

Texana Center

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2016

Texana Center

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Certificate of Board Approval		1
Principal Officials		3
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report		5-7
Management's Discussion and Analysis		8-13
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position	A-1	16
Statement of Activities	A-2	17-18
Fund Financial Statements:		
Balance Sheet - Governmental Funds	A-3	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	A-4	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	A-5	21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	A-6	22-23
Statement of Net Position - Fiduciary Fund	A-7	24
Notes to Financial Statements	A-8	26-43
<u>Other Supplementary Information</u>		
Capital Assets Used in the Operation of Governmental Funds		
Schedule by Source	B-1	47
Schedule by Function and Activity	B-2	48
Schedule of Changes by Function and Activity	B-3	49
<u>Statistical Section (Unaudited)</u>		
Schedule of Revenues and Expenditures by Source of Funds - General Fund	C-1	51
Reconciliation of Total Revenues and Expenditures to Fourth Quarter Financial Report	C-2	52-53
Schedule of Indirect Costs	C-3	54
Schedule of Leases in Effect	C-4	55-56
Schedule of Insurance In Force	C-5	57
Schedule of Professional and Consulting Fees	C-7	58
Schedule of Legal Services	C-8	59

Texana Center

Table of Contents

Single Audit Section

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		61-62
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and the State of Texas Single Audit Circular		63-64
Schedule of Expenditures of State and Federal Awards	D-1	65-66
Notes to Schedule of Expenditures of State and Federal Awards		67-68
Schedule of Findings and Questioned Costs		70-71
Schedule of Prior Audit Findings		72
Independent Auditor's Management Letter		74

Texana Center

CERTIFICATE OF BOARD APPROVAL

I, Dianne Wilson, Chairperson of the Board of Trustees of Texana Center, do hereby certify that this accompanying audit report of the fiscal year ended August 31, 2016 from Davls Kinard & Co, PC, was reviewed and approved at a meeting of the Board of Trustees held on the 25th day of January, 2017.



Chairperson, Board of Trustees



Date

(This Page Intentionally Left Blank)

Texana Center

PRINCIPAL OFFICIALS

AUGUST 31, 2016

BOARD OF TRUSTEES

Dianne Wilson	Chairperson
Dr. Dennis Young	Vice-Chair
Anita Christensen	Secretary
J.C. Whitten	Member
Willie S. Greer	Member
Mary Rose Zdunkewicz	Member
May Tape	Member
Sue Fagan	Member
Randy Reichardt	Member

SENIOR LEADERSHIP TEAM

George Patterson	Chief Executive Officer
Amanda Darr	Chief Financial Officer
Dot Preisler	Director of Human Resources
Kevin Barker	Director of IDD Provider Services
Sheri Talbot	Director of IDD Authority and Admissions
Kate Johnson-Patagoc	Director of IDD Specialized Services
Shena Timberlake	Director of Behavioral Healthcare Services
Tracey Shaw	Director of Development & Community Relations

(This Page Intentionally Left Blank)

Independent Auditor's Report

To the Board of Trustees
Texana Center

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Texana Center (the Center) as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Center'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 did not audit the financial statements of Crossroads Villas, a discretely presented component unit of the Center, which represents 100% of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Crossroads Villas, is based solely on the report of the other auditors. We conducted our audit 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 *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers* (Audit Guidelines). 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Center as of August 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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 8 through 13 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 Center's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Single Audit Circular and is also not a required part of the basic financial statements.

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2017, on our consideration of the Center'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 the Center's internal control over financial reporting and compliance.

Dennis Kinard & Co., PC

Certified Public Accountants

Ablene, Texas
January 20, 2017

Texana Center

Management's Discussion and Analysis

As management of Texana Center (the Center), we offer readers of the Center's financial statements this narrative overview and analysis of the financial activities of the Center for the year ended August 31, 2016.

FINANCIAL HIGHLIGHTS

- The assets of the Center, excluding component units, exceeded its liabilities at the close of the most recent fiscal year by \$24,253,247 (net position). Of this amount, \$9,318,016 (unrestricted net position) may be used to meet the Center's ongoing obligations.
- The Center's total net position, excluding component units, increased by \$1,715,046 for the year ended August 31, 2016.
- As of August 31, 2016, the Center's governmental funds reported an ending fund balance of \$10,842,199, an increase of \$2,827,824 from the prior fiscal year.
- At the end of the fiscal year, unassigned and uncommitted fund balance for the General Fund was \$10,509,165, or 19.4 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The *statement of net position* presents information on all of the Center's assets and liabilities, with the difference between the two 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 Center is improving or deteriorating.

The *statement of activities* presents information showing how the Center'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 distinguish functions of the Center that are principally funded by funds provided from federal, state and local funding sources (governmental activities). The Center does not have any business-type activities. The governmental activities of the Center include Behavioral Health, Developmental Disability and Early Childhood Intervention.

The government-wide financial statements include not only the Center itself (known as the primary government), but also legally separate entities for which the Center is accountable. Financial information for the component units is reported separately from the financial information presented for the primary government itself. The Center's discretely presented component unit consists of Crossroads Villas.

The government-wide financial statements can be found on pages 16-18 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Center, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Center can be divided into two categories: governmental funds (the General Fund) and fiduciary funds (the Agency Fund).

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 general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the general fund 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 a reconciliation to facilitate this comparison between the governmental funds and *governmental activities*.

The Center adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 19-23 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Center's own programs.

The basic fiduciary fund financial statement can be found on page 24 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 26 through 43 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information concerning the Center that is required by the Texas Health and Human Services Commission, the Uniform Guidance and the State of Texas Single Audit Circular. Other supplementary information can be found on pages 47-59 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 Center, assets exceeded liabilities by \$24,253,247 as of August 31, 2016.

The largest portion of the Center's net position (62 percent) reflects its net investment in capital assets (e.g. land, buildings, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The Center 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 Center's net position (38 percent) represents unrestricted financial resources available for future operations.

SUMMARY OF STATEMENT OF NET POSITION August 31, 2016 and 2015

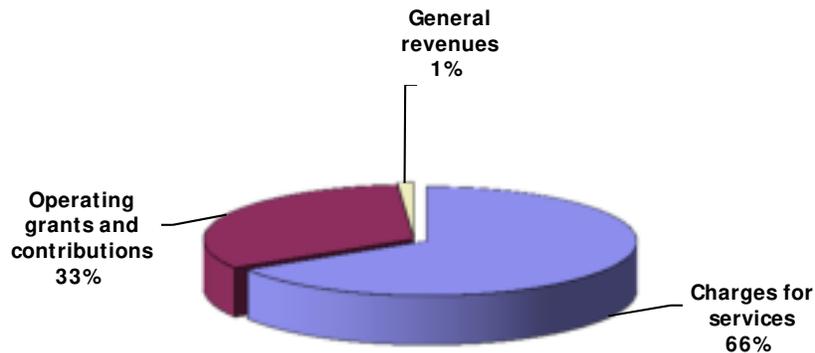
	Governmental Activities	
	2016	2015
Current and other assets	\$ 13,234,044	\$ 10,522,328
Capital assets, net	22,930,812	23,922,950
Total Assets	36,164,856	34,445,278
Current liabilities	3,155,486	3,161,623
Long-term liabilities	8,756,123	8,745,454
Total Liabilities	11,911,609	11,907,077
Net Position:		
Net investment in capital assets	14,935,231	15,909,873
Unrestricted	9,318,016	6,678,328
Total Net Position	\$ 24,253,247	\$ 22,538,201

Net position of the Center, all of which relate to governmental activities, increased by \$1,715,046. Key elements of the increase are as follows:

