

**Williamson County and Cities
Health District**

**Financial Statements
as of and for the Year Ended
December 31, 2022 and
Independent Auditors' Report**



Williamson County and Cities Health District

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**Letter of Transmittal
(Unaudited)**



Williamson County and Cities Health District

355 Texas Avenue ○ Round Rock, TX 78664
512-943-3600 ○ www.wcchd.org



May 4, 2023

To the Williamson County Board of Health:

Presented herein is the Annual Financial Report (AFR) for Williamson County and Cities Health District (the District or WCCHD) for the year ended December 31, 2022.

This report provides the Board of Health, Williamson County, the member city governments of Cedar Park, Georgetown, Round Rock, Taylor, Liberty Hill, Hutto and Leander, interested parties, and those involved or impacted by the operations of the District with detailed information concerning the financial condition and services provided by the District. The District's management staff is responsible for the accuracy of the presented data and the completeness and fairness of the presentation.

The District's management staff has established an internal control framework to protect the District's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with Generally Accepted Accounting Principles (GAAP). This internal control framework is designed to ensure that the financial statements of the District are free of material misstatement. To the best of the knowledge of District's management, the enclosed data are accurate in all material respects and fairly represent the financial position and results of the operations of the District. All disclosures necessary to ensure an accurate depiction of the District's financial affairs have been included.

This report is comprised of two parts:

- This transmittal letter
- A report of the District's financial operations including a Management Discussion and Analysis (MD&A), basic financial statements, and supplementary information. In addition to the independent auditors' report on the District's basic financial statements, the MD&A presents an overview and analysis to complement and explain the financial statements which have been prepared in accordance with the generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB).

YOUR Public Health Department

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The District's financial statements have been audited by Maxwell Locke & Ritter LLP, an accounting, tax and consulting firm. With roots extending back to the 1960's, Maxwell Locke & Ritter LLP has become part of the fabric of Central Texas. They are the largest locally owned and managed accounting firm in the Greater Austin Area with offices in downtown Austin and Round Rock. This is the seventh year of a seven-year engagement with Maxwell Locke & Ritter LLP for the annual independent audit.

The purpose of the independent audit is to provide reasonable assurance that the financial statements of the District for the year ended December 31, 2022 are free from material misstatement. The independent audit has examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit assessed the accounting procedures utilized by District management and the overall presentation of the financial statements. The independent auditor concluded, based upon the audit evidence obtained, that there was reasonable basis for rendering an unmodified opinion that the financial statements of the District for the year ended December 31, 2022 have been fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of this report.

The independent audit of the financial statements of the District is part of a broad, federal and state mandated "Single Audit" designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the internal controls and compliance with legal requirements, with special emphasis on internal controls and legal control requirements involving the administration of federal and state awards.

Business Profile

History

The District has provided public health services since 1943, and was officially established as a public health district in 1989 through a Cooperative Agreement with Williamson County and the original member cities of Cedar Park, Georgetown, Round Rock, and Taylor. The Cooperative Agreement was amended and restated in 2007 at which time the cities of Liberty Hill and Hutto joined the District. The city of Leander became a member in 2013.

The District is a separate governmental entity governed by a Board of Health comprised of eight directors who serve staggered 3-year terms. The member cities each appoint one director and the Commissioners' Court appoints two directors. Cities with a population less than 15,000 (presently Liberty Hill) work with another member city to appoint one director to represent them both. The District Executive Director is a non-voting member. The Board of Health is required to meet at least quarterly. Currently, the Board meets every month, twelve times per year.

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Meetings are open to the public and the respective agenda is posted on the District's website, www.wcchd.org, and on the Williamson County Public Meetings website, www.wilco.org.

Office Locations

The District has four public health centers located in Round Rock, Cedar Park, Georgetown, and Taylor where all services are offered, as scheduled, and WIC services are also offered in Liberty Hill.

Vision and Mission Statements

Vision Statement: Our shared vision is for WCCHD to lead Williamson County to be the healthiest county in Texas. We are:

- The recognized authority for unified health initiatives,
- Fully integrated and aligned with the communities we serve,
- The trusted countywide public health resource,
- A coalition builder, and
- A strategic and data-driven agency.

Mission Statement: In partnership with communities, WCCHD promotes and protects the health of the people of Williamson County.

Planning/Transition

Most local health departments in Texas, inclusive of WCCHD, receive less than one half of their total annual operating budgets from local taxing entities (i.e., from their county and/or city governments). The District received 40 percent of its FY22 \$9.8 million operating revenue from Williamson County and the seven member-city governments. The remaining revenues were primarily from DSHS and HHSC grants, and fees charged for clinic services and for environmental health permits.

In FY22, under the guidance of a recently appointed Board of Health, an updated cooperative agreement, and the District's executive leadership division, the District reviewed and began to adapt its operations to meet the public health needs of Williamson County. While WCCHD staff continued to provide numerous public health services to the local community, senior management staff focused on identifying and improving priority policies and practices, and on standardizing administrative processes. Additionally in FY22, WCCHD successfully completed an extensive review process to maintain national accreditation through the Public Health Accreditation Board, becoming the second local public health agency in Texas to do so.

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Budget Process

The Executive Director, Deputy Director and Administration and Finance staff, in consultation with members of the District Leadership Team, prepare a proposed budget for the fiscal year. The proposed expenditure and revenue estimates comprising the District budget are submitted to the Board of Health for consideration and adoption.

During the course of the year, the Board of Health reviews financial reports to assist them in actively governing the District. When the budget requires revision to accurately reflect the business of the District, an amended budget is submitted to the Board of Health for consideration and approval.

