
Unearned revenue-grants received in advance of timing requirements	74	51
Total Deferred Inflows of Resources	549	51
Net Position:		
Net investment in capital assets	1,366	1,232
Restricted	3,660	2,843
Unrestricted	7,193	4,360
Total Net Position	\$ 12,219	\$ 8,435

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

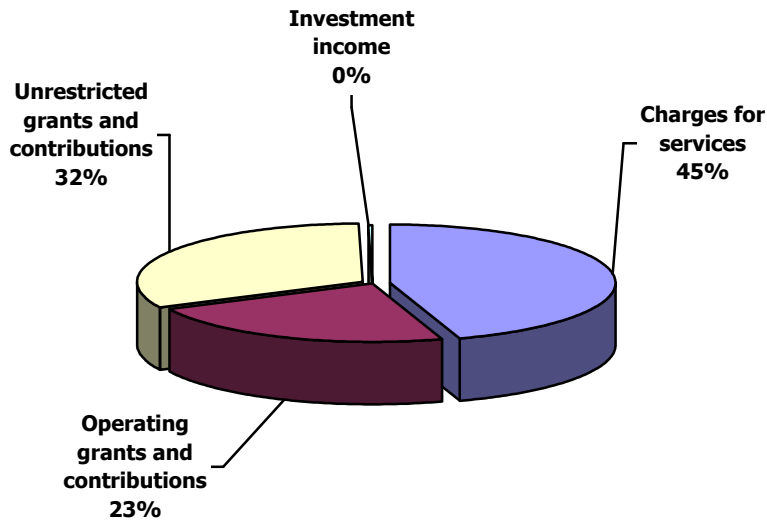
Net position of the District, all of which relate to governmental activities, increased by \$2,236,252. Key elements of the increase are as follows:

CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2015 and 2014
(amounts expressed in thousands)

	Governmental Activities	
	2015	2014
Revenues		
Program revenues:		
Charges for services	\$ 11,391	\$ 9,898
Operating grants and contributions	5,750	5,707
General revenues:		
Unrestricted grants and contributions	8,059	8,150
Gain (loss) on sale of capital assets	9	(32)
Investment income	58	48
Total Revenues	25,267	23,771
Expenses		
Public Health	3,533	3,473
Public Health Reimbursable	2,814	3,058
Animal Services	1,335	1,242
Pollution Control	879	912
Patient Services	9,516	8,724
Ambulance Services	4,947	5,066
Interest on long-term debt	7	11
Total Expenses	23,031	22,486
Change in Net Position	2,236	1,285
Net position, beginning	8,435	7,150
Restatement	1,548	
Net Position, Ending	\$ 12,219	\$ 8,435

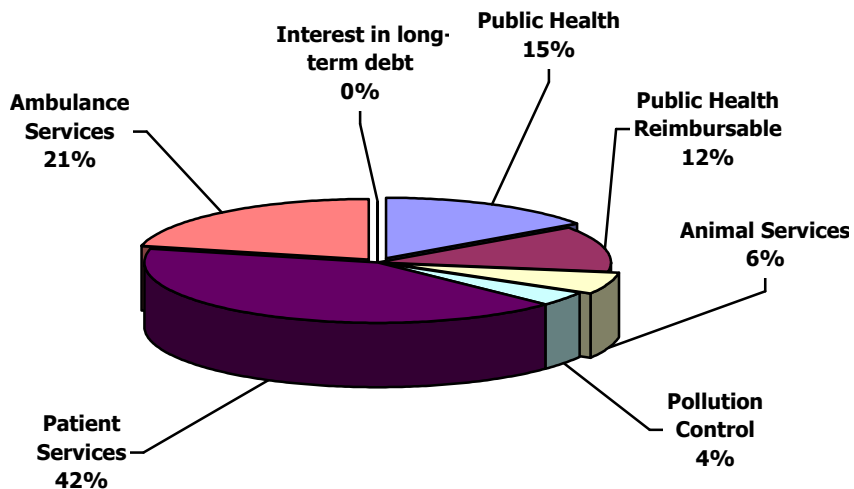
Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the District's activities.

GOVERNMENTAL REVENUES



For the fiscal year ended September 30, 2015 revenue from governmental activities totaled \$25,266,985.

GOVERNMENTAL FUNCTIONAL EXPENSES



For the fiscal year ended September 30, 2015 expenses from governmental activities totaled \$23,030,733, the largest portions of which related to patient services and ambulance services.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of September 30, 2015, the District's governmental funds, which consist of a general fund and special revenue funds, reported an ending fund balance of \$9,584,398, which is an increase of \$1,805,673 from last year's total of \$7,778,725. The General Fund, the District's main operating fund, had an ending fund balance of \$3,335,870, a \$401,485 increase from the prior year. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 7.0 percent of total general fund expenditures. The two Special Revenue funds reported an ending fund balance of \$6,248,528, of which \$302,440 are committed for Coastal Health & Wellness equipment expenditures, \$2,100,000 is committed for the Coastal Health & Wellness operating reserves, \$83,583 is committed for GAAA equipment expenditures, and \$493,741 is committed for GAAA vehicle replacement expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's final 2015 General Fund budget estimated revenues and other financing sources of \$13.3 million. The actual realized revenues and other financing sources for this period were \$279,636, or 2.1%, lower than what had been budgeted for this year. General Fund revenues during this fiscal year were lower than budgeted primarily due to lower than projected grant funding received during the fiscal year.

General Fund operating expenditures and other financing uses in 2015 were budgeted at \$13.6 million, and actual expenditures and other financing uses incurred at September 30, 2015 were \$952,582, or 7.0% lower than what had been projected for this year. When reviewing the individual divisions in the General Fund, **Public Health** program service revenues exceeded budgeted projections by \$1,819. The Public Health division includes service revenues from immunizations, vital statistics, potable water testing, and inspections/permits associated with food services, septic tanks, swimming pools and waste water. Although administrative fee revenue was lower than projected, revenues generated from vital statistics and food service permits well exceeded budgeted projections in 2015. In addition, Public Health program expenditures were \$250,642 or 6.5% lower than budgeted due primarily to salary and benefit costs, which were \$223,722 or 8.7% lower than what had been budgeted for this division in this fiscal year. In addition to salary lapse, public health lab functions were outsourced in 2015, which resulted in lower expenditures during this period in comparison to budget. **Public Health Reimbursable** expenditures (grant funded services) were \$341,072 or 10.9% lower than budgeted due primarily to lower expenditures reported in the Women, Infant & Children's (WIC) program and breast cancer screening programs (BCCS and D'Feet).