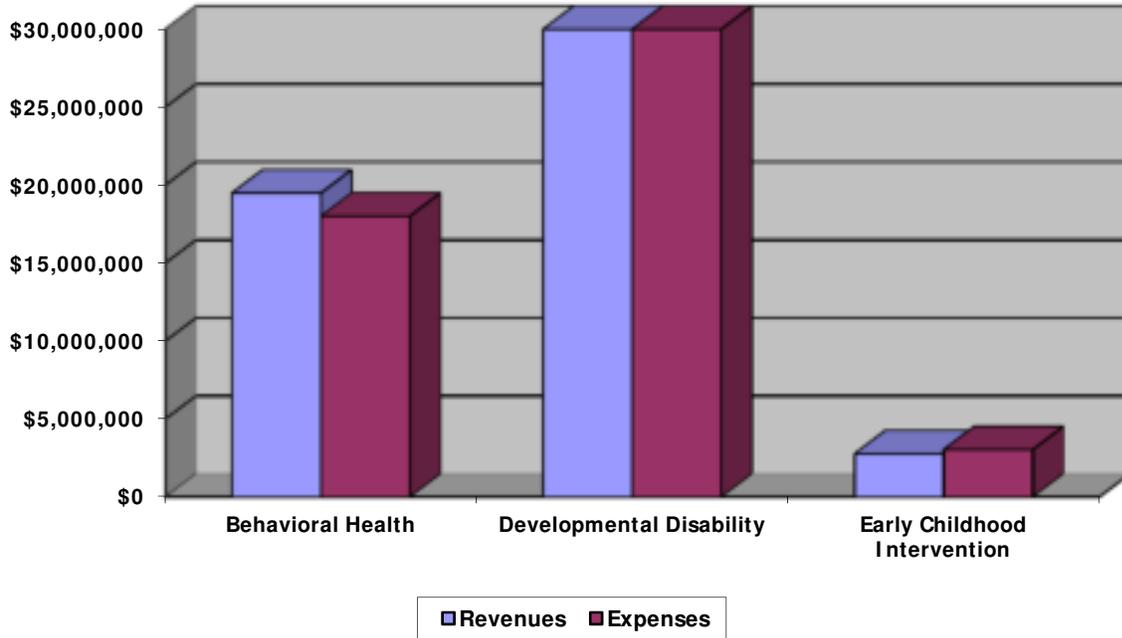
CHANGES IN NET POSITION
For the Fiscal Years Ended August 31, 2016 and 2015

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 37,438,184	\$ 30,769,785
Operating grants and contributions	18,396,935	17,139,032
General revenues:		
Local income	626,812	641,812
Investment income	72,260	42,736
Total Revenues	56,534,191	48,593,365
Expenses		
Behavioral Health	18,018,154	16,600,171
Developmental Disability	33,377,097	29,816,747
Early Childhood Intervention	3,030,920	2,604,249
Interest on long-term debt	392,974	372,377
Total Expenses	54,819,145	49,393,544
Change in Net Position	1,715,046	(800,179)
Net position, beginning	22,538,201	23,338,380
Net Position, Ending	\$ 24,253,247	\$ 22,538,201

GOVERNMENTAL REVENUES



REVENUES AND EXPENSES BY FUNCTION



FINANCIAL ANALYSIS OF THE CENTER'S FUNDS

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

Governmental Funds - The focus of the Center's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Center'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 August 31, 2016, the Center's governmental funds, which consist of a general fund, reported an ending fund balance of \$10,842,199, which is a increase of \$2,827,824 from last year's total of \$8,014,375. The increase was primarily due to increased funding in the current fiscal 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 19.4 percent of total general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund operating expenditures in 2016 were budgeted at \$56.8 million, and actual expenditures incurred at August 31, 2016 were \$54 million, or 4.5% lower than what had been projected for this year. This was primarily due to lower repair and maintenance expenses than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Center's investment in capital assets as of August 31, 2016 amounts to \$22,930,812 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, furniture and equipment.

CAPITAL ASSETS SCHEDULE (net of depreciation)

	Governmental Activities	
	2016	2015
Land	\$ 2,658,481	\$ 2,658,481
Buildings and Improvements	26,192,369	26,097,632
Furniture and equipment	1,688,133	1,648,542
Vehicles	4,954,996	4,463,225
Less: accumulated depreciation	(12,563,167)	(10,944,930)
Total Capital Assets, Net	\$ 22,930,812	\$ 23,922,950

During the current fiscal year, individually significant capital assets additions consisted of vehicle purchases, and building improvements and renovations.

Additional information on the Center's capital assets can found in Note 3C in the notes to financial statements.

LONG-TERM DEBT

As of August 31, 2016, the Center had total tax-exempt bonded debt outstanding of \$5,295,000. Interest expense totaled \$275,781 for the 2016 fiscal year on this bonded debt. There were no new bond issues in 2016. These outstanding bonds have maturities ranging from 2017 to 2040.

Additionally, as of August 31, 2016 the Center had total notes payable outstanding of \$2,700,581, which have maturity dates ranging from 2016-2029. Interest expense totaled \$117,193 on these notes for the 2016 fiscal year.

Additional information on the Center's long-term debt can be found in Note 3E in the notes to the financial statements.

ECONOMIC FACTORS

- The Center has an employment vacancy rate of 33.15% at August 31, 2016, which is an increase from a rate of 30.72% a year ago.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Texana Center's finances for all those with an interest in the Center's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Texana Center: Amanda Darr, Chief Financial Officer, 4910 Airport Avenue, Building D, Rosenberg, Texas 77471.

BASIC FINANCIAL STATEMENTS

(This Page Intentionally Left Blank)

Texana Center

STATEMENT OF NET POSITION

AUGUST 31, 2016

EXHIBIT A-1

	Primary Government	Component Unit
	Governmental Activities	Crossroads Villas September 30, 2016
Assets		
Cash and cash equivalents	\$ 7,793,571	\$ 22,806
Accounts receivable	1,548,027	2,212
Due from other governments	3,743,053	
Prepaid items	12,771	4,590
Inventories, at cost	136,619	
Deposits		3,975
Capital assets not being depreciated	2,658,481	
Capital assets net of accumulated depreciation	20,272,331	1,618,486
Total Assets	36,161,856	1,652,069
Liabilities		
Current Liabilities:		
Accounts payable	692,421	21,035
Accrued expenses	1,699,424	34,015
Accrued interest payable	57,318	
Notes payable - current	219,607	
Bonds payable - current	120,000	
Accrued compensated absences - current	366,716	
Total Current Liabilities	3,155,486	55,050
Non-Current Liabilities:		
Notes payable	2,480,974	
Bonds payable	5,175,000	
Accrued compensated absences	1,100,149	
Total Non-Current Liabilities	8,756,123	
Total Liabilities	11,911,609	55,050
Net Position		
Net investment in capital assets	14,935,231	
Restricted for:		
Capital Projects		1,683,600
Unrestricted	9,318,016	(86,581)
Total Net Position	\$ 24,253,247	\$ 1,597,019

See Notes to Financial Statements.

Texana Center

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

Functions/Programs	Expenses		Expenses after Allocation of Administration
	Expenses	Administration Allocations	
Primary Government			
Governmental Activities			
Behavioral Health	\$ 16,573,262	\$ 1,444,892	\$ 18,018,154
Developmental Disability	30,700,557	2,676,540	33,377,097
Early Childhood Intervention	2,787,865	243,055	3,030,920
Administration	4,364,487	(4,364,487)	
Interest on long-term debt	392,974		392,974
Total Governmental Activities	<u>\$ 54,819,145</u>	<u>\$</u>	<u>\$ 54,819,145</u>
Component Unit			
Crossroads Villas, for the year ended September 30, 2016	\$ 141,054	\$	\$ 141,054
Total Component Unit	<u>\$ 141,054</u>	<u>\$</u>	<u>\$ 141,054</u>

Program Revenues			Net (Expense) Revenue and Changes in Net Position	
			Primary Governmental Activities	Component Unit Crossroads Villas
Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions		
\$ 6,527,725	\$ 12,965,517	\$	\$ 1,475,088	\$
79,644,476	3,926,311		193,690	
1,265,983	1,505,107		(259,830)	
			(392,974)	
<u>\$ 37,438,184</u>	<u>\$ 18,396,935</u>	<u>\$</u>	<u>1,015,974</u>	
<u>\$ 79,869</u>	<u>\$ 1,079</u>	<u>\$</u>		(60,106)
<u>\$ 79,869</u>	<u>\$ 1,079</u>	<u>\$</u>		<u>(60,106)</u>
General Revenues:				
Local income			626,812	
Investment earnings			72,260	34
Total General Revenues			<u>699,072</u>	<u>34</u>
Change in Net Position			1,715,046	(60,072)
Net Position, Beginning			22,538,201	1,657,091
Net Position, Ending			<u>\$ 24,253,247</u>	<u>\$ 1,597,019</u>