Senior Management

The Executive Leadership Team consists of the Executive Director, Local Health Authority, and Deputy Director. In addition, the District also has a District Leadership Team made up of program directors. With Board approval, this group of senior management staff actively participates in the creation and revision of the operating policies, procedures, staffing, and service planning from which the annual budget is derived. The basic financial statements of the District include all organizational activities and functions for which the District is financially accountable as defined by GASB.

Economic Outlook and Financial Condition

The District's finances are dependent on the health of the local, state, and national economy, as gross revenues financing District operations are derived from federal, state and local funding. In addition, the District's finances are dependent upon the ability to strategically and efficiently shift resources in a timely manner to address the needs of contracting agencies and the needs of the communities served.

Nationwide trends in health care and human services move progressively toward models of care that emphasize better efficiency and cost containment, particularly in public funding. In FY22 the District continued as it has since 2017 to work diligently to reduce non-essential expenses, increase staff productivity and service efficiency, and reduce unit costs of services in order to strengthen business viability.

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District Organizational Structure

The Williamson County Board of Health is the governing authority for the Health District.

Executive Director: Caroline Hilbert, M.D., M.P.H.

Medical Director/Health Authority: Amanda Norwood, DO

Program Services:

- Clinical Services
- Environmental Health
- Epidemiology and Emergency Preparedness
- Marketing and Community Engagement
- Program Eligibility and Social Services
- WIC and Community Nutrition


Support Services:

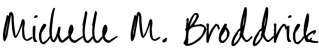
- Administration and Finance
- Human Resources
- Quality and Strategic Management

Acknowledgement

District management is indebted to the outstanding work of the finance and administration staff of the District. Without the conscientious efforts of these staff members, the preparation of this report would not have been possible. Credit also must be given to the Board of Health for their unfailing support and for maintaining high standards of professionalism, insistence on quality services, and leadership in their governance of the District. We would also like to acknowledge the professionalism and cooperation extended to us by the Williamson County Auditor and Treasurer departments respectively who work routinely with our finance staff and often respond to independent audit requests. We look forward to another successful year serving Williamson County.

Respectfully submitted,

DocuSigned by:

98488F44CA904B6...
 Caroline Hilbert, M.D., M.P.H.
 Executive Director

DocuSigned by:

2A048E4DFEGB4F6...
 Michelle M. Broddrick
 Administration and Finance Director/CFO

Independent Auditors' Report



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' Report

The Board of Health of the
Williamson County and Cities Health District:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Williamson County and Cities Health District (the "District"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the letter of transmittal but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
May 4, 2023

Management's Discussion and Analysis

Williamson County and Cities Health District

Management's Discussion and Analysis Year Ended December 31, 2022

As management of the Williamson County and Cities 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 December 31, 2022. We encourage readers to consider the information presented here in conjunction with the transmittal letter and supplemental information that we have furnished in our financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$11,328,052 (net position).
- The District's total net position increased by \$100,008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. In addition to the basic financial statements, this report also contains additional information including a budgetary to actual comparison schedule and the federal awards section, which includes the schedule of expenditures of federal awards.

The District's financial statements are prepared on the accrual basis of accounting and present the District's operational activities in a manner like that of private sector companies. The financial statements consist of three statements: (1) statement of net position, (2) statement of revenues, expenses, and changes in net position, and (3) statement of cash flows.

The statement of net position and the statement of revenues, expenses, and changes in net position reflect the District's financial position at the end of the year and report the District's net position and changes in net position because of the District's revenues and expenses for the year. The term "net position" represents the difference between assets, or the District's investment in resources, and liabilities, or the District's obligation to its creditors, and deferred inflows of resources. Increases or decreases in net position are an indicator of whether financial health is improving or deteriorating. Other nonfinancial factors should be considered, however, in evaluating financial health, such as changes in the District's patient base, changes in economic conditions, and changes in government legislation.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The statement explains where cash came from, how it was used and the change in cash balance during the year.

Net position may serve over time as a useful indicator of a government's financial position. The District uses fund accounting to guarantee and validate compliance with finance-related legal requirements. A portion of the District's net position (2%) represents its investment in capital assets (e.g., building improvements, furniture and equipment, and vehicles). The remaining balance of the District's net position (98%) represents the unrestricted financial resources available for future operations.

Williamson County and Cities Health District

Management's Discussion and Analysis Year Ended December 31, 2022

Statement of Net Position

The following table summarizes the District's assets, liabilities, deferred inflows of resources, and net position as of December 31, 2022, and 2021.

Summary Statement of Net Position

	<u>2022</u>	<u>2021</u>
<u>Assets:</u>		
Current assets	\$ 11,873,385	\$ 12,126,706
Capital assets, net	<u>209,734</u>	<u>248,336</u>
Total assets	<u>12,083,119</u>	<u>12,375,042</u>
 <u>Liabilities:</u>		
Current liabilities	472,208	603,439
Noncurrent liabilities	<u>137,944</u>	<u>125,716</u>
Total liabilities	<u>610,152</u>	<u>729,155</u>
 <u>Deferred inflows of resources</u>	<u>144,915</u>	<u>417,843</u>
 <u>Net Position:</u>		
Net investment in capital assets	209,734	248,336
Unrestricted	<u>11,118,318</u>	<u>10,979,708</u>
Total net position	<u>\$ 11,328,052</u>	<u>\$ 11,228,044</u>

As shown in table above, net position was \$11.3 million at December 31, 2022, and \$11.2 million at December 31, 2021.

Williamson County and Cities Health District

Management's Discussion and Analysis Year Ended December 31, 2022

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes the District's revenues, expenses, and changes in net position during the years ended December 31, 2022, and 2021.