Subsequently, grant revenues were \$272,811 lower than budgeted, resulting in a favorable net change of \$68,265 in this division. **Animal Services** program revenues (which included both field and shelter services) were lower than budgeted by \$1,896 or .3%. Although revenues generated from animal adoptions and cremation services were lower than budgeted, revenues from redemption fees, fines and donations were higher than budgeted during this period. In addition, expenditures were \$89,018 or 6.3% lower due in large part to salary lapse from vacancies. **Pollution Control** program revenues were \$500 or .4% higher than budgeted; while expenditures were \$53,060 or 5.6% lower due in large part to salary and benefit costs which were lower than budgeted for this division in this fiscal year; and expenditures for services provided through **Coastal Health & Wellness and the County Indigent Healthcare Program** ended the year \$3,792 or 2.0% lower than budgeted.

In total, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$401,485 as of September 30, 2015; thereby increasing the fund balance for this period by the same amount.

As of September 30, 2015, the fund balance of the General Fund was \$3,335,870. In October 2014, the United Board of Health had committed \$2.6 million in reserves and as of September 30, 2015, \$2.7 million remained in reserves, broken out as follows: \$600 thousand for CH&W clinic construction/renovations; \$456 thousand for IT equipment/software; \$198 thousand for public health emergencies; \$160 thousand for Animal Services; \$60 thousand for reserve pay for leave payouts; and \$1.2 million as an operating reserve.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The District’s investment in capital assets as of September 30, 2015 amounts to \$1,546,101 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, furniture and equipment, and vehicles.

CAPITAL ASSETS SCHEDULE

	Governmental Activities	
	2015	2014
Buildings and improvements	\$ 236,734	\$ 236,734
Furniture and equipment	2,335,737	2,136,249
Vehicles	2,156,181	2,085,131
Less: accumulated depreciation	(3,182,551)	(2,879,322)
Total Capital Assets, Net	\$ 1,546,101	\$ 1,578,792

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

LONG-TERM DEBT

At the end of the current fiscal year, the District had total notes payable and compensated absences of \$696,768.

SCHEDULE OF LONG-TERM DEBT

	Governmental Activities	
	2015	2014
Notes payable	\$ 116,619	\$ 148,618
Capital leases payable	63,459	227,466
Compensated absences	516,690	546,130
Total	\$ 696,768	\$ 922,214

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The District is currently operating under its fiscal year 2016 budget, which was adopted and passed by its respective Boards in accordance with state and federal guidelines. The following schedule outlines a comparison of the fiscal year 2015 budget and fiscal year 2016 budget for both estimated revenues and appropriations (amounts expressed in thousands):

Fund	Year Ending September 30,		Increase (Decrease)
	2016	2015	
General Fund			
Revenue and debt proceeds	\$ 12,715	\$ 13,342	\$ (627)
Expenditures and transfers	12,873	13,613	(740)
Coastal Health & Wellness			
Revenue and transfers	9,807	9,319	488
Expenditures	9,807	9,319	488
Galveston Area Ambulance Authority			
Revenue and debt proceeds	4,935	4,576	359
Expenditures	5,512	5,222	290

General Fund - In comparison to last year, the FY16 General Fund budget decreased by \$740 thousand or 5.4%. Projected grant revenues decreased by \$136 thousand or 4.1% from last year due to lower projected revenues from the WIC, BCCS and D’Feet programs. Other grant funding was expected to remain at FY15 funding levels, with the possibility of additional funding opportunities available mid-year. County revenue decreased by \$130 thousand or 1.7% from last year and represented a reduction in the amount funded to Coastal Health & Wellness for primary care. In addition, due to the outsourcing of the public health lab, revenues related to potable water testing were removed from the budget, resulting in a reduction of \$117 thousand. Due to the departure of three cities from the Animal Services

Inter-local Agreement, revenues related to Animal Services decreased by \$240 thousand in FY16; while other revenues were expected to remain in line with prior year funding levels.

Coastal Health & Wellness (CH&W) - The budget for Coastal Health & Wellness (formerly 4C's) increased by \$488 thousand or 5.2% from last year. Although County funding was reduced by \$130 thousand, the FY16 budget included additional funds from HRSA - US Dept. of Health & Human Services to fund a behavioral health integration program and to expand pediatrician, dental and primary care services in the Coastal Health & Wellness clinics. In addition, Coastal Health & Wellness was awarded additional HRSA funding for quality improvement as well as a base adjustment to the original grant award. Additionally, budgeted revenues this year included \$325 thousand in DSRIP (Delivery System Reform Incentive Payments). Under the 1115 Waiver project, DSRIP pool payments are incentive payments that develop programs or strategies to enhance access to health care, increase the quality of care, the cost-effectiveness of care provided and the health of the patients and families served.

Revenue from patient services was also budgeted higher than the previous year due to changes in payer mix and the initiation of budget payment plans as established by the *Billing & Collection Policy* approved by the CH&W Governing Board in October 2011. Other revenue sources were expected to remain consistent with FY15 operating levels.

Galveston Area Ambulance Authority (GAAA) - In comparison to last year, GAAA revenues for FY16 were budgeted \$359 thousand or 7.8% higher than last year based on projected call volumes and the current net revenue per call. The contract amount to provide ambulance services to the unincorporated areas of the County and cities of Galveston, Bayou Vista, Hitchcock and Tiki Island remained at FY15 funding levels.

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

In the **General Fund**, FY16 budgeted expenditures decreased by \$740 thousand or 5.4% from last year. Although personnel costs included a 1.5% cost of living increase, with the exception of certain grant funded positions, total salary and benefit costs decreased by \$280 thousand from the prior year. Two positions were eliminated due to the outsourcing of public health lab functions; while Animal Services staffing was also reduced by three and a half positions due to the departure of three jurisdictions from the Animal Services Inter-local agreement. Benefit costs included a decrease in the SUTA rate from 2.3% to .1%. Group health insurance premiums increased by 3%; while the District's retirement plan contribution through TCDRS decreased from 3.8% to 3.28% effective January 1, 2016. One time expenditures to be expended from fund balance reserves included \$89 thousand which represents year three of six of a Microsoft licensing cost agreement, \$24 thousand for a firewall replacement and switch, 7 thousand for a network security evaluation, and \$37 thousand for replacement of desktop computers. There was no existing or new debt proposed in this fiscal year.