Texana Center
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

EXHIBIT A-3

	General Fund	Total Governmental Funds
Assets		
Cash and cash equivalents	\$ 7,793,574	\$ 7,793,574
Accounts receivable	1,548,027	1,548,027
Due from other governments	3,743,053	3,743,053
Prepaid items and other	12,771	12,771
Inventories, at cost	136,619	136,619
Total Assets	<u>\$ 13,234,044</u>	<u>\$ 13,234,044</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 692,421	\$ 692,421
Accrued expenses	1,699,424	1,699,424
Total Liabilities	<u>2,391,845</u>	<u>2,391,845</u>
Fund Balances:		
Nonspendable:		
Prepaid items	12,771	12,771
Inventory	136,619	136,619
Committed	183,644	183,644
Unassigned	10,509,165	10,509,165
Total Fund Balances	<u>10,842,199</u>	<u>10,842,199</u>
Total Liabilities and Fund Balances	<u>\$ 13,234,044</u>	

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

Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	22,930,812
Accrued interest on long-term liabilities is not payable with current financial resources and therefore not reported as a liability in the governmental funds.	(57,318)
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(1,466,865)
Notes payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(2,700,581)
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(5,295,000)
Net Position of Governmental Activities	<u>\$ 24,253,247</u>

Texana Center

EXHIBIT A-4

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016*

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues:		
Local funds	\$ 35,917,973	\$ 35,917,973
State funds	16,449,879	16,449,879
Federal funds	4,166,339	4,166,339
Total Revenues	<u>56,534,191</u>	<u>56,534,191</u>
Expenditures:		
Current:		
Behavioral Health	15,879,031	15,879,031
Developmental Disability	29,842,685	29,842,685
Early Childhood Intervention	2,759,439	2,759,439
Administration	4,162,778	4,162,778
Debt Service:		
Principal	285,647	285,647
Interest	392,974	392,974
Capital Outlay	710,582	710,582
Total Expenditures	<u>54,033,136</u>	<u>54,033,136</u>
Excess of Revenues over Expenditures	2,501,055	2,501,055
Other Financing Sources		
Note proceeds	326,769	326,769
Total Other Financing Sources	<u>326,769</u>	<u>326,769</u>
Net Change in Fund Balance	2,827,824	2,827,824
Fund Balance - September 1 (Beginning)	8,014,375	8,014,375
Fund Balance - August 31 (Ending)	<u>\$ 10,842,199</u>	<u>\$ 10,842,199</u>

Texana Center

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 AUGUST 31, 2016*

Amounts reported for governmental activities in the statement of activities (pages 17-18) are different because:

Net change in fund balance - governmental funds	\$ 2,827,824
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 (\$1,702,720) exceeded capital outlay (\$710,582) in the current period.	(992,138)
Governmental funds report note proceeds as other financing sources. However, in the Statement of Net Position, note proceeds are reported as increases in long-term liabilities.	(326,769)
Repayment of long-term debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	285,647
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 accrued interest payable 51,300 and accrued compensated absences (580,818).	<u>(79,518)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,715,046</u>

Texana Center

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED AUGUST 31, 2016

Exhibit A-6

Page 1 of 2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Local Sources:				
County Tax Funds	\$ 625,589	\$ 600,064	\$ 626,812	\$ 16,818
Patient Fees/Insurance	4,195,383	4,177,763	3,214,133	(943,650)
Managed Care	1,596,288	1,588,087	1,429,316	(176,771)
Miscellaneous Income	279,142	197,271	591,981	397,710
DARS - Rehabilitation	15,121	65,540	80,664	15,115
Medicare/Medicaid	12,199,935	12,137,159	11,770,960	(1,366,290)
Title XIX - HCS	12,058,710	12,512,450	12,758,655	246,196
Title XIX - Texas Home Living Waiver	1,174,819	2,149,784	1,700,458	(1,350,674)
Title XIX - ICFLID	2,652,767	2,652,767	2,679,996	27,229
Contracts	255,636	266,935	561,980	274,054
Total Local Sources	35,083,393	36,379,808	35,917,973	(161,885)
State Programs:				
General Revenue - BH & IDD	14,558,241	11,600,588	14,892,094	291,506
Early Childhood Intervention	656,756	656,756	656,767	21
TCOMMI Funds	464,901	464,901	492,666	27,767
DARS - Autism	683,633	683,633	408,357	(275,281)
Total State Programs	16,363,536	16,405,881	16,449,879	43,998
Federal Programs:				
Mental Health Block Grant	753,084	753,084	753,081	
Title XX Soc. Serv. Block Grant	121,430	121,430	118,438	(2,992)
Title XX - TANF	261,107	261,107	261,107	
Early Childhood Intervention	848,340	848,340	848,340	
Medicaid - Administrative Costing	1,320,972	1,316,913	1,717,756	400,883
ODAS - MFP	618,131	618,135	467,574	(150,561)
Total Federal Programs	3,923,067	3,919,089	4,166,339	247,130
Total Revenues	55,369,986	56,704,746	56,534,191	(170,555)
EXPENDITURES:				
Personnel:				
Salaries	31,755,024	31,904,278	29,946,921	1,957,354
Employee Benefits	7,729,968	7,825,911	7,609,755	216,156
Total Personnel	39,484,992	39,730,189	37,556,679	2,173,510
Travel	572,347	568,872	560,588	8,257

See Notes to Financial Statements.

Texana Center

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED AUGUST 31, 2016

Exhibit A-6
Page 2 of 2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
EXPENDITURES (Continued):				
Consumable Items:				
Drugs	612,959	612,959	538,892	/4,067
Food	374,470	330,143	292,515	37,655
Other	1,240,133	1,236,818	1,370,455	(83,637)
Total Consumable Items	2,197,562	2,179,947	2,151,862	78,085
Equipment and Furniture:				
Rental	184,111	184,095	162,122	21,973
Repairs and Maintenance	1,199,681	1,208,191	822,470	385,721
Total Equip. & Furniture	1,383,792	1,392,286	984,592	407,694
Building:				
Rent	431,857	426,652	432,436	(5,784)
Repairs and Maintenance	1,293,543	1,184,200	802,998	381,282
Total Building	1,725,399	1,610,852	1,235,434	375,418
Vehicles:				
Operating & Maintenance	466,886	432,145	387,822	41,323
Total Vehicle	466,886	432,145	387,822	44,323
Consultant/Contracts with Service Agencies:				
	6,461,824	7,552,892	7,948,432	(395,545)
Other:				
Telephone	609,520	611,109	608,298	4,611
Utilities	558,822	554,672	537,259	17,413
Insurance	389,889	394,815	453,113	(58,298)
Miscellaneous	216,082	216,082	219,849	(3,767)
Total Other	1,774,313	1,778,678	1,818,519	(39,841)
Debt Service	622,776	622,776	678,521	(55,845)
Capital Outlay	953,000	953,000	710,582	242,418
Total Expenditures	55,631,487	56,821,637	54,033,136	2,788,501
Revenues (Under) Expenditures	(263,491)	(116,889)	2,501,055	2,617,944
Other Financing Sources				
Net Proceeds			326,769	326,769
Change in Fund Balance	(263,491)	(116,889)	2,827,824	2,044,713
Fund Balance - Beginning	8,014,375	8,014,375	8,014,375	
Fund Balance - Ending	\$ 7,750,884	\$ 7,897,486	\$ 10,842,199	\$ 2,944,713

See Notes to Financial Statements.

Texana Center*STATEMENT OF FIDUCIARY NET POSITION**AUGUST 31, 2016*

EXHIBIT A-7

	<u>Client Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 75,878
Total Assets	<u>\$ 75,878</u>
Liabilities	
Due to clients	\$ 75,878
Total Liabilities	<u>\$ 75,878</u>

(This Page Intentionally Left Blank)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Texana Center (the "Center") is a public agency that was established for the purposes of providing behavioral health and developmental disability services to the residents of Austin, Colorado, Fort Bend, Matagorda, Waller and Wharton Counties. The Center is governed by an Independent board.