Summary Statement of Revenues, Expenses and Changes in Net Position

	<u>2022</u>	<u>2021</u>
<u>Operating Revenues:</u>		
Grant revenue	\$ 3,969,642	\$ 3,724,184
Contract revenue	133,333	1,600,000
Revenue received from DSRIP	269,000	2,728,681
Revenue received from Williamson County, participating cities, and other local sources	3,951,563	2,755,111
Service fee revenue	1,385,304	748,020
Medicaid/Medicare	104,602	101,735
Other operating revenue	<u>30,200</u>	<u>466,420</u>
Total operating revenues	<u>9,843,644</u>	<u>12,124,151</u>
<u>Operating Expenses:</u>		
Administration and finance	963,846	904,692
Clinical services	2,563,434	2,293,703
Environmental health	1,123,642	999,926
WIC and community nutrition	1,485,442	1,581,515
Program eligibility and social services	819,213	765,678
Quality and strategic management	209,150	391,392
Epidemiology and emergency preparedness and response	1,284,049	1,479,151
Marketing and community engagement	349,270	721,499
Human resources	344,677	314,554
Executive leadership team	720,956	582,922
Depreciation	<u>67,485</u>	<u>72,425</u>
Total operating expenses	<u>9,931,165</u>	<u>10,107,457</u>
Operating income (loss)	<u>(87,521)</u>	<u>2,016,694</u>

Williamson County and Cities Health District

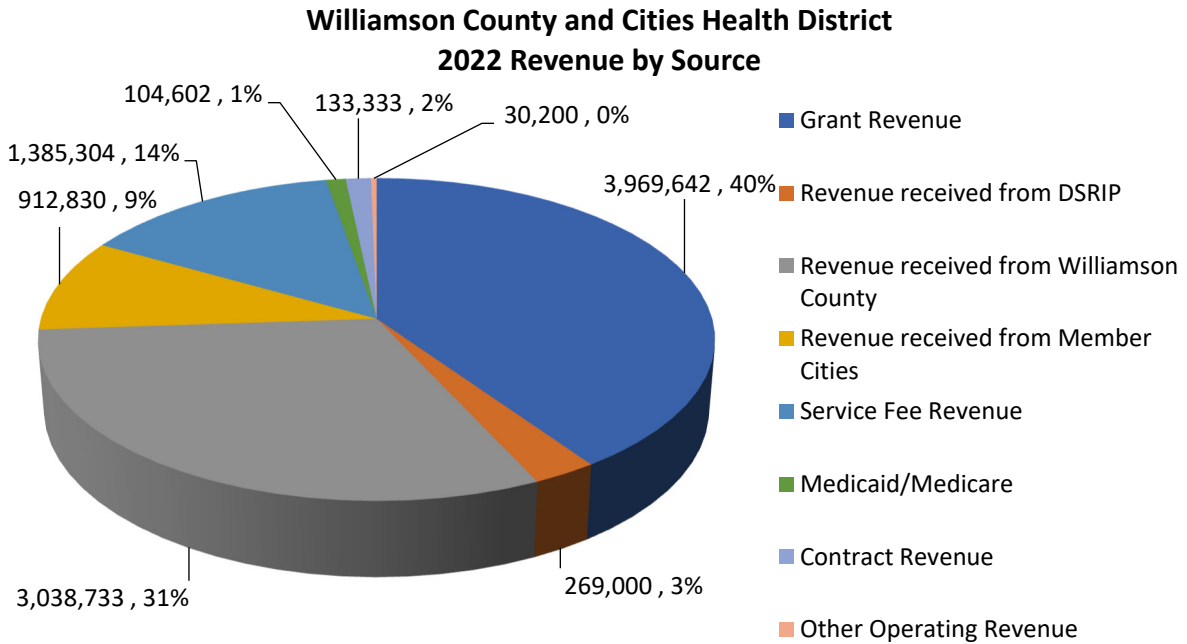
Management's Discussion and Analysis Year Ended December 31, 2022

Summary Statement of Revenues, Expenses and Changes in Net Position - Continued

Nonoperating Revenues and Expenses

Interest income and other revenue	187,529	50,591
Change in net position	100,008	2,067,285
Net position, beginning of year	11,228,044	9,160,759
Net position, end of year	<u>\$ 11,328,052</u>	<u>\$ 11,228,044</u>