In the **Coastal Health & Wellness Clinic (CH&W)**, expenditures were budgeted \$488 thousand higher than the previous year. Personnel costs included a 1.5% cost of living increase as well as personnel costs to support program initiatives through the Behavioral Health

Integration (BHI) grant, Expanded Services grant and the 1115 Waiver project. Benefit costs included a decrease in the SUTA rate from 2.3% to .1%. Group health insurance premiums increased by 3%; while the retirement plan contribution through TCDRS decreased from 3.8% to 3.28% effective January 1, 2016. Contract service costs, supply costs and pharmaceutical costs were projected to increase in comparison to the prior year and were based on current costs and estimated annual patient visits. Other CH&W expenditures were budgeted at previous year operating levels or as near as possible in order to operate within budgeted limits set during this period.

The **Galveston Area Ambulance Authority** (GAAA) budgeted expenditures were \$290 thousand higher from the previous year. Although salary levels remained the same and there were no salary adjustments included in the 2016 budget, personnel costs increased by \$185 thousand from last year due primarily to an increase in the amount of overtime budgeted in this fiscal year. Benefit costs included a decrease in the SUTA rate from 2.3% to .1%. Group health insurance premiums increased by 3%; while the retirement plan contribution through TCDRS decreased from 3.8% to 3.28% effective January 1, 2016. Proposed equipment expenditures accounted for 11.3% of the overall budget, up from 7.5% in the previous year, and included \$666 thousand in one time purchases to be expended from operating revenues and prior years' fund balance. These purchases included two 911 ambulance remounts, one 911 ambulance replacement, two non-emergency ambulances, five power stretchers, six portable ventilators, eighteen backboards and five computers. In addition, the FY16 budget included \$34 thousand in principal and interest payments related to repayment of the Community Disaster Loan, which had been awarded by FEMA in February 2009 to assist with the decline in revenues for Galveston operations after Hurricane Ike. The maturity date of this loan is currently February 18, 2019.

The District has added no major new programs or initiatives to the 2016 budget, and anticipates that all fund balances will remain level or potentially be increased by the end of fiscal year 2016 if budget estimates are realized.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

September 30, 2015

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 9,233,499
Investments	30,018
Receivables:	
Federal	523,797
State	175,787
Due from other governments	628,794
Prepaid expenses	112,879
Inventories	27,221
Net pension asset	1,766,197
Capital assets, net of accumulated depreciation:	
Furniture and equipment	632,219
Vehicles	913,882
Total Assets	<u>14,044,293</u>
<u>Deferred Outflows of Resources</u>	
Net difference between projected and actual earnings	133,935
Contributions made subsequent to measurement date	361,092
Total Deferred Outflows of Resources	<u>495,027</u>
<u>Liabilities</u>	
Accounts payable and other current liabilities	1,073,941
Accrued interest payable	274
Noncurrent liabilities:	
Due within one year	147,722
Due in more than one year	549,046
Total Liabilities	<u>1,770,983</u>
<u>Deferred Inflows of Resources</u>	
Differences between expected and actual experience	475,514
Unearned revenue	73,656
Total Deferred Inflows of Resources	<u>549,170</u>
<u>Net Position</u>	
Net investment in capital assets	1,366,091
Restricted for:	
Clinic operations	3,660,203
Unrestricted	7,192,873
Total Net Position	<u>\$ 12,219,167</u>

See Notes to Financial Statements.

GALVESTON COUNTY HEALTH DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program
		Charges for Services
Governmental Activities:		
Public health	\$ 3,532,803	\$ 1,584,937
Public health reimbursable	2,813,834	62,795
Animal services	1,335,431	740,010
Pollution control	878,930	136,135
Patient services	9,516,732	3,669,266
Ambulance services	4,946,597	5,197,359
Interest on long term debt	6,406	
Total Governmental Activities	\$ 23,030,733	\$ 11,390,502
General Revenues:		
Grants and contributions not restricted to specific programs		
Gain on sale of capital assets		
Investment income		
Total General Revenues		
Change in Net Position		
Net Position - beginning, restated		
Net Position - Ending		

<u>Revenues</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
<u>Operating Grants and Contributions</u>	<u>Governmental Activities (Total)</u>
\$	\$
2,636,869	(1,947,866)
	(114,170)
	(595,421)
447,144	(295,651)
2,664,168	(3,183,298)
1,770	252,532
	(6,406)
\$ 5,749,951	\$ (5,890,280)
	8,059,516
	8,694
	58,322
	8,126,532
	2,236,252
	9,982,915
	\$ 12,219,167

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-3

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2015

	<u>General</u>	<u>Coastal Health & Wellness</u>	<u>Galveston Area Ambulance Authority</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 3,220,942	\$ 3,528,297	\$ 2,484,260	\$ 9,233,499
Investments	10,006	10,006	10,006	30,018
Receivables:				
Federal	523,797			523,797
State	175,787			175,787
Other	260,787	95,874	272,133	628,794
Due from other funds	23,632	324,115		347,747
Prepaid items	21,443	59,822	31,614	112,879
Inventories	27,221			27,221
Total Assets	\$ 4,263,615	\$ 4,018,114	\$ 2,798,013	\$ 11,079,742
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 555,991	\$ 342,311	\$ 175,639	\$ 1,073,941
Due to other funds	324,115		23,632	347,747
Total Liabilities	880,106	342,311	199,271	1,421,688
<u>Deferred Inflows of Resources</u>				
Unearned revenue	47,639	15,600	10,417	73,656
<u>Fund Balances</u>				
Fund Balances:				
Non-spendable:				
Inventories	27,221			27,221
Prepaid items	21,443	59,822	31,614	112,879
Unrestricted:				
Committed:				
Public health emergencies	198,000			198,000
Reserve for leave payouts	60,000			60,000
Equipment/software	455,533	302,440	83,583	841,556
Vehicle replacement			493,741	493,741
CH&W clinic operations/renovations	600,000			600,000
Animal services	159,561			159,561
Operating reserves	1,200,000	2,100,000		3,300,000
Unassigned	614,112	1,197,941	1,979,387	3,791,440
Total Fund Balances	3,335,870	3,660,203	2,588,325	9,584,398
Total Liabilities, Deferred Inflows and Fund Balances	\$ 4,263,615	\$ 4,018,114	\$ 2,798,013	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,546,101

The Net Pension Asset (\$1,766,197) and deferred outflows of resources (\$495,027) are not financial resources and, therefore, are not reported in the funds. 2,261,224

Deferred inflows of resources pertaining to actuarial pension differences between expected and actual experience are not due and payable in the current period and are therefore not reported in the funds. (475,514)

Long-term liabilities, including notes payable (\$116,619), capital leases payable (\$63,459), accrued interest payable (\$274) and accrued compensated absences (\$516,690) are not due and payable in the current period and are therefore not reported in the funds. (697,042)

Net Position of Governmental Activities \$ 12,219,167

See Notes to Financial Statements.