The accounting policies of the Center conform to generally accepted accounting principles as applicable to governmental units.

The Center receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the Center's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the Center 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 Center's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit discussed below is included in the Center's reporting entity because of the significance of their operational or financial relationships with the Center.

The **Crossroads Villas** (the "Corporation") has been included in the reporting entity as a discretely presented component unit. In April 2009, the Corporation was created by the Center under the Texas Business Organizations Code for the charitable and/or educational purpose of providing elderly persons and handicapped persons with housing facilities and services specially designed to meet their physical, social and psychological needs, and to promote their health, security, happiness and usefulness in longer living, the charges for such facilities and services to be predicated upon the provision, maintenance and operation thereof on a nonprofit basis. The corporation was created to secure the benefits of capital advances or project rental assistance under Section 811 of the National Affordable Housing Act through the U.S. Department of Housing and Urban Development. The Board of Directors shall be elected by and serve at the discretion of the Board of Trustees of the Center and consist of between three and seven directors. Each director shall serve a term

of two years. The operations of the Corporation are presented as a business-type activity. The Internal Revenue Service has issued a determination letter dated June 4, 2009 stating that Crossroads Villas qualifies as an organization described in Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal income taxes. The fiscal year end for the Corporation is September 30, 2016. Financial information is available at the Center's office located at 4910 Airport Avenue, Bldg. D, Rosenberg, Texas, 77471.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Center does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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.

C. Basis of Accounting / Measurement Focus

Governmental funds 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 revenue to be available if they are collected within 120 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 requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Grant revenues are recognized only as grant expenditures are incurred to the extent that the expenditures are allowable and eligible for reimbursement. All other revenue items are considered to be measurable and available only when cash is received by the Center.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriate resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. 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.

Committed:

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

Assigned:

To indicate fund balance to be used for specific purposes but do not 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.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The Center's Board of Trustees' policy is to achieve and maintain an unassigned fund balance in the general fund equal to 25% of expenditures. The Center considers a balance of less than 16.67% to be cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the Center shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

The Center reports the following governmental funds:

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

Additionally, the Center reports the following fund type:

Fiduciary Fund Type - The Agency Fund is used to account for assets held by the Center in a fiduciary capacity as custodian or agent for various clients of the Center. The fund is purely custodial (assets equal liabilities) and does not involve the measurement of the results of operations.

Amounts reported as *program revenue* include 1) charges to customers of applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Administrative expenses are allocated among the Center's programs, based on each program's proportionate share of total expenses.

When both restricted and unrestricted resources are available for use, it is the Center's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Position or Equity**1. Deposits and Investments**

The Center's cash and cash equivalents are considered to be cash on hand, demand deposits, deposits with public funds investment pools and short-term investments with original maturities of three months or less from the date of acquisition. For investments in public funds investment pools, the reported value of the pool is the same as the fair value of the pool shares.

The Board of Trustees of the Center authorizes the Center to invest with certain stipulations in obligations of the United States 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 or 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 A 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 investment pools.

During the year ended August 31, 2016, the Center did not own any types of securities other than those permitted by statute.

2. Accounts Receivable from Clients

Accounts receivable from patient and insurance carriers for services rendered are reduced by the amount of such billings deemed by management to be ultimately uncollectible using the reserve method based on past history. As of August 31, 2016, accounts receivable due from insurance carriers amounted to \$463,406.

3. Prepaid Items

Payments to vendors for services that will benefit periods beyond August 31, 2016 are recorded as prepaid items. Prepaid items are equally offset by a fund balance reserve in the governmental fund balance sheet, which indicates that it does not constitute available spendable resources even though they are components of net current assets.

4. Inventories

Inventory consists of expendable supplies held for consumption and is valued at cost determined by the first in, first out accounting method. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method).

5. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the useful lives of the related assets, as applicable.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Years</u>
Buildings and improvements	10 to 40
Furniture and equipment	3 to 10
Vehicles	4

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums or discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Compensated Absences

The Center provides compensated absences benefits to its employees. Compensated absences are vested and, upon termination, paid at the current salary. The Center accrues its liability for such accumulated unpaid benefits in the government-wide financial statements. Actual compensated absences benefits paid during the year are recorded as expenditures in the General Fund. The Center's liability for accrued benefits was \$1,466,865 at August 31, 2016.

8. 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 under patient fees or insurance reimbursements, identified by source as directed by the Texas Health and Human Services Commission.

9. Fund Equity

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that can be spent only 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 Board of Trustees.

10. Tax-Exempt Status

The Internal Revenue Service has issued a determination letter dated February 1989, stating that the Center qualifies as an organization described in Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from Federal income taxes.

11. Use of Estimates

The preparation of financial statements in conformity with U.S. 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 the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Budgetary Information**

The Center's annual budget for the General Fund is prepared on an accounting basis consistent with generally accepted accounting principles. The budgetary comparison statement is presented using the same format, terminology and classifications used in the budget document.

The Senior Leadership Team is responsible for preparing the Center's budget required by the State for the General Fund. The proposed operating budget includes an estimate of expenditures and the revenues expected to finance such expenditures. The budget is prepared and submitted to the Board prior to September 1 of each year.

The Board of Trustees considers the recommendations and may revise the amounts submitted in the budget before approving it. The budget is amended by the Board as needed throughout the year.

Budgeted expenditures for current operating funds cannot exceed the available cash balances in such funds at September 1 plus the estimated revenues for the ensuing year. Budgetary control is maintained at the program level. The Center may transfer existing surpluses between budget categories during the year and increase or decrease the budget according to budgeting and expenditure guidelines of the Texas Health and Human Services Commission (HHSC). The Board must approve changes in total appropriations. Appropriations lapse at year end.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Cash and Time Deposits

Custodial Credit Risk - Deposits

For deposits, this is the risk that in the event of bank failure, the Center's deposits may not be returned to it. Collateral is required for all bank deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the Center's deposits is required to be held in the Center's name by the trust department of a bank other than the pledging bank (the Center's agent). Such collateralization is required by the Rules of the Commissioner of the Texas HHSC and the Board of Trustees of the Center. The Center's cash deposits were fully secured at August 31, 2016 by federal deposit insurance and by pledged securities held by the Center's agent in the Center's name.

Investments

The Center is authorized by the *Public Funds Investment Act* (PFIA) 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; (3) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities; (4) certain A rated or higher obligations of states and political subdivisions of any state; (5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas, savings banks domiciled in Texas, or state or federal credit unions domiciled in Texas; (6) certain fully collateralized repurchase agreements; (7) certain qualified governmental investment pools; and (8) other securities as described in the PFIA.

At year-end, the Center's investment balances were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
LOGIC	\$ 117,495	46
TexPool	3,417,459	41
Total Investments	<u>3,534,954</u>	
Investments classified as cash equivalents	<u>(3,534,954)</u>	
Total Investments per Statement of Position	<u>\$ -</u>	

Interest Rate Risk

The investment policy of the Center limits the weighted average maturity of its investment portfolio to four years. The maximum allowable stated maturity of any individual investment owned by the Center shall not exceed ten years from the time of purchase. LOGIC manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 180 days. TexPool manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 90 days.

Credit Risk - Investments

As of August 31, 2016, the Center's investments in TexPool and LOGIC were rated AAAM and AAA, respectively, by Standard & Poor's, the highest rating a local government investment pool can receive. Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

LOGIC is administered by FirstSouthwest and JPMorgan Chase.

Concentration of Credit Risk

The Center's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified after considering maturity duration, type of investment, liquidity factors, cash-flow timing and degree of risk.

Fair Value

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Center's investments in the General Fund are not measured at fair value but rather measured at net asset value per share for the public funds investment pools.