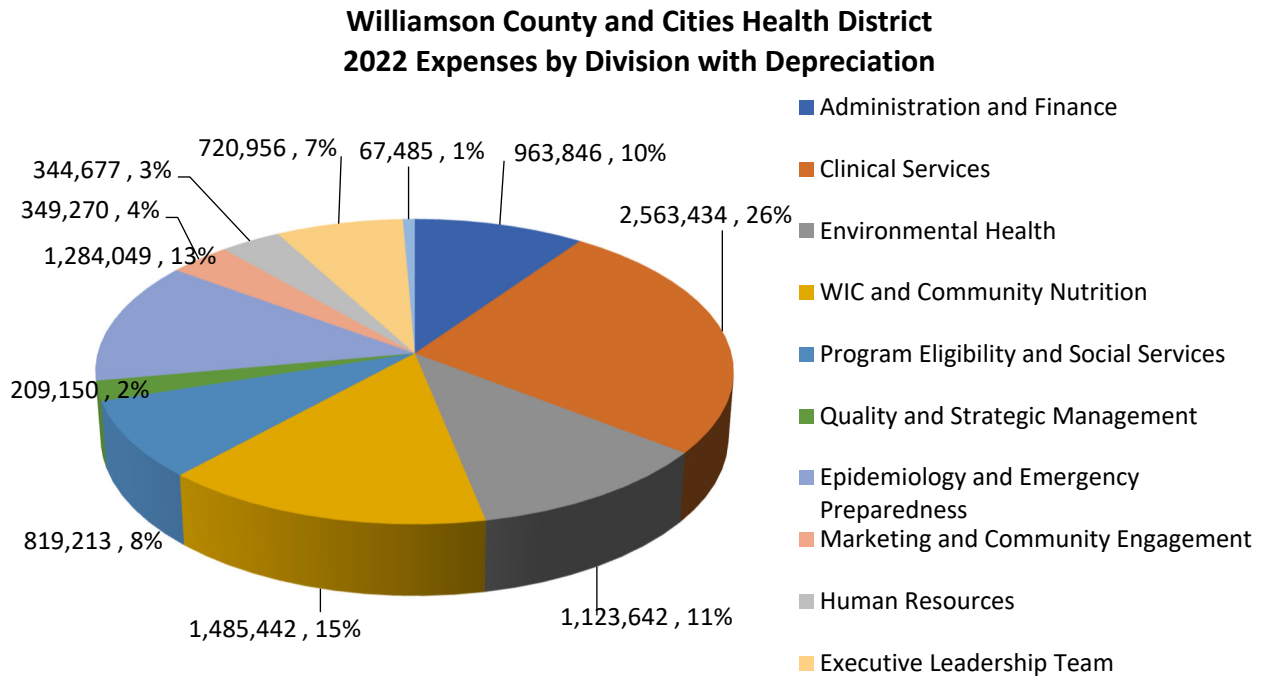
The District's total operating revenue decreased from \$12,124,151 in last year to \$9,843,644 in this year. The District's sources of operating revenue for the year ended December 31, 2022, are as follows:



Williamson County and Cities Health District

Management's Discussion and Analysis Year Ended December 31, 2022

The District's total operating expenses decreased from \$10,107,457 in last year to \$9,931,165 in this year. The District's operating expenses by division for the year ended December 31, 2022, are as follows:



Budgetary Highlights

Program budgets reflect the same pattern as seen in the revenues and expenses of the District. In developing a budget, the District utilizes goals and objectives defined by the District's Executive Leadership Team and Board of Health based on the requirements of grantors, Williamson County, and member cities.

The Enterprise Fund is the only budgetary fund. Compared to final budget, the District's actual operating and nonoperating revenues were lower than budgeted by \$1,705,656, while expenses were higher than final budgeted amounts by \$320,600. The primary contributors to the budget variances are as follows:

- The Health District proposed the need for approval of unreserved funding to cover continued expenses due to the reduction of funding associated with the Delivery System Reform Incentive Payment Program (DSRIP) program(s).
- Operating revenue was less than originally projected in budget for federal and state awards as funding overlapped into the next fiscal year.
- Funding from DSRIP which ended September 30, 2021, with subsequent reporting, was income earned in prior period though funds were exchanged in Fiscal Year 2022.

Williamson County and Cities Health District

Management's Discussion and Analysis Year Ended December 31, 2022

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2022, is \$209,734 (net of accumulated depreciation). This investment in capital assets includes building improvements, furniture and equipment, and vehicles.

	Capital Assets (Net of depreciation)	
	2022	2021
Building improvements, furniture, and equipment	\$ 778,699	\$ 778,699
Vehicles	401,219	372,336
Less: Accumulated depreciation	(970,184)	(902,699)
Total capital assets, net	<u>\$ 209,734</u>	<u>\$ 248,336</u>

Long-term Debt

As of December 31, 2022, the District does not have any long-term indebtedness.

Economic Factors

The District's executive leadership considers economic factors when proposing the budget to the Board of Health for adoption as well as any subsequent budget amendments.

The following are significant economic factors considered during the budgeting process:

- Population in the District's member government communities continues to increase, yielding an increase in revenue.
- Williamson County revenue increased due to higher medical premiums and a nominal increase for salary increases to compete to recruit and maintain the finest public health and medical professionals.

Williamson County and Cities Health District

Management's Discussion and Analysis Year Ended December 31, 2022

Supplemental Information

No Board Member changes occurred in Fiscal Year 2022. Board Members have governing authority with staggered appointments as follows:

Kathy Pierce
WCCHD Board Chair
Represents: Williamson County
Appointed: Aug. 2021
Term Expires: Dec. 2022

Ed Tydings
Represents: Williamson County
Appointed: Aug. 2021
Term Expires: Dec. 2023

Chris Copple
Represents: City of Cedar Park
Appointed: Aug. 2021
Term expires: Dec. 2024

David Morgan
Represents: City of Georgetown
Appointed: Aug. 2021
Term Expires: Dec. 2022

Bob Farley
Represents: City of Hutto
Appointed: Sep. 2021
Term Expires: Dec. 2022

Robert Powers
Represents: City of Leander & City of Liberty Hill
Appointed: Aug. 2021
Term Expires: Dec. 2024

Laurie Hadley
Represents:
City of Round Rock
Appointed: Aug. 2021
Term Expires: Dec. 2022

Williamson County and Cities Health District

Management's Discussion and Analysis Year Ended December 31, 2022

Jeffery Jenkins
Represents: City of Taylor
Appointed: Aug. 2021
Term Expires: Dec. 2023

Request for Information

This financial report is intended to provide a general overview of the District's finances and accountability of the money it receives. If you have questions or comments about this report or need additional financial information, please contact the Director of Administration and Finance at 355 Texas Avenue, Round Rock, Texas 78664 or 512-248-3246.