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-4

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS****For the Year Ended September 30, 2015**

	<u>General</u>	<u>Coastal Health & Wellness</u>	<u>Galveston Area Ambulance Authority</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Program services	\$ 2,525,921	\$ 3,669,272	\$ 4,292,649	\$ 10,487,842
Intergovernmental				
Federal/state	3,084,013	2,632,968		5,716,981
Local	7,435,075	31,200	1,539,545	9,005,820
Investment earnings	17,300	25,245	15,777	58,322
Total Revenues	<u>13,062,309</u>	<u>6,358,685</u>	<u>5,847,971</u>	<u>25,268,965</u>
<u>Expenditures</u>				
Current:				
Public health	3,568,746			3,568,746
Public health reimbursable	2,783,000			2,783,000
Animal services	1,328,406			1,328,406
Pollution control	878,317			878,317
Patient services	184,654	9,382,985		9,567,639
Ambulance services			4,717,426	4,717,426
Debt Service:				
Principal retirement	14,466		181,576	196,042
Interest and fiscal charges	299		6,139	6,438
Capital Outlay	<u>39,537</u>	<u>21,989</u>	<u>355,752</u>	<u>417,278</u>
Total Expenditures	<u>8,797,425</u>	<u>9,404,974</u>	<u>5,260,893</u>	<u>23,463,292</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>4,264,884</u>	<u>(3,046,289)</u>	<u>587,078</u>	<u>1,805,673</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in		3,863,399		3,863,399
Transfers (out)	<u>(3,863,399)</u>			<u>(3,863,399)</u>
Total Other Financing Sources (Uses)	<u>(3,863,399)</u>	<u>3,863,399</u>		
Net Change in Fund Balance				
	401,485	817,110	587,078	1,805,673
Fund balances - Beginning	<u>2,934,385</u>	<u>2,843,093</u>	<u>2,001,247</u>	<u>7,778,725</u>
Fund Balances - Ending	<u>\$ 3,335,870</u>	<u>\$ 3,660,203</u>	<u>\$ 2,588,325</u>	<u>\$ 9,584,398</u>

See Notes to Financial Statements.

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-5

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

For the Year Ended September 30, 2015

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

Net change in fund balances - total governmental funds	\$ 1,805,673
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$447,989) exceeded capital outlay (\$417,278) in the current period.	(30,711)
Repayment of note principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	196,042
The gain on disposal of capital assets is not reported in the funds. However, in the statement of activities, the gain is reflected.	(1,980)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This adjustment reflects the net change in the net pension asset -(\$585,743), deferred outflows of resources -(\$127,527), deferred inflows of resources (\$475,514), accrued interest payable -(\$32) and accrued compensated absences -(\$29,440).	<u>267,228</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,236,252</u></u>

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND OPERATIONS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

These financial statements contain all the operations and activities of the Galveston County Health District, Coastal Health & Wellness and the Galveston Area Ambulance Authority. A 13-member board is nominated by the Commissioners Court of Galveston County, Texas and approved by a majority of the member governments; this board governs the District. These financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations or functions have been included in the District's financial reporting entity. The District is considered a component unit of Galveston County, Texas.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by accounting principles generally accepted in the United States of America. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is its fiscal dependency on the County.

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

B. Basis of Accounting/Measurement Focus

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

C. Government-wide Financial Statements

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

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

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

D. Governmental Fund Financial Statements

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

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

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable:

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

Restricted:

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

GALVESTON COUNTY HEALTH DISTRICT

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NOTES TO FINANCIAL STATEMENTS

Committed:

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

Assigned:

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

Unassigned:

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

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

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

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

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

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

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

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

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

F. Assets, Liabilities and Net Position or Equity

Cash and Investments

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

Inventory

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

Deferred Outflows of Resources

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

Property and Equipment

Capital assets, which include building and improvements, equipment and vehicles are reported in the governmental activities column, in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Costs for the purchase or construction of facilities and other fixed assets are recorded as capital outlay expenditures in the governmental fund financial statements.

Interest incurred during construction is not capitalized. Depreciation on capital assets is calculated on the straight- line basis over the following estimated useful lives:

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

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

Compensated Absences

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

Deferred Inflows of Resources

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

Long-term Obligations

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

Fund Equity

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that can be spent for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. Amounts considered nonspendable relate to prepaid items and inventory that have already been expended and represent a portion of the fund balance that is not available for future operations. Committed fund balance represents fund balance that can be used only for the specific purposes determined by a formal action of the Galveston County United Board of Health. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Pensions

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

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

G. Date of Management's Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 6, 2016, the date that the financial statements were available to be issued.

H. Estimates

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

NOTE 3 - CASH AND INVESTMENTS

Deposit Custodial Credit Risk

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

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

Investments

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

GALVESTON COUNTY HEALTH DISTRICT

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NOTES TO FINANCIAL STATEMENTS

load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest. As of September 30, 2015, the District's investments consisted of 100% TexPool.

TexPool

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

NOTE 4 - RECEIVABLES

At September 30, 2015 accounts receivable consisted of the following:

	<u>General</u>	<u>Coastal Health & Wellness</u>	<u>Galveston Area Ambulance Authority</u>
Federal:			
Reimbursement of expenditures under federal grants	\$ 523,797	\$	\$
State:			
Reimbursement of expenditures under state grants	\$ 175,787	\$	\$
Other:			
Patient or program fees	\$ 260,787	\$ 95,874	\$ 272,133

GALVESTON COUNTY HEALTH DISTRICT

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NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Increases	(Decreases)	Balance Sept. 30, 2015
Governmental Activities:				
Buildings and improvements	236,734			236,734
Furniture and equipment	2,136,249	252,553	(53,065)	2,335,737
Vehicles	2,085,131	164,725	(93,675)	2,156,181
Total cost	4,458,114	417,278	(146,740)	4,728,652
Less accumulated depreciation for:				
Buildings and improvements	(236,541)	(193)		(236,734)
Furniture and equipment	(1,567,442)	(187,161)	51,085	(1,703,518)
Vehicles	(1,075,339)	(260,635)	93,675	(1,242,299)
Total accumulated depreciation	(2,879,322)	(447,989)	144,760	(3,182,551)
Total Capital Assets, Net	\$ 1,578,792	\$ (30,711)	\$ (1,980)	\$ 1,546,101