B. Due from Other Governments

Due from other governments are for reimbursement of expenditures and fees for service provided under various programs and grants. All amounts are expected to be collected within the next year. A summary of these receivables follows:

	<u>Amount</u>
Local Funds	
HCS	\$ 1,190,391
ICF-IDD	455,917
MAC	997,951
State Funds	
DARS - Autism	38,058
DSHS - General Revenue	689,383
DADS - General Revenue	160,962
TCCOMME	85,528
Federal Funds	
Early Childhood Intervention	<u>124,863</u>
Total	<u>\$ 3,743,053</u>

C. Capital Assets

A summary of changes in the primary government's capital assets for the year ended August 31, 2016, is as follows:

	Primary Government			Balance Aug. 31, 2016
	Balance Sept. 1, 2015	Increases	(Decreases)	
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 2,658,481	\$	\$	\$ 2,658,481
Total Non-depreciable Assets	<u>2,658,481</u>			<u>2,658,481</u>
Depreciable Assets:				
Buildings and improvements	26,197,632	94,737		26,197,369
Furniture and equipment	1,618,547	39,591		1,688,133
Vehicles	4,463,225	576,254	(81,153)	4,954,996
Total Depreciable Assets	<u>37,279,399</u>	<u>710,582</u>	<u>(84,483)</u>	<u>37,895,498</u>
Less accumulated depreciation:				
Buildings and improvements	(6,326,049)	(1,157,011)		(7,483,060)
Furniture and equipment	(1,154,656)	(132,343)		(1,286,999)
Vehicles	(3,464,225)	(413,306)	87,183	(3,790,348)
Total Accum. Depreciation	<u>(10,944,930)</u>	<u>(1,702,720)</u>	<u>87,183</u>	<u>(12,553,167)</u>
Total Depreciable Assets, Net	<u>21,264,469</u>	<u>(992,138)</u>		<u>20,272,331</u>
Totals	<u>\$ 23,022,950</u>	<u>\$ (992,138)</u>	<u>\$</u>	<u>\$ 22,930,812</u>

Depreciation expense was charged to functions/programs of the government-wide statement of activities as follows:

Governmental Activities:	
Behavioral Health	\$ 694,231
Developmental Disability	857,873
Early Childhood Intervention	78,426
Administration	122,190
Total Governmental Activities Depreciation Expense	<u>\$ 1,702,720</u>

A summary of changes in the discretely presented component unit (Crossroads Villas) capital assets for the year ended August 31, 2016, is as follows:

	Discretely Presented Component Unit			
	Balance Sept. 1, 2015	Increases	(Decreases)	Balance Sep. 30, 2016
Business-type Activities:				
Depreciable Assets:				
Buildings and improvements	\$ 1,711,317			1,711,317
Furniture and equipment	22,041			22,041
Total Depreciable Assets	<u>1,733,358</u>			<u>1,733,358</u>
Less accumulated depreciation	<u>(10,202)</u>	<u>(44,670)</u>		<u>(14,872)</u>
Totals	<u>\$ 1,663,156</u>	<u>\$ (44,670)</u>	<u>\$</u>	<u>\$ 1,618,486</u>

D. Lease Obligations

The Center leases certain buildings, vehicles and equipment under short-term operating leases for varying periods. Rent expense for the year ended August 31, 2016 was \$594,558. There were no contingent rentals or sublease rentals. The estimated rental commitments under existing significant non-cancelable operating lease agreements are as follows:

Year Ended August 31,	Amount
2017	\$ 464,440
2018	275,658
2019	123,144
2020	36,179
	<u>\$ 899,721</u>

E. Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the Center for the year ended August 31, 2016:

	Balance Sept. 1, 2015	Additions	Reductions	Balance August 31, 2016	Amounts Due within One Year
Notes payable	\$ 2,544,459	\$ 326,769	\$ (470,647)	\$ 2,700,581	\$ 219,607
Bonds payable	5,410,000		(115,000)	5,295,000	170,000
Compensated absences	1,386,047	80,316		1,466,363	366,716
Total	<u>\$ 9,340,506</u>	<u>\$ 407,085</u>	<u>\$ (785,647)</u>	<u>\$ 9,462,446</u>	<u>\$ 756,323</u>

Bonds and notes payable at August 31, 2016, are comprised of the following:

Bonds payable:

Revenue Bonds Series 2010, interest rate ranging from 3% to 5.25%, final payments due December 2039, secured by deed of trust on real estate. As of August 31, 2016, the outstanding principal on the bonds is \$5,295,000.

Notes payable:

In October 2006, the Center entered into a \$152,150 note payable to Prosperity Bank to purchase a Group Home for Developmental Disability Residential Services. The note carries an interest rate of 7% and is payable in principal and interest payments of \$1,189 per month, with principal and remaining interest due on maturity. The note matures on October 26, 2026 and is secured by a deed of trust on real estate. As of August 31, 2016, the note has an outstanding balance of \$103,098.

In April 2007, the Center entered into a \$204,277 note payable to Prosperity Bank to purchase a Learning Center for Developmental Disability Day Habilitation Services. The note carries an interest rate of 3.75% and is payable in four monthly interest only payments followed by principal and interest payments of \$1,293 per month, with principal and remaining interest due on maturity. The note matures on March 22, 2027 and is secured by a deed of trust on real estate. As of August 31, 2016, the note has an outstanding balance of \$135,084.

In July 2008, the Center entered into a \$161,500 note payable to Prosperity Bank to purchase a Group Home for Developmental Disability Residential Services. The note carries an interest rate of 6.75% and is payable in four monthly interest only payments followed by principal and interest payments of \$1,238 per month, with principal and remaining interest due on maturity. The note matures on July 8, 2028 and is secured by a deed of trust on real estate. As of August 31, 2016, the note has an outstanding balance of \$120,726.

In February 2010, the Center entered into a \$126,400 note payable to Prosperity Bank to purchase a Group Home for Developmental Disability Residential Services. The note carries an interest rate of 5.85% and is payable in principal and interest payments of \$1,062 per month, with principal and remaining interest due on maturity. The note matures on February 19, 2025 and is secured by a deed of trust on real estate. As of August 31, 2016, the note has an outstanding balance of \$84,716.

Texana Center

NOTES TO FINANCIAL STATEMENTS

Exhibit A-8

In February 2010, the Center entered into a \$112,800 note payable to Prosperity Bank to purchase a Group Home for Developmental Disability Residential Services. The note carries an interest rate of 5.85% and is payable in principal and interest payments of \$948 per month, with principal and remaining interest due on maturity. The note matures on February 25, 2025 and is secured by a deed of trust on real estate. As of August 31, 2016, the note has an outstanding balance of \$75,606.

In March 2010, the Center entered into a \$165,000 note payable to Prosperity Bank to purchase a Group Home for Developmental Disability Residential Services. The note carries an interest rate of 5.85% and is payable in principal and interest payments of \$1,387 per month, with principal and remaining interest due on maturity. The note matures on March 24, 2025 and is secured by a deed of trust on real estate. As of August 31, 2016, the note has an outstanding balance of \$112,006.

In July 2011, the Center entered into a \$156,000 note payable to Prosperity Bank to purchase a Group Home for Developmental Disability Residential Services. The note carries an interest rate of 4.9% and is payable in principal and interest payments of \$1,232 per month, with principal and remaining interest due on maturity. The note matures on July 13, 2026 and is secured by a deed of trust on real estate. As of August 31, 2016, the note has an outstanding balance of \$115,415.

In August 2013, the Center entered into a \$752,000 note payable to Prosperity Bank to purchase a Behavioral Health Crisis Center. The note carries an interest rate of 4.5% and is payable in principal and interest payments of \$7,817 per month, with principal and remaining interest due on maturity. The note matures on December 28, 2022 and is secured by a deed of trust on real estate. As of August 31, 2016, the note has an outstanding balance of \$514,808.

In December 2014, the Center entered into a \$164,000 note payable to Prosperity Bank to purchase a Group Home for Developmental Disability Residential Services. The note carries an interest rate of 4.5% and is payable in principal and interest payments of \$1,260 per month, with principal and remaining interest due on maturity. The note matures on December 30, 2029 and is secured by a deed of trust on real estate. As of August 31, 2016, the note has an outstanding balance of \$150,793.

In March 2015, the Center entered into a \$1,000,000 note payable to Prosperity Bank to purchase a 14.456 acre tract of land in Fulshear, Texas. The note carries an interest rate of 3.25% and is payable in thirty-six monthly interest only payments with the full principal amount and accrued interest due on or before April 26, 2018. As of August 31, 2016, the note has an outstanding balance of \$1,000,000.