Basic Financial Statements

Williamson County and Cities Health District

Statement of Financial Position December 31, 2022

Assets

Current assets:

Cash and cash equivalents	\$ 465,964
Short-term investments	10,122,499
Grants and contracts receivable	1,181,386
Prepaid expenses and other assets	103,536
Total current assets	<u>11,873,385</u>

Noncurrent assets-

Capital assets:

Building improvements, furniture and equipment	778,699
Vehicles	401,219
Less accumulated depreciation	<u>(970,184)</u>
Total capital assets, net	<u>209,734</u>

Total assets	<u>12,083,119</u>
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Liabilities

Current liabilities:

Accounts payable	81,599
Accrued payroll	183,694
Accrued compensated absences	206,915
Total current liabilities	<u>472,208</u>

Noncurrent liabilities-

Accrued compensated absences	<u>137,944</u>
Total liabilities	<u>610,152</u>

Deferred inflows of resources

Deferred contractual revenues	<u>144,915</u>
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Net position

Net investment in capital assets	209,734
Unrestricted	<u>11,118,318</u>
Total net position	<u>\$ 11,328,052</u>

The notes to the financial statements are an integral part of this statement.

Williamson County and Cities Health District

Statement of Revenues, Expenses, and Changes in Net Position Year Ended December 31, 2022

Operating revenues

Grant revenue	\$ 3,969,642
Contract revenue	133,333
Revenue received from Delivery System Reform Incentive Program	269,000
Revenue received from Williamson County	3,038,733
Revenue received from participating cities	912,830
Service fee revenue	1,385,304
Medicaid/Medicare	104,602
Other operating revenue	30,200
	<hr/>
Total operating revenues	9,843,644

Operating expenses

Administration and finance	963,846
Clinical services	2,563,434
Environmental health	1,123,642
WIC and community nutrition	1,485,442
Program eligibility and social services	819,213
Quality and strategic management	209,150
Epidemiology and emergency preparedness	1,284,049
Marketing and community engagement	349,270
Human resources	344,677
Executive leadership team	720,956
Depreciation	67,485
	<hr/>
Total operating expenses	9,931,165

Operating loss

(87,521)

Nonoperating revenues

Interest income	171,558
Other revenue	15,971
	<hr/>
Total nonoperating revenues	187,529

Change in net position

100,008

Total net position - beginning of year

11,228,044

Total net position - end of year

\$ 11,328,052

The notes to the financial statements are an integral part of this statement.

Williamson County and Cities Health District

Statement of Cash Flows

Year Ended December 31, 2022

Cash flows from operating activities:

Cash received from patients/contributors	\$ 11,255,867
Cash payments for health care delivery	(1,898,313)
Cash payments to employees	<u>(8,026,431)</u>
Net cash provided by operating activities	<u>1,331,123</u>

Cash flows from noncapital financing activities-

Other nonoperating revenue received	<u>15,971</u>
-------------------------------------	---------------

Cash flows from investing activities:

Receipts of interest income	171,558
Purchase of short-term investments, net	(1,366,530)
Purchase of capital assets	<u>(28,883)</u>
Net cash used in investing activities	<u>(1,223,855)</u>

Net increase in cash and cash equivalents	123,239
Cash and cash equivalents - beginning of year	<u>342,725</u>
Cash and cash equivalents - end of year	<u>\$ 465,964</u>

Reconciliation of operating loss to net cash provided by operating activities:

Operating loss	\$ (87,521)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	67,485
Changes in operating assets and liabilities that provided (used) cash:	
Grants and contracts receivable	1,721,748
Program service fees receivable	4,260
Prepaid expenses and other assets	17,082
Accounts payable	(138,678)
Accrued payroll	29,962
Accrued compensated absences	30,570
Other accrued expenses	(40,857)
Deferred contractual revenues	<u>(272,928)</u>
Net cash provided by operating activities	<u>\$ 1,331,123</u>

The notes to the financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

Note A - Reporting Entity and Summary of Significant Accounting Policies

Financial Reporting Entity

Williamson County and Cities Health District (the “District”) has provided public health services to Williamson County since 1943. The District was known as the Williamson County Health Department until 1989, when it was reorganized as a public health district. The District was formed through a Cooperative Agreement among Williamson County, the City of Cedar Park, the City of Georgetown, the City of Round Rock, and the City of Taylor. The Cities of Liberty Hill and Hutto joined the District in 2007. The City of Leander joined the District in 2013.

The eight governmental entities that form the District appoint citizen representatives to the Williamson County Board of Health, which has administrative authority and oversees the operation of the District. Each city appoints one director and Williamson County appoints two directors to staggered three-year terms. Cities with a population less than 15,000 (presently Liberty Hill who partners with Hutto) together select one board member to represent both entities.

The District’s funding is derived from contributions from member governments, grants from the State of Texas and the Federal government, client service fees, and other grants, contracts, and contributions. In addition to these funds, Williamson County contributes facilities, utilities, janitorial and maintenance services, telephone services, payroll processing, administration of the employee benefits program, computer network and software support as well as other data related services. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”), since Board members are appointed by member governments and have decision making authority. There are no component units included within the reporting entity.

Measurement Focus and Basis of Accounting

The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). GASB is the governing body for establishing governmental accounting and financial reporting standards and, accordingly, the District applies all relevant GASB pronouncements. In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, the District’s financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

The District reports the basic financials statements as an Enterprise Fund, which is a proprietary fund. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

NOTE A - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants, contributions, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include District management, accounting, financial reporting, payroll, procurement contracting and oversight, cash management, personnel services, and other administrative services.

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand. Cash deposits are reported at carrying amounts, which reasonably estimate fair value.

Short-Term Investments

The District is entitled to invest any and all of its funds in obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed, insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities; obligations of states, agencies counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment firm not less than AAA or its equivalent; certificates of deposit if issued by a state bank, national bank or savings and loan association domiciled in this state; commercial paper; mutual funds and money market mutual funds; and certain investment pools.