Depreciation was charged to functions of the District as follows:

Function:				
Public health		\$	5,800	
Public health-reimbursable			63,386	
Animal services			22,563	
Pollution control			10,886	
Coastal Health & Wellness			61,004	
GAAA			284,350	
Total Depreciation Expense		\$	447,989	

NOTE 6 - LONG-TERM DEBT

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Balance October 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amounts Due within One Year
Notes payable	\$ 148,618	\$	\$ (31,999)	\$ 116,619	\$ 32,594
Capital leases payable	227,466		(164,007)	63,459	63,459
Compensated absences	546,130		(29,440)	516,690	51,669
Total	\$ 922,214	\$	(225,446)	\$ 696,768	\$ 147,722

Notes payable at September 30, 2015 consist of the following:

GALVESTON COUNTY HEALTH DISTRICT

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NOTES TO FINANCIAL STATEMENTS

Note payable bearing interest at 1.75%, with unforgiven balance due February 18, 2019.

\$ 116,619

Maturities on the notes payable are as follows:

Year	Amount
2016	\$ 32,594
2017	33,171
2018	33,755
2019	17,099
	\$ 116,619

Accrued compensated absences represent vacation and compensatory time off earned by District, CH&W and GAAA employees. These employees are 100 percent vested with respect to these benefits when earned. These amounts are expected to be paid from future available resources upon the employees' termination or retirement. No accrued compensated absences have been recorded for General Fund (County) employees, nor has any liability been recorded for accrued sick leave which is payable to County employees at a reduced rate only upon retirement.

Capital Lease Obligations

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

The assets acquired through the capital leases are as follows:

Asset:	
Furniture and equipment	\$ 128,078
Vehicles	350,893
	478,971
Less: accumulated depreciation	(188,667)
	\$ 290,304

Following is a summary of future lease payments due on these acquisitions:

Fiscal Year	Minimum Lease Payment
2016	\$ 63,870
Total minimum lease payments	63,870
Less interest portion	(411)
Present Value of Minimum Lease Payments	\$ 63,459

GALVESTON COUNTY HEALTH DISTRICT

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NOTES TO FINANCIAL STATEMENTS

NOTE 7 - INTERFUND TRANSACTIONS

Interfund balances due to/from as of September 30, 2015 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
Coastal Health & Wellness Fund	General Fund	\$ 324,115
General Fund	Galveston Area Ambulance Authority Fund	23,632
		<u>\$ 347,747</u>

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

NOTE 8 - EMPLOYEE RETIREMENT PLANS

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

Defined Benefit Plan - County

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

Under the state law governing TCDRS, the County contributes a fixed rate of 7% on each member employee. The County is also required to contribute 11.65% for each employee under the alternate plan. During the year ended September 30, 2015, the District made the required contributions of \$3,909.

TCDRS Defined Benefit Plan

Effective July 1, 2008, the District converted to a non-traditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system, consisting of 677 nontraditional defined benefit pension plans. TCDRS issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available, upon written request, from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034 or online at www.tcdrs.org.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age or

GALVESTON COUNTY HEALTH DISTRICT

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NOTES TO FINANCIAL STATEMENTS

when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions to the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits, with interest. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitments to contribute. At retirement, disability or death, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates, as prescribed by the TCDRS Act.

Employees Covered by Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	200
Active employees	<u>258</u>
Totals	<u><u>466</u></u>

Funding Policy/Contributions

The employer has chosen a variable rate plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer was 3.80% and the contribution rate for employees was 7%, as adopted by the governing body of the employer. The contribution rate of the employer is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception or when benefit increases were adopted was limited by the TCDRS Act to what the actuary determined could be adequately financed by the commitment of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer with options available in the TCDRS ACT.

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

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

Net Pension Asset

The District's Net Pension Asset ("NPA") was measured as of December 31, 2014, and the Total Pension Liability ("TPL") used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall Payroll Growth	2.0% per year
Investment Rate of Return	5.0% per year

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

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

The long-term expected rate of return on pension plan investments is 8.0%. The pension plan's policy 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 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

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected Minus Inflation)</u>
US Equity	16.5%	5.35%
Private Equity	12.0%	8.35%
Global Equities	1.5%	5.65%
International Equities-Developed	11.0%	5.35%
International Equities-Emerging	9.0%	6.35%
Investment-Grade Bonds	3.0%	0.55%
High-Yield Bonds	3.0%	3.75%
Opportunistic Credit	5.0%	5.54%
Direct Lending	2.0%	5.80%
Distressed Debt	3.0%	6.75%
REIT Equities	2.0%	4.00%
Commodities	2.0%	-0.20%
Master Limited Partnerships	2.0%	5.30%
Private Real Estate Partnerships	3.0%	7.20%
Hedge Funds	25.0%	5.15%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at 12/31/13	\$ 7,555,039	\$ 8,735,493	\$ (1,180,454)
Changes for the year:			
Service cost	1,242,706	0	1,242,706
Interest on total pension liability	636,959	0	636,959
Effect of plan changes	0	0	0
Effect of economic/demographic gains or losses	(570,617)	0	(570,617)
Effect of assumptions changes or inputs	0	0	0
Refund of contributions	(602,797)	(602,797)	0
Benefit payments	(10,337)	(10,337)	0
Administrative expenses	0	(7,265)	7,265
Member contributions	0	836,373	(836,373)
Net investment income	0	575,465	(575,465)
Employer contributions	0	498,239	(498,239)
Other	0	(8,021)	8,021
Net Changes	<u>695,914</u>	<u>1,281,657</u>	<u>(585,743)</u>
Balance at 12/31/14	<u>\$ 8,250,953</u>	<u>\$ 10,017,150</u>	<u>\$ (1,766,197)</u>

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

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

	<u>1% Decrease in</u>	<u>Current</u>	<u>1% Increase in</u>
	<u>Discount Rate</u>	<u>Discount Rate</u>	<u>Discount Rate</u>
	<u>7.10%</u>	<u>8.10%</u>	<u>9.10%</u>
Total pension liability	\$ 9,373,798	\$ 8,250,954	\$ 7,331,422
Fiduciary net position	10,017,151	10,017,151	10,017,151
District's net pension liability (asset)	<u>\$ (643,353)</u>	<u>\$ (1,766,197)</u>	<u>\$ (2,685,729)</u>

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

For the year ended September 30, 2015, the District recognized pension expense of \$254,074.