Texana Center**NOTES TO FINANCIAL STATEMENTS****Exhibit A-8**

In February 2016, the Center entered into a \$326,769 note payable to Prosperity Bank to purchase several vehicles. The note carries an interest rate of 3.49% and is payable in principal and interest payments of \$7,311 per month, with principal and remaining interest due on maturity. The note matures on February 9, 2020 and is secured by seven vehicles. As of August 31, 2016, the note has an outstanding balance of \$288,329.

The annual requirements for repayment of principal and interest on the bonds and notes payable outstanding as of August 31, 2016, are as follows:

Year Ending August 31,	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2017	\$ 120,000	\$ 267,981	\$ 219,607	\$ 101,158
2018	125,000	262,622	1,229,580	102,054
2019	130,000	257,044	240,026	56,807
2020	135,000	251,247	206,437	46,187
2021	145,000	245,122	170,931	36,986
2022-2026	825,000	1,107,652	553,482	79,179
2027-2031	1,060,000	866,044	80,518	4,935
2032-2036	1,375,000	550,594		
2037-2040	1,380,000	149,361		
	<u>\$ 5,295,000</u>	<u>\$ 3,958,267</u>	<u>\$ 2,700,581</u>	<u>\$ 427,306</u>

The Center has a \$7,200,000 revolving line of credit with Prosperity Bank. The note bears interest at prime plus .5% with a floor of 3.99% and matures in September 2016. Interest is payable monthly and the line is secured by gross revenues of the Center. The line of credit had a balance of \$-0- at August 31, 2016. Subsequent to year end, the Center renewed the line of credit with the same terms and maturity of September 2017.

F. Pension Plan

The Center participates in a multiple-employer 401(a) defined contribution pretax retirement plan, administered by ICMA Retirement Corporation, available to full-time employees who have completed one year of service. The plan allows employees to contribute 4% of earnings with the Center contributing 6% of earnings to participating employees. The plan allows loans to participants. Participants are fully vested in the employer's contribution after five years of service. Forfeited contributions are held in a separate account and can be used to reduce future contributions.

Amounts contributed by the employer are placed in guaranteed fixed income accounts until the employee is vested. When an employee is vested, the employee has the option to invest in any of the funds approved by the Board. For the year ended August 31, 2016, contributions from the employer and employees were \$1,134,635 and \$756,507, respectively. Total plan assets, including loans, as of August 31, 2016 are \$17,937,051.

G. Deferred Compensation Plan

The Center offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Center employees, permits them to defer a portion of their salary until future years.

Participation in the plan is optional. The deferred compensation is not available to employees until the employee terminates employment, retires or experiences an unforeseeable emergency.

H. Contingencies

The Center has participated in a number of state and federally 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 Center's management believes that any liability for reimbursement which may arise as the result of these audits is not believed to be material to the financial position of the Center. The Center is subject to certain penalties in the event that performance targets are not met.

The Center is involved in litigation in the normal course of business. Management estimates that any liability that may result from this litigation, if any, would not be material to the Center's financial statements.

I. Risk Management

The Center is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center carries commercial insurance to insure against these losses. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in any of the past three fiscal years.

J. Concentrations of Credit Risk

A substantial portion of the Center's revenues are in the form of a performance contract with the Department of State Health Services and Department of Aging and Disability Services (the State). As a result, the Center's overall exposure to credit risk is contingent upon the future funding by the State. Historically, the Center's uncollectible accounts receivable have been immaterial. The Center does not require collateral for its receivables.

K. Committed Funds

The Board of Trustees has committed funds in the General Fund for the following:

Learning Center - Rosenberg Art/Parents	\$ 4,133
Learning Center - El Campo Parents	3,676
Fulshear Land Purchase	175,835
	<u>\$ 183,644</u>

L. Patient Assistance Program for Pharmacy

The Center participated in a pharmaceutical-sponsored Patient Assistance Program, whereby the Center processes applications for medications on behalf of qualifying consumers. In addition, the Center utilizes samples provided by pharmaceutical companies in the treatment of consumers. The estimated value of the medications received through the Patient Assistance Program through the use of free samples during the year was \$2,002,772. The Center does not take ownership of these assets but rather facilitates the transfer to the end user; therefore, those benefits are not recorded on the Center's books.

M. Medicaid 1115 Waiver

The State of Texas was approved for a five-year Medicaid demonstration waiver (through September 30, 2016) that would enable hospitals and other providers to earn up to \$11.4 billion in funds for Delivery System Reform Incentive Payment (DSRIP) projects. The waiver was extended 15 months through December 31, 2017. DSRIP projects are designed to improve Texas' health care delivery system, including access to care, quality of care, and health outcomes. Texas has allocated a minimum of 10% of the DSRIP funds to the community mental health centers that serve mentally ill Medicaid and indigent patients throughout the state.

The Center reports twice a year on milestone and outcome achievement in order to earn DSRIP funds. The revenue is recognized as the milestones are achieved and after review and approval by CMS. As a result, and since the DSRIP funds are not expenditure-reimbursement type funds, at times the Center's cumulative expenditures related to DSRIP projects may exceed the revenues recognized to date.

OTHER SUPPLEMENTARY INFORMATION

(This Page Intentionally Left Blank)

CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS

Texana Center

*CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
AUGUST 31, 2016*

EXHIBIT B-1

Governmental Funds Capital Assets:

Land	\$ 2,658,481
Buildings and Improvements	26,192,369
Furniture and equipment	1,688,133
Vehicles	4,954,996
Total Governmental Funds Capital Assets	<u>\$ 35,493,979</u>

Investment in Governmental Funds Capital Assets by Source:

General Fund	\$ 35,493,979
Total Investment in Governmental Funds Capital Assets	<u>\$ 35,493,979</u>

Texana Center

EXHIBIT B-2

*CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
AUGUST 31, 2016*

<u>Function</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings and Improvements</u>	<u>Furniture and Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Behavioral Health	\$ 513,389	\$	\$ 10,967,568	\$ 471,294	\$ 1,367,473	\$ 12,119,724
Developmental Disability	2,145,082		14,173,183	472,303	3,367,143	20,108,021
Early Childhood Intervention			811,583			811,583
Administrative			1,189,735	744,536	220,380	2,154,651
Total Governmental Capital Assets	<u>\$ 2,658,481</u>		<u>\$ 26,192,369</u>	<u>\$ 1,688,133</u>	<u>\$ 4,954,996</u>	<u>\$ 35,493,979</u>

Texana Center

EXHIBIT B-3

*CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
FOR THE YEAR ENDED AUGUST 31, 2016*

Function	Governmental Funds Capital Assets September 1, 2015	Additions and Transfers	Retirements and Transfers	Governmental Funds Capital Assets August 31, 2016
Behavioral Health	\$ 12,261,572	\$ 248,047	\$ (89,895)	\$ 12,419,724
Developmental Disability	19,648,128	505,010	(46,317)	20,108,021
Early Childhood Intervention	896,515	519	(85,451)	811,583
Administrative	2,061,365	93,286		2,154,651
Total Governmental Funds Capital Assets	<u>\$ 34,867,880</u>	<u>\$ 847,762</u>	<u>\$ (221,663)</u>	<u>\$ 35,493,979</u>

STATISTICAL SECTION

Texana Center

EXHIBIT C-1

*SCHEDULE OF REVENUE AND EXPENDITURES BY SOURCE OF FUNDS
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016
(UNAUDITED)*