The District invests in external local government investment pools, where the reported value of the pool is the same as the fair value of the pool shares. External local government investment pools are recognized at amortized costs as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District also invests in commercial paper and U.S. government agency securities which are recognized at fair value.

The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

NOTE A - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position (Continued)

Accounts Receivable

Contracts Receivable - Management estimates its allowance for doubtful accounts based upon a periodic review of the receivables arising from cost reimbursement contracts, prior collection history and knowledge of contracting agencies.

Grants Receivable - Management considers all government grants receivable to be fully collectible based on past collection history from the various grantors.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods on a consumption basis and are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets, which include building improvements, furniture and equipment, and vehicles, are carried at historical cost if purchased or acquisition value at the time of donation. The District capitalizes outlays for new facilities and equipment and outlays that substantially increase the useful life of existing capital assets which have an initial, individual cost of \$5,000 or more. Ordinary maintenance and repairs are charged to expense when incurred. Disposals are removed at carrying cost less accumulated depreciation, with any resulting gain or loss included in other nonoperating revenue or expense.

Depreciation is recorded on the straight-line method over the following estimated useful lives:

<u>Capital Assets</u>	<u>Years</u>
Building Improvements	10 to 40
Furniture and Equipment	3 to 10
Vehicles	5

Source of Funds

Some funds from federal and other state sources represent fee for service reimbursements, as well as project grants. The funds that are specifically for individual patient service reimbursements are reported as local funds as directed by the Texas Department of State Health Services (“TDSHS”).

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

NOTE A - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position (Continued)

Compensated Absences

The District maintains a paid-time-off plan for absences from work for illness or vacation. Under the plan, the cost of all compensated absences is accrued at the time the benefits are earned. At the time of termination, unused paid-time-off benefits may be paid up to a maximum of 388 hours.

Deferred Outflows of Resources and Deferred Inflows of Resources

The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Fair Value Measurements

The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

NOTE A - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position (Continued)

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Net Position Classifications

In the financial statements, equity is classified as net position and displayed in three components:

- A. Net Investment in Capital Assets. This is the component of net position that represents capital assets net of accumulated depreciation.
- B. Restricted. This component of net position reports the constraints placed on the use of assets either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- C. Unrestricted. This component of net position is the difference between the assets and liabilities not reported in net investment in capital assets and restricted net position.

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 needed.

Revenue and Expenses

Revenue Classification

Amounts reported as *operating revenue* include 1) charges to clients or customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *nonoperating revenue* rather than as program revenue.

Revenue from grants received from federal, state, and local governments are earned based on the District incurring allowable costs or providing services. Therefore, revenue is recognized as services are rendered and costs are incurred.

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

NOTE A - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Revenue and Expenses (Continued)

Expenses

In the financial statements, expenses are classified by character and function.

Other

Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; professional malpractice; and natural disasters. During the year ended December 31, 2022, the District was covered by insurance for these various risks at a cost it considered to be economically justifiable. There were no claims for the year ended December 31, 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Federal Income Taxes

The District is a State of Texas public health district as described in Chapter 121 of the State of Texas Health and Safety Code and qualifies for exemption under Treasury Regulation 1.103-1(b). As such, no provision for federal income taxes has been provided in these financial statements.

Contributions

The State of Texas provides certain medical supplies to the District without charge. No value for services has been included in the financial statements.

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

NOTE A - Reporting Entity and Summary of Significant Accounting Policies (Continued)

Other (Continued)

Codification of Accounting and Financial Reporting Guidance

The District complies with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into GASB's authoritative literature certain accounting and financial reporting guidance issued by the Financial Accounting Standards Board and the American Institute of Certified Public Accountants on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

Statement of Cash Flows

For purposes of the statement of cash flows, with the exception of short-term investments, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Change in Accounting Principle for Recently Adopted Accounting Pronouncement

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use-asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District adopted this statement as of January 1, 2022, with no significant impact to its financial statements.

Recently Issued Accounting Pronouncement

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. The objective of GASB Statement No. 96 is to improve accounting and financial reporting by establishing a definition for a subscription-based information technology arrangement ("SBITA") and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. GASB Statement No. 96 will require a government to report a right-to-use subscription asset as an intangible asset and a corresponding subscription liability for a SBITA, and also require certain disclosures about the SBITA. GASB Statement No. 96 also provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. Management is evaluating the effects that the full implementation of GASB Statement No. 96 will have on its financial statements for the year ended December 31, 2023.

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

NOTE B - Stewardship, Compliance, and Accountability

Budgetary Information

The District's annual budget for the Enterprise Fund is prepared based on estimated expenses. The budget, including revisions, is submitted to the Board of Health for approval. All annual appropriations lapse at fiscal year-end. Budgetary control is maintained at the branch level.

NOTE C - Cash and Cash Equivalents and Investments

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned, or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires cash deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation ("FDIC") insurance. Collateral agreements must be approved prior to deposit of funds as provided by law. The Board of Health has authorized the Williamson County Treasurer to direct and manage the funds invested and held by the District.

The District's deposits and investments are categorized to give an indication of the level of risk assumed by the District at the fiscal year-end. The three categories of credit risk are described below:

Category 1 - Insured, registered or securities held by the District, or by its agent in the District's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department, or agent in the District's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or its trust department, but not in the District's name.

On December 31, 2022, the District's carrying amount of cash deposits was \$465,964, and the bank balance was \$608,996. All cash deposits were categorized as Category 1 deposits as of December 31, 2022.

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

NOTE C - Cash and Cash Equivalents and Investments (Continued)

The District's investments consisted of the following at December 31, 2022:

Types of Investments (Government-wide)	Fair Value	Average Credit Rating (1)	Weighted Average Days to Maturity
TexPool	\$ 82,497	AAAm	1
TexPool Prime	3,158,790	AAAm	1
Commercial Paper	4,937,489	A-1+	120
U.S. Government Agency Securities	<u>1,943,723</u>	AAA	236
Total Investments	<u>\$ 10,122,499</u>		

(1) Ratings are provided where applicable to indicate associated credit risk.