At September 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

GALVESTON COUNTY HEALTH DISTRICT

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NOTES TO FINANCIAL STATEMENTS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 0	\$ 475,514
Changes in actuarial assumptions	0	0
Net difference between projected and actual investment earnings	133,935	0
Contributions subsequent to the measurement date	361,092	N/A
Totals	<u>\$ 495,027</u>	<u>\$ 475,514</u>

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

<u>Year Ended Dec 31:</u>		
2015	\$	(61,619)
2016		(61,619)
2017		(61,619)
2018		(61,619)
2019		(95,103)
Thereafter		0

Deferred Compensation Plan

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

NOTE 9 - OPERATING LEASES

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

Galveston Housing Authority

The District entered into a five year lease to lease space at the Island Community Center to operate the Galveston Coastal Health & Wellness (formerly 4C's) medical and dental clinic. The lease commenced on August 1, 2011 and will terminate on July 31, 2016. Minimum lease payments are currently \$14,530 per month. The Coastal Health & Wellness Governing Board is currently in the process of reviewing current needs and options for the Galveston clinic site for future years.

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

The District entered into a five year lease to lease space at the Island Community Center to operate the Women's, Infant's and Children's program. The lease commenced on April 1, 2012 and will expire March 31, 2017. Minimum lease payments were \$1,788 per month for the first four years of the lease term, with an increase in year five.

Dixie Partners

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

Bacliff VFD

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

Hitchcock VFD

The District entered into a one year memorandum of agreement with the Hitchcock Volunteer Fire Department effective September 1, 2015 at a cost of \$650 per month. The agreement may be terminated by either party by furnishing a thirty day written notice. The agreement may also be amended and/or extended at any time by mutual written agreement of both parties.

Galveston County

Beginning in FY2012, the Health District remitted lease payments to Galveston County for the Animal Resource Center and Mid-County annex (which are County owned facilities). The monthly lease payments to the County include \$16,641 per month for the Animal Resource Center and \$74,572 per month for the Mid-County annex. These lease payments included the utilities, maintenance, janitorial, and insurance costs associated with these buildings.

The District incurred lease expenditures of \$1,393,660 and \$1,385,702 during the years ended September 30, 2015 and September 30, 2014, respectively.

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

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

Year	Minimum Lease Payments
2016	\$ 1,378,460
2017	1,274,982
2018	1,274,982
	\$ 3,928,424

NOTE 10 - RISK MANAGEMENT

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

NOTE 11 - NONSPENDABLE, RESTRICTED AND COMMITTED FUND BALANCE

The District reports the following General Fund, Coastal Health & Wellness Fund and Galveston Area Ambulance Authority Fund equity as nonspendable and committed at September 30, 2015:

	General	Coastal Health & Wellness	Galveston Area Ambulance Authority
Nonspendable:			
Inventories	\$ 27,221	\$	\$
Prepaid items	21,443	59,822	31,614
Total Nonspendable Fund Balance	\$ 48,664	\$ 59,822	\$ 31,614
Committed:			
IT Infrastructure/software upgrades	\$ 455,533	\$ 204,248	\$
Public health emergencies	198,000		
Reserve for leave payouts	60,000		
Medical/dental equipment		98,192	
Vehicle replacements			493,741
CH&W clinic renovations	600,000		
Animal services	159,561		
Operating equipment			83,583
Operating reserves	1,200,000	2,100,000	
Total Committed Fund Balance	\$ 2,673,094	\$ 2,402,440	\$ 577,324

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - CONCENTRATIONS

Generally Accepted Accounting Principles require disclosure of concentrations in the volume of business transacted with a particular customer, supplier, lender, grantor, or contributor that meet certain criteria. The following concentrations with particular customers existed at the financial statement dates:

Galveston County

Approximately 32 and 34 percent of the District's revenues, for the years ended September 30, 2015 and September 30, 2014, respectively, were provided by Galveston County.

Federal Government

Approximately 23 percent and 24 percent of the District's revenues for the years ended September 30, 2015 and September 30, 2014, respectively, were provided by the Federal Government.

NOTE 13 - IMPLEMENTATION OF NEW STANDARDS

In the current fiscal year, the District implemented the following new standards:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans administered as trusts or equivalent arrangements that meet certain criteria. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and Amendment of GASB 68* ("GASB 71"), requires employer contributions made between the measurement date, which is the date used to determine an employer's net pension liability ("NPL"), and the employer's fiscal year end be reported as a deferred outflow of resources ("DOoR").

GALVESTON COUNTY HEALTH DISTRICT

Exhibit A-6

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - RESTATEMENT OF NET POSITION

Beginning net position was restated from \$8,434,961 to \$9,982,915 to reflect a \$1,547,954 increase in beginning net pension asset and deferred outflows of resources-contributions made after the measurement date in accordance with GASB 68 and 71.

REQUIRED SUPPLEMENTARY INFORMATION

GALVESTON COUNTY HEALTH DISTRICT

Exhibit B-1

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

For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Program services	\$ 2,534,052	\$ 2,534,052	\$ 2,525,921	\$ (8,131)
Intergovernmental				
Federal/state	3,355,318	3,355,318	3,084,013	(271,305)
Local	7,435,075	7,435,075	7,435,075	
Investment earnings	17,500	17,500	17,300	(200)
Total Revenues	<u>13,341,945</u>	<u>13,341,945</u>	<u>13,062,309</u>	<u>(279,636)</u>
<u>Expenditures</u>				
Current:				
Public health	3,843,895	3,843,895	3,593,253	250,642
Public health reimbursable	3,124,072	3,124,072	2,783,000	341,072
Animal services	1,417,424	1,417,424	1,328,406	89,018
Pollution control	946,407	946,407	893,347	53,060
Patient services	188,446	188,446	184,654	3,792
Debt Service:				
Principal retirement	14,466	14,466	14,466	
Interest and fiscal charges	297	297	299	(2)
Total Expenditures	<u>9,535,007</u>	<u>9,535,007</u>	<u>8,797,425</u>	<u>737,582</u>
Excess of Revenues Over Expenditures	3,806,938	3,806,938	4,264,884	457,946
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	<u>(4,078,399)</u>	<u>(4,078,399)</u>	<u>(3,863,399)</u>	<u>215,000</u>
Total Other Financing Sources (Uses)	<u>(4,078,399)</u>	<u>(4,078,399)</u>	<u>(3,863,399)</u>	<u>215,000</u>
Net Change in Fund Balance	(271,461)	(271,461)	401,485	672,946
Fund balances - Beginning	<u>2,934,385</u>	<u>2,934,385</u>	<u>2,934,385</u>	
Fund Balances - Ending	<u>\$ 2,662,924</u>	<u>\$ 2,662,924</u>	<u>\$ 3,335,870</u>	<u>\$ 672,946</u>