Fund Source	Total Revenue	Total DH Adult Expend.	Total BH CBA Expend.	Total BH Crisis Expend.	Total IDD Expend.	Total Other Expend.	Total Center Expend.	Excess Rev. Over Expend.
Objects of Expense:								
Personnel	\$ 27,120,176	\$ 1,083,055	\$ 2,500,603	\$ 1,247,462	\$ 11,957,559	\$ 6,731,817	\$ 27,470,476	\$
Employee Benefits	6,974,936	1,065,371	526,959	271,606	3,588,480	1,718,430	6,924,935	
Professional Consult. Services	7,734,732	552,057	103,615	1,355,126	3,213,417	266,512	7,751,732	
Training and Travel	510,442	57,006	41,199	14,386	175,565	210,285	510,442	
Dial Service	143,825	93,203			499,095	50,927	613,825	
Capital Outlay	374,381	95,010	66,511	83,625	109,471	16,351	374,381	
Non-Capital Equipment	110,549	111,525	75,455	21,869	75,571	11,719	316,599	
Pharmaceutical Expense	573,314	443,865	34,554			44,891	523,314	
PAP Expense	2,032,772	2,032,772					2,032,772	
Other Operating Expense	5,036,736	731,907	264,466	165,624	2,063,852	710,899	5,036,736	
Allocation of CBA	4,110,978	651,733	570,613	266,990	2,089,402	792,160	4,110,978	
Total Expenditures	\$ 55,709,141	\$ 10,799,075	\$ 4,029,374	\$ 3,433,776	\$ 26,872,895	\$ 10,574,021	\$ 55,709,141	\$
Method of Finance:								
General Revenue								
DS-G	\$ 17,796,882	\$ 6,543,115	\$ 2,218,991	\$ 3,433,776	\$	\$	\$ 17,796,882	\$
DADS	3,050,386				3,050,386		3,050,386	
Merit-Hill Black Grant	753,064	555,993	197,091				753,064	
SS Black Grant/TAMP	379,542	118,138	261,107				379,542	
Other State Funds	2,486,789	350,386	142,280		51,198	1,072,955	2,486,789	
Other Federal Funds	467,574				467,574		467,574	
Earned Income	28,325,723	901,284	26,210		22,259,787	5,138,437	28,325,723	
Required Local Match	1,701,122	227,027	1,182,895		791,360		1,701,122	
PAP Medications	2,002,772	2,002,772					2,002,772	
Additional Local Match	4,246,254				752,500	3,493,654	4,246,254	
Total Expended Sources	\$ 55,709,141	\$ 10,799,075	\$ 4,029,374	\$ 3,433,776	\$ 26,872,895	\$ 10,574,021	\$ 55,709,141	\$

Texana Center

RECONCILIATION OF TOTAL REVENUES TO FOURTH QUARTER FINANCIAL REPORT FOR THE YEAR ENDED AUGUST 31, 2016 (UNAUDITED)

Exhibit C-2

Page 1 of 2

	Revenues			Audited Financial Statements
	Care Report III	Additions	Deletions	
Local Sources:				
County Tax Funds	\$ 626,812			\$ 626,812
Patient Fees/Insurance	4,643,449			4,643,449
Transfer from Reserves				
Miscellaneous Income	1,156,969	1 (c)		1,156,973
Patient Assistance Program	2,002,772		(2,002,777) (d)	
DARS - Rehab	80,664			80,661
Medicare/Medicaid	10,280,586	163,994 (e)		10,753,679
		99 (e)		
Title XIX - HCS	12,758,655			12,758,655
Title XLX - Texas Home Living Waiver	3,200,458			3,200,456
Title XDX - ICF	2,679,996			2,679,996
YES ICF	26,110		(8,820) (c)	17,290
Total Local Sources	37,465,471	464,094	(2,011,592)	35,917,973
State Programs:				
General Revenue - BH	12,206,882	8,820 (c)	(463,994) (e)	11,841,708
General Revenue - LDU	3,050,386			3,050,386
Early Childhood Intervention	656,767			656,767
ICCOMMI Funds	492,666			492,666
DARS - Autism	408,352			408,352
Total State Programs	16,905,053	8,820	(463,994)	16,449,879
Federal Programs:				
Mental Health Block Grant	753,064			753,064
Title XX Soc Services Block Grant	118,438			118,438
Title XX - TANF	261,107			261,107
HAC 344 Title XVIII	467,574			467,574
Medicaid - Administrative Costing	1,717,796			1,717,796
Early Childhood Intervention	848,348			848,340
Total Federal Programs	4,166,339			4,166,339
Total Revenues	\$ 58,536,863	\$ 472,914	\$ (2,475,586)	\$ 56,534,191

(a) \$163,994 Medicaid amount excluded from General Revenue in the Audited Financial Statements

(b) Remove PAP Contributors

(c) \$8,820 for YES General Revenue included in State Funds in the Audited Financial Statements

(d) Rounding

(e) Miscellaneous adjustment

Texana Center

*RECONCILIATION OF TOTAL EXPENDITURES TO FOURTH
QUARTER FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016
(UNAUDITED)*

Exhibit C-2

Page 2 of 2

Function	Expenditures			Audited Financial Statements
	Care Report III	Additions	Deletions	
Personnel	\$ 27,420,476	\$	\$	\$ 27,420,476
Employee Benefits	6,974,936			6,974,936
Professional Contract Services	7,794,732			7,794,732
Training and Travel	510,442			510,442
Debt Service	643,825		(3) (a)	643,822
Capital Outlay	374,381	326,769 (b)		701,150
Non Capitalized Equipment	316,549			316,549
Pharmaceutical Expense	523,314			523,314
Patient Assistance Program Expense	2,002,772		(2,002,772) (c)	
Other Operating Expenses	5,036,736	1 (a)		5,036,737
Allocation of General and Administrative	4,110,978			4,110,978
Total Expenditures	\$ 55,709,141	\$ 326,770	\$ (2,002,775)	\$ 54,033,136

(a) Rounding

(b) Note Proceeds nettes with Debt Service on Report (D)

(c) Remove PAP Contributions

Texana Center

EXHIBIT C-3

*SCHEDULE OF INDIRECT COSTS
FOR THE YEAR ENDED AUGUST 31, 2016
(UNAUDITED)*

	<u>Total Costs</u>	<u>Non- Allowable Costs</u>	<u>Depreciation</u>	<u>Total Adjusted Costs</u>	<u>Direct Costs</u>	<u>Indirect Costs</u>
Salaries	\$ 29,946,924	\$	\$	\$ 29,946,924	\$ 27,120,476	\$ 2,826,448
Employee Benefits	7,609,755			7,609,755	6,974,935	634,820
Capital Outlay	710,582	(710,582)				
Debt Service - Principal	285,617	(285,617)				
Depreciation			1,702,720	1,702,720	1,580,530	122,190
Other Operating Expend.	15,480,228	(391,227)		15,089,001	14,187,774	901,227
Total Expenditures	<u>\$ 54,033,136</u>	<u>\$ (1,387,456)</u>	<u>\$ 1,702,720</u>	<u>\$ 54,348,400</u>	<u>\$ 50,163,715</u>	<u>\$ 4,184,685</u>

Computation of Indirect Cost Rate for the Year Ended August 31, 2016

Indirect Costs	4,184,685
Direct Costs	<u>50,163,715</u>
Indirect Cost Rate	<u>8.34%</u>

Texana Center**SCHEDULE OF LEASES**

FOR THE YEAR ENDED AUGUST 31, 2016

(UNAUDITED)