TexPool and TexPool Prime

The District had investments in Texas Local Governmental Investment Pool ("TexPool" and "TexPool Prime"), an external local government investment pool, at December 31, 2022. Although TexPool and TexPool Prime are not registered with the SEC as an investment company, they operate in a manner consistent with the SEC's Rule 2a7 of the Investment District Act of 1940. These investments are stated at fair value which is the same as the value of the pool shares.

TexPool and TexPool Prime are duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. government securities, collateralized repurchase and reverse repurchase agreements, and AAA rated money market mutual funds.

TexPool and TexPool Prime transacts at a net asset value of \$1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by a nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. The investment pool has a redemption notice period of one day and no maximum transaction amounts. The investment pool authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool liquidity.

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

NOTE C - Cash and Cash Equivalents and Investments (Continued)

TexPool and TexPool Prime are overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust which is authorized to operate TexPool and TexPool Prime. TexPool and TexPool Prime also have an advisory board to advise on TexPool's and TexPool Prime's investment policy; this board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool and TexPool Prime. TexPool's and TexPool Prime's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the external local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

The District also invested in commercial paper and U.S. government agency securities as of December 31, 2022. Commercial paper is valued using Level 1 inputs that are based on quoted prices in active markets for identical assets. U.S. government agency securities are valued using Level 2 inputs that are based on market data obtained from independent sources.

Credit Risk

Investments were included in external local government investment pools, commercial paper, and U.S. government agency securities with investment ratings in compliance with the District's investment policy.

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to one year or less. Individual security types are limited as well, with the longest permitted maturity being two years.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government. As of December 31, 2022, the District's investments in commercial paper and U.S. government agency securities represented 49% and 19% of the total investments held by the District, respectively.

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

NOTE D - Receivables and Uncollectible Accounts

Governmental Receivables and Uncollectible Accounts

Significant receivables include the amount due from intergovernmental services. In general, most receivables are due within one year.

The following is a detail of outstanding governmental accounts receivable as of December 31, 2022:

Federal	\$ 1,125,153
Other	<u>56,233</u>
Grants and Contracts Receivable	<u><u>\$ 1,181,386</u></u>

NOTE E - Capital Assets

Capital asset activity for the year ended December 31, 2022, is as follows:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022
Depreciable Assets:				
Building improvements and furniture and equipment	\$ 778,699	\$ -	\$ -	\$ 778,699
Vehicles	<u>372,336</u>	<u>28,883</u>	<u>-</u>	<u>401,219</u>
Total Depreciable Assets	<u>1,151,035</u>	<u>28,883</u>	<u>-</u>	<u>1,179,918</u>
Less Accumulated Depreciation for:				
Building improvements and furniture and equipment	650,365	21,240	-	671,605
Vehicles	<u>252,334</u>	<u>46,245</u>	<u>-</u>	<u>298,579</u>
Total Accumulated Depreciation	<u>902,699</u>	<u>67,485</u>	<u>-</u>	<u>970,184</u>
Total Capital Assets, net	<u><u>\$ 248,336</u></u>	<u><u>\$ (38,602)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 209,734</u></u>

Depreciation expense for the year ended December 31, 2022, totaled \$67,485.

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

NOTE F - Employee' Pension Plan

Williamson County provides retirement, disability, and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The District's eligible employees are considered part of Williamson County's retirees and Williamson County administers the TCERS plan for the District. The District is required to contribute the matching employer portion to Williamson County for its participating employees. The employer contribution rate is actuarially determined annually and was 16.18% in 2022. Eligible District employees are required to contribute 7% of their gross wages through payroll withholding. Participating employees vest after eight years of service and is fully funded. Contributions for the year ended December 31, 2022, totaled \$904,236 and \$391,202 from the District and its employee participants, respectively.

NOTE G - Concentrations and Contingencies

The District participates in a number of federal and state financial assistance programs, Medicare and Medicaid programs. These programs are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of the audits is to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. The District's management believes that any liability for reimbursement which may arise as the result of these audits is not material to the financial position of the District.

During the ordinary course of business, the District becomes exposed to various risks of loss related to torts, theft of, damage and destruction of assets; business interruption; errors and omissions; job related illnesses or injuries to employees; and natural disasters, for which it carries commercial insurance at levels consistent with that of prior years. Risk retention is substantially confined to customarily nominal policy deductibles, with the exception of higher deductible limits for directors' and officers' liability. Resulting risk management liabilities, if any, are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

The District receives a significant portion of its public support from agencies of the federal, state and local governments. If this support reduced due to budget cuts, the District's source of funding could decrease. If this were to occur, it is management's opinion that the District's ability to continue many of the current activities could be significantly limited. As of December 31, 2022, one agency, TDSHS, comprised approximately 98% of receivables. The District received approximately 71% of its funding from two agencies; TDSHS funding accounted for approximately 40%, while funds from Williamson County accounted for approximately 31% for the year ended December 31, 2022.

Williamson County and Cities Health District

Notes to the Basic Financial Statements Year Ended December 31, 2022

NOTE H - Related Party

Under a Cooperative Agreement, the District received cash contributions from Williamson County of \$3,038,733 for the year ended December 31, 2022. In addition, Williamson County provided funding for telephone services, computer equipment, dues, software maintenance, data services supporting Williamson County Indigent Health Care Program and radio fees. The amount provided for these services was \$47,458 for the year ended December 31, 2022. Williamson County also provides the District with in-kind contributions of facilities, utilities, janitorial and maintenance services, capital improvements, payroll processing, administration of the employee benefits program, computer network and telecom support. The amount of these services cannot be reasonably estimated and have not been reported in these financial statements.