GALVESTON COUNTY HEALTH DISTRICT

Exhibit B-2

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COASTAL HEALTH & WELLNESS FUND**

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance from Final Positive (Negative)
	Original	Final		
Revenues				
Program services	\$ 2,659,896	\$ 2,659,896	\$ 3,669,272	\$ 1,009,376
Intergovernmental				
Federal/state	2,464,710	2,464,710	2,632,968	168,258
Local	36,050	36,050	31,200	(4,850)
Investment earnings	16,500	16,500	25,245	8,745
Total Revenues	<u>5,177,156</u>	<u>5,177,156</u>	<u>6,358,685</u>	<u>1,181,529</u>
Expenditures				
Current:				
Patient services (primary care)	9,319,382	9,319,382	9,404,974	(85,592)
Total Expenditures	<u>9,319,382</u>	<u>9,319,382</u>	<u>9,404,974</u>	<u>(85,592)</u>
(Deficiency) of Revenues (Under) Expenditures	(4,142,226)	(4,142,226)	(3,046,289)	1,095,937
Other Financing Sources				
Transfers in	4,142,226	4,142,226	3,863,399	(278,827)
Total Other Financing Sources	<u>4,142,226</u>	<u>4,142,226</u>	<u>3,863,399</u>	<u>(278,827)</u>
Net Change in Fund Balance			817,110	817,110
Fund balances - Beginning	2,843,093	2,843,093	2,843,093	
Fund Balances - Ending	<u>\$ 2,843,093</u>	<u>\$ 2,843,093</u>	<u>\$ 3,660,203</u>	<u>\$ 817,110</u>

GALVESTON COUNTY HEALTH DISTRICT

Exhibit B-3

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

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance from Final Positive (Negative)
	Original	Final		
Revenues				
Program services	\$ 3,681,414	\$ 3,681,414	\$ 4,292,649	\$ 611,235
Intergovernmental				
Local	885,000	885,000	1,539,545	654,545
Investment earnings	9,200	9,200	15,777	6,577
Total Revenues	<u>4,575,614</u>	<u>4,575,614</u>	<u>5,847,971</u>	<u>1,272,357</u>
Expenditures				
Current:				
Ambulance services	4,639,177	4,639,177	4,717,426	(78,249)
Debt Service:				
Principal retirement	181,576	181,576	181,576	
Interest and fiscal charges	6,139	6,139	6,139	
Capital Outlay	<u>394,748</u>	<u>394,748</u>	<u>355,752</u>	<u>38,996</u>
Total Expenditures	<u>5,221,640</u>	<u>5,221,640</u>	<u>5,260,893</u>	<u>(39,253)</u>
Net Change in Fund Balance	(646,026)	(646,026)	587,078	1,233,104
Fund balances - Beginning	<u>2,001,247</u>	<u>2,001,247</u>	<u>2,001,247</u>	
Fund Balances - Ending	<u>\$ 1,355,221</u>	<u>\$ 1,355,221</u>	<u>\$ 2,588,325</u>	<u>\$ 1,233,104</u>

GALVESTON COUNTY HEALTH DISTRICT

Exhibit B-4

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. Budgets and Budgetary Accounting

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

Galveston County Health District

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

Last Ten Years Ending December 31 *

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Pension Liability				
Service cost	\$ 1,242,706	\$ N/A	\$ N/A	\$ N/A
Interest on total pension liability	636,959	N/A	N/A	N/A
Effect of plan changes		N/A	N/A	N/A
Effect of assumption changes or inputs		N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(570,617)	N/A	N/A	N/A
Benefit payments/refunds of contributions	(613,133)	N/A	N/A	N/A
Net Change in Total Pension Liability	<u>695,915</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, beginning	7,555,039	N/A	N/A	N/A
Total Pension Liability, Ending (a)	<u><u>\$ 8,250,954</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>
Plan Fiduciary Net Position				
Employer contributions	\$ 498,239	\$ N/A	\$ N/A	\$ N/A
Member contributions	836,373	N/A	N/A	N/A
Investment income net of investment expenses	575,465	N/A	N/A	N/A
Benefit payments/refunds of contributions	(613,133)	N/A	N/A	N/A
Administrative expenses	(7,265)	N/A	N/A	N/A
Other	(8,021)	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	<u>1,281,658</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position, beginning	8,735,493	N/A	N/A	N/A
Plan Fiduciary Net Position, Ending (b)	<u><u>\$ 10,017,151</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>
Net Pension Liability (Asset), Ending (a) - (b)	<u><u>\$ (1,766,197)</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>
Plan Fiduciary Net Position as a % of Total Pension Liability	121.41%	N/A	N/A	N/A
Pensionable covered payroll	\$ 11,948,185	\$ N/A	\$ N/A	\$ N/A
Net pension liability as a % of covered payroll	-14.78%	N/A	N/A	N/A

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

	2010	2009	2008	2007	2006	2005	
\$	N/A	\$	N/A	\$	N/A	\$	N/A
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A
\$	N/A	\$	N/A	\$	N/A	\$	N/A
\$	N/A	\$	N/A	\$	N/A	\$	N/A
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A
\$	N/A	\$	N/A	\$	N/A	\$	N/A
	N/A		N/A		N/A		N/A
\$	N/A	\$	N/A	\$	N/A	\$	N/A
	N/A		N/A		N/A		N/A
\$	N/A	\$	N/A	\$	N/A	\$	N/A
	N/A		N/A		N/A		N/A

Galveston County Health District

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

Last Ten Years Ending December 31 *

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially Determined Contribution	\$ 498,239	\$ 519,265	\$ 524,315	\$ 545,245
Actual Employer Contribution	<u>498,239</u>	<u>519,265</u>	<u>524,315</u>	<u>545,245</u>
Contribution Deficiency (Excess)	-	-	-	-
Pensionable Covered Payroll	\$ 11,948,185	\$ 12,189,327	\$ 11,889,227	\$ 12,143,539
Actual Contributions as a % of Covered Payroll	4.17%	4.26%	4.41%	4.49%

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

Exhibit B-6

2010	2009	2008	2007	2006	2005
\$ 567,108	\$ 563,075	\$ 244,525	\$ N/A	\$ N/A	\$ N/A
567,108	563,075	244,525	N/A	N/A	N/A
-	-	-	N/A	N/A	N/A
\$ 12,546,631	\$ 11,657,875	\$ 5,062,640	\$ N/A	\$ N/A	\$ N/A
4.52%	4.83%	4.83%	N/A	N/A	N/A

Galveston County Health District

Exhibit B-7

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

OTHER SUPPLEMENTARY INFORMATION

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GALVESTON COUNTY HEALTH DISTRICT

Exhibit C-1

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2015

With Comparative Actual Amounts for the Year Ended September 30, 2014

	2015		Actual	Variance from Final Positive (Negative)	2014 Actual
	Budgeted Amounts				
	Original	Final			
Revenues					
Program services					
Public health	\$ 1,584,850	\$ 1,584,850	\$ 1,586,669	\$ 1,819	\$ 1,619,281
Public health reimbursable	71,661	71,661	63,107	(8,554)	63,851
Animal services	741,906	741,906	740,010	(1,896)	673,369
Pollution control	135,635	135,635	136,135	500	173,047
	<u>2,534,052</u>	<u>2,534,052</u>	<u>2,525,921</u>	<u>(8,131)</u>	<u>2,529,548</u>
Intergovernmental					
Federal/state					
Public health reimbursable	2,901,126	2,901,126	2,636,869	(264,257)	2,768,450
Animal services					10,000
Pollution control	454,192	454,192	447,144	(7,048)	460,006
	<u>3,355,318</u>	<u>3,355,318</u>	<u>3,084,013</u>	<u>(271,305)</u>	<u>3,238,456</u>
Local - Galveston County	7,435,075	7,435,075	7,435,075		7,525,306
Investment earnings	17,500	17,500	17,300	(200)	18,256
Total Revenues	<u>\$ 13,341,945</u>	<u>\$ 13,341,945</u>	<u>\$ 13,062,309</u>	<u>\$ (279,636)</u>	<u>\$ 13,311,566</u>

GALVESTON COUNTY HEALTH DISTRICT

Exhibit C-2

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2015

With Comparative Actual Amounts for the Year Ended September 30, 2014

Function	2015		Actual	Variance from Final Positive (Negative)	2014 Actual
	Budgeted Amounts				
	Original	Final			
Public Health					
Personnel services	\$ 2,572,185	\$ 2,572,185	\$ 2,348,463	\$ 223,722	\$ 2,432,236
Supplies	320,477	320,477	309,907	10,570	187,998
Contractual services	34,850	34,850	75,165	(40,315)	26,680
Other	866,383	866,383	835,211	31,172	814,490
Capital outlay	50,000	50,000	24,507	25,493	
	<u>3,843,895</u>	<u>3,843,895</u>	<u>3,593,253</u>	<u>250,642</u>	<u>3,461,404</u>
Public Health Reimbursable					
Personnel services	2,163,720	2,163,720	1,852,215	311,505	1,952,571
Supplies	43,918	43,918	88,156	(44,238)	124,595
Contractual services	580,676	580,676	440,527	140,149	498,545
Other	335,758	335,758	402,102	(66,344)	376,414
	<u>3,124,072</u>	<u>3,124,072</u>	<u>2,783,000</u>	<u>341,072</u>	<u>2,952,125</u>
Animal Services					
Personnel services	913,175	913,175	787,400	125,775	738,769
Supplies	172,000	172,000	193,524	(21,524)	157,240
Contractual services	66,700	66,700	57,909	8,791	47,988
Other	265,549	265,549	289,573	(24,024)	278,776
Capital outlay					65,936
	<u>1,417,424</u>	<u>1,417,424</u>	<u>1,328,406</u>	<u>89,018</u>	<u>1,288,709</u>
Pollution Control					
Personnel services	762,510	762,510	638,957	123,553	735,513
Supplies	38,675	38,675	25,943	12,732	31,050
Contractual services	2,000	2,000	92,776	(90,776)	6,454
Other	143,222	143,222	120,641	22,581	126,149
Capital outlay			15,030	(15,030)	
	<u>946,407</u>	<u>946,407</u>	<u>893,347</u>	<u>53,060</u>	<u>899,166</u>
Patient Services (Indigent Care)					
Personnel services	150,270	150,270	145,286	4,984	136,360
Supplies	3,745	3,745	6,343	(2,598)	3,365
Contractual services	6,439	6,439	5,445	994	7,749
Other	27,992	27,992	27,580	412	30,160
	<u>188,446</u>	<u>188,446</u>	<u>184,654</u>	<u>3,792</u>	<u>177,634</u>
Debt Service					
Principal	14,466	14,466	14,466		18,474
Interest	297	297	299	(2)	1,209
	<u>14,763</u>	<u>14,763</u>	<u>14,765</u>	<u>(2)</u>	<u>19,683</u>
Total Expenditures	<u>\$ 9,535,007</u>	<u>\$ 9,535,007</u>	<u>\$ 8,797,425</u>	<u>\$ 737,582</u>	<u>\$ 8,798,721</u>

GALVESTON COUNTY HEALTH DISTRICT

Exhibit C-3

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GAAP BASIS TO FINANCIAL STATUS REPORT BASIS COMPARISON COASTAL HEALTH & WELLNESS FUND

For the Year Ended September 30, 2015

	<u>GAAP Basis</u>	<u>Donated Services</u>	<u>Balance per Financial Status Report</u>
<u>Revenues</u>			
Program services	\$ 3,669,272	\$	\$ 3,669,272
Intergovernmental			
Federal/state	2,632,968		2,632,968
Local	31,200	7,679	38,879
Investment earnings	25,245		25,245
Total Revenues	<u>6,358,685</u>	<u>7,679</u>	<u>6,366,364</u>
<u>Expenditures</u>			
Current:			
Patient services			
Personnel services	6,005,558		6,005,558
Supplies	1,149,746		1,149,746
Contracted services	1,036,997		1,036,997
Other	1,190,684	7,679	1,198,363
Capital Outlay	<u>21,989</u>		<u>21,989</u>
Total Expenditures	<u>9,404,974</u>	<u>7,679</u>	<u>9,412,653</u>
(Deficiency) of Revenues (Under) Expenditures	(3,046,289)		(3,046,289)
<u>Other Financing Sources</u>			
Transfers in	<u>3,863,399</u>		<u>3,863,399</u>
Total Other Financing Sources	<u>3,863,399</u>		<u>3,863,399</u>
Net Change in Fund Balance	817,110		817,110
Fund balances - Beginning	<u>2,843,093</u>		<u>2,843,093</u>
Fund Balances - Ending	<u>\$ 3,660,203</u>	<u>\$</u>	<u>\$ 3,660,203</u>