The District also received cash contributions from the cities of Round Rock, Georgetown, Cedar Park, Taylor, Leander, Hutto, and Liberty Hill that aggregated \$912,830 for the year ended December 31, 2022.

Supplemental Information

Williamson County and Cities Health District

Statement of Revenues, Expenses, and Changes in Net Position - Budget to Actual Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Operating revenues				
Federal, state and local revenue	\$ 8,291,074	\$ 8,597,606	\$ 8,054,538	\$ (543,068)
Service fee revenue	1,012,000	1,012,000	1,385,304	373,304
Medicaid/Medicare	1,977,155	1,767,934	373,602	(1,394,332)
Other operating revenue	198,933	198,333	30,200	(168,133)
Total operating revenues	11,479,162	11,575,873	9,843,644	(1,732,229)
Operating expenses				
Salaries	6,199,446	5,485,530	5,665,665	(180,135)
Benefits	2,581,280	2,376,160	2,421,297	(45,137)
Operating costs	2,579,083	1,748,875	1,844,203	(95,328)
Total operating expenses	11,359,809	9,610,565	9,931,165	(320,600)
Operating income (loss)	119,353	1,965,308	(87,521)	(2,052,829)
Nonoperating revenues				
Interest income and other revenue	6,000	160,956	187,529	26,573
Total nonoperating revenues	6,000	160,956	187,529	26,573
Change in net position	125,353	2,126,264	100,008	(2,026,256)
Total net position, beginning of year	11,228,044	11,228,044	11,228,044	-
Total net position, end of year	\$ 11,353,397	\$ 13,354,308	\$ 11,328,052	\$ (2,026,256)

Federal Awards Section



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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Health of the
Williamson County and Cities Health District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Williamson County and Cities Health District (the "District"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 4, 2023.

Report on Internal Control Over Financial Reporting

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

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

Affiliated Company

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Maxwell Locke & Ritter LLP

Austin, Texas
May 4, 2023



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Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Health of the
Williamson County and Cities Health District:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Williamson County and Cities Health District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2022. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

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

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

Affiliated Company

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Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Maxwell Locke + Ritter LLP

Austin, Texas
May 4, 2023

Williamson County and Cities Health District

Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through the Texas Department of State Health Services:			
Immunization Cooperative Agreements:			
Immunization Grants	93.268	HHS000119700020 A03	\$ 309,642
Immunization Grants	93.268	HHS000119700020 A04	132,083
COVID-19 Immunization Grants	93.268	HHS001019500033	<u>665,783</u>
Total 93.268			1,107,508
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	HHS001057600047	109,092
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	HHS000812700035 A01	170,590
Preventive Health and Health Services Block Grant	93.991	HHS001030100001	142,895
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	537-18-0155-00001 A05	158,342
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	537-18-0155-00001 A06	<u>128,886</u>
Total 93.074			287,228
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1 NU52PS910235-01-00	64,852
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	HHS000686100028 A02	<u>50,434</u>
Total 93.116			115,286
Public Health Emergency Response Cooperative Agreement for Emergency Response: Public Health Crisis Response- DSHS - CPS Public Health Workforce	93.354	HHS001079000001	<u>459,885</u>
Total 93.354			<u>459,885</u>
Total passed through the Texas Department of State Health Services			2,392,484
Passed through the National Association of County and City Health Officials:			
COVID-19 Medical Reserve Corps Small Grant Program	93.008	MRC COVID 21-0992	10,000
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health: NACCHO Disabilities	93.421	2020-121401 Mod 1	20,000
EPR TTX	93.421	NU38OT000297	<u>33,200</u>
Total 93.421			<u>53,200</u>
Total passed through the National Association of County and City Health Officials			<u>63,200</u>
Medicaid Cluster-			
Passed through the Texas Health and Human Services Commission- Medical Assistance Program	93.778	529-14-0044-00002	<u>96,564</u>
Total Medicaid Cluster and passed through Texas Health and Human Services Commission			<u>96,564</u>
Total U.S. Department of Health and Human Services			2,552,248
<u>U.S. Department of Agriculture</u>			
Passed through the Texas Health and Human Services Commission-			
WIC Special Supplemental Nutrition Program for Women, Infants and Children: Supplemental Nutrition Assistance Program	10.557	HHS000807800001 A01	918,711
Supplemental Nutrition Assistance Program	10.557	HHS000807800001 A02	<u>336,875</u>
Total 10.557			<u>1,255,586</u>
Total U.S. Department of Agriculture and passed through the Texas Health and Human Services Commission			<u>1,255,586</u>
Total Expenditures of Federal Awards			<u>\$ 3,807,834</u>

Williamson County and Cities Health District

Notes to the Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Williamson County and Cities Health District (the “District”) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

2. Summary of Significant Accounting Policies Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

Williamson County and Cities Health District

Schedule of Findings and Questioned Costs Year Ended December 31, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified ?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over the major federal program:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

Type of auditors' report issued on compliance for the major federal program-

Immunization Cooperative Agreements

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of the major federal program-

Assistance Listing Number	Name of Federal Program or Cluster
93.268	Immunization Cooperative Agreements
93.268	COVID-19 Immunization Cooperative Agreements

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

yes no

Williamson County and Cities Health District

Schedule of Findings and Questioned Costs Year Ended December 31, 2022

Section II - Financial Statement Findings

There were no findings required to be reported in accordance with *Government Auditing Standards* for the years ended December 31, 2022 and 2021.

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the years ended December 31, 2022 and 2021.