EXHIBIT C-4

Page 1 of 2

Lessor or Other Part to Contract	Location	Monthly Amount	Period Covered	
			Start Date	End Date
Group Homes				
John Schmermund	1305 Ward Bend, Sealy	\$ 1,350	4/1/2015	3/31/2017
ARC of Fort Bend County	6419 Brazos Glen, Richmond	1,200	9/1/2008	8/31/2018
ARC of Fort Bend County	5141 Cotter Lane, Rosenberg	1,200	9/1/2008	8/31/2018
ARC of Fort Bend County	6623 Grant Drive, Richmond	1,200	9/1/2015	8/31/2017
Wharton ARC	509 1/2 Sunset, Wharton	1,300	9/1/2009	8/31/2017
Gerald Pinto	2819 S. Blue Meadow, Sugar Land	1,925	9/1/2009	month to month
ARC of Fort Bend County	5618 Wagon Wheel, Rosenberg	1,200	11/1/2009	8/31/2017
ARC of Fort Bend County	2402 Rustic Trail, Richmond	1,300	2/1/2012	1/31/2018
Angela Maxwell	204 Briar Circle, Sealy	1,200	7/1/2012	month to month
Wayne Allen	722 Old Caney Road, Wharton	1,575	7/1/2012	8/31/2020
Matagorda County ARC	920 Nichols Street	1,500	3/1/2015	2/29/2016
Texana Facilities				
Wharton ARC	1017 1/2 Alabama Rd., Wharton	400	9/1/2016	8/31/2018
ARC of Fort Bend County	2715 Cypress Point, Missouri City	8,000	2/1/2009	1/31/2019
130 Industrial L.P.	130 Industrial Ste 200, Sugar Land	10,821	7/1/2014	11/1/2017
Ward Real Estate, Inc.	3636 Avenue F St., Bay City	1,950	2/5/2016	2/14/2017
Copy Machines				
Canon Financial Solutions	2715 Cypress Point, Missouri City	206	11/3/2011	11/2/2016
Canon Financial Solutions	5311 Avenue N, Rosenberg	382	2/3/2014	7/7/2017
Canon Financial Solutions	5311 Avenue N, Rosenberg	299	2/3/2014	2/2/2017
Canon Financial Solutions	4706 Airport Ave, Bldg A	625	8/4/2014	8/3/2017
Canon Financial Solutions	4706 Airport, Rosenberg - Service Coordination	82	7/16/2014	7/16/2018
Canon Financial Solutions	4910 Airport, Rosenberg - Bldg. F	256	7/16/2014	7/16/2018
Canon Financial Solutions	400 Ave F, Bay City	82	7/16/2014	7/16/2018
Canon Financial Solutions	4910 Airport, Rosenberg - Bldg. A	83	7/16/2014	7/16/2018
Canon Financial Solutions	4910 Airport, Rosenberg - Reimbursement	82	7/16/2014	7/16/2018
Canon Financial Solutions	535 FM 359 South, Brookshire	194	7/16/2014	7/16/2018
Canon Financial Solutions	4910 Airport, Rosenberg - HR	486	7/16/2014	7/16/2018
Canon Financial Solutions	130 Industrial Blvd, Ste 200, Sugarland, Tx	536	7/16/2014	7/16/2018
Canon Financial Solutions	4706 Airport, Rosenberg - IDD Authority	475	8/29/2014	8/29/2018
Canon Financial Solutions	3007 North Richmond, Wharton - BI Services	325	9/24/2014	9/24/2018
Canon Financial Solutions	130 Industrial Blvd, Ste 200, Sugarland, Tx	20	10/27/2014	9/27/2018
Canon Financial Solutions	4706 Airport Ave, Bldg C	419	1/28/2015	1/28/2019
Canon Financial Solutions	3007 N. Richmond Rd., BI ADULT	180	10/1/2015	10/1/2019

Texana Center*SCHEDULE OF LEASES**FOR THE YEAR ENDED AUGUST 31, 2016**(UNAUDITED)***EXHIBIT C-4****Page 2 of 2**

Lessor or Other Part to Contract	Location	Monthly Amount	Period Covered	
			Start Date	End Date
Copy Machines (cont'd)				
Canon Financial Solutions	3007 N. Richmond Rd., BH YOUTH	\$ 180	10/1/2015	10/1/2019
Canon Financial Solutions	3007 N. Richmond Rd.	180	10/1/2015	10/1/2019
Canon Financial Solutions	1017 1/2 Alabama Rd., WHARTON LC	180	10/1/2015	10/1/2019
Canon Financial Solutions	2535 Cordes Dr. BH ADULT	180	10/1/2015	10/1/2019
Canon Financial Solutions	2535 Cordes Dr. BH YOUTH	180	10/1/2015	10/1/2019
Canon Financial Solutions	4706 Airport Ave BLDG A	180	10/1/2015	10/1/2019
Canon Financial Solutions	4706 Airport Ave BLDG A, IDD SERVICES	180	10/1/2015	10/1/2019
Canon Financial Solutions	4706 Airport Ave BLDG B	180	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport Ave BLDG A, INTERGRADED CAR	180	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport Ave BLDG A	180	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport Ave BLDG E	180	10/1/2015	10/1/2019
Canon Financial Solutions	4706 Airport Ave BLDG A-IDD SERVICES	202	10/1/2015	10/1/2019
Canon Financial Solutions	2715 Cypress Point Dr., MCLC	224	10/1/2015	10/1/2019
Canon Financial Solutions	1618 Collins Rd.	224	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport Ave BLDG A	224	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport Ave Bldg F, Rosenberg, TX 77471	239	6/9/2016	6/9/2020
Canon Financial Solutions	4910 Airport Ave Bldg D, Rosenberg, TX 77471	233	6/9/2016	6/9/2020
Canon Financial Solutions	4706 Airport Ave Bldg A, Rosenberg, TX 77471	233	6/9/2016	6/9/2020
Canon Financial Solutions	4910 Airport Ave Bldg B, Rosenberg, TX 77471	259	6/9/2016	6/9/2020
Canon Financial Solutions	400 Ave F, Bay City, TX 77414	211	6/9/2016	6/9/2020
Canon Financial Solutions	708 Avenue I, El Campo, TX 77437	85	6/9/2016	6/9/2020
Canon Financial Solutions	1480 Walnut ST, Columbus, TX 78934	197	6/9/2016	6/9/2020
Mailing Equipment				
Pitney Bowes	4910 Airport, Bldg. G, Rosenberg, Texas	205	3/30/2013	3/29/2018

*SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED AUGUST 31, 2016
(UNAUDITED)*

General Liability

Insurer: Texas Council Risk Management Fund
Policy Period: 09/01/15 - 08/31/16
Coverage:
Per Occurrence Limit of Liability and Annual Aggregate \$ 1,000,000
Deductible 1,000

Automobile Liability

Insurer: Texas Council Risk Management Fund
Policy Period: 09/01/15 - 08/31/16
Coverage:
Per Occurrence Limit of Liability and Annual Aggregate 400,000
Deductible 1,000

Professional Liability

Insurer: Texas Council Risk Management Fund
Policy Period: 09/01/15 - 08/31/16
Coverage:
Per Occurrence Limit of Liability 1,000,000
Annual Aggregate 3,000,000
Deductible 1,000

Errors and Omissions Liability

Insurer: Texas Council Risk Management Fund
Policy Period: 09/01/15 - 08/31/16
Coverage:
Per Occurrence Limit of Liability and Annual Aggregate 1,000,000
Deductible 1,000

Property

Insurer: Texas Council Risk Management Fund
Policy Period: 09/01/15 - 08/31/16
Coverage:
Market Limit Each Occurrence 40,671,164
Market Per Occurrence Deductible 5,000

Automobile Physical Damage

Insurer: Texas Council Risk Management Fund
Policy Period: 09/01/15 - 08/31/16
Coverage Basis is Scheduled; Deductible Varies by Vehicles

Crime Coverage

Insurer: Texas Council Risk Management Fund
Policy Period: 09/01/15 - 08/31/16
Per Occurrence Limit of Liability 10,000
Deductible 1,000

Workers Compensation

Insurer: Texas Municipal League
Policy Period: 10/02/15 - 09/30/16
Coverage: Statutory

Windstorm and Hail

Insurer: Texas Windstorm Insurance Association
Policy Period: 09/01/15 - 08/31/16
Coverage 669,966
Deductible 5,494

Information Security and Privacy Insurance with Breach Response Services

Insurer: Lloyds of London Beazley Syndicate
Policy Period: 3/28/16 - 3/27/17
Coverage:
Policy Aggregate of Limit 5,000,000
Regulatory Defense and Penalties Sublimit 2,000,000
PCI Fines, Expenses and Costs Sublimit 100,000

Texana Center

EXHIBIT C-7

*SCHEDULE OF PROFESSIONAL AND CONSULTING FEES
FOR THE YEAR ENDED AUGUST 31, 2016
(UNAUDITED)*

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
Ray and Hollington Architects	Houston	Architectural	\$ 43,608
Sandersen Knox & Co	Sugar Land	Financial Audit	19,300
JSA Health LLC	Houston	Medical	344,910
Rafael Guerra, MD	Katy	Medical	12,375
Jan Robinson, RN	Kyle	Nursing	46,494
Jackson & Coker	Alpharetta, GA	Medical	42,945

Texana Center**EXHIBIT C-8***SCHEDULE OF LEGAL SERVICES**FOR THE YEAR ENDED AUGUST 31, 2016**(UNAUDITED)*

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
Chamberlain, Hrdlicka, White, Williams & Aughtry	Houston	Legal	\$ 899
McGulre, Craddock & Strother	Dallas	Legal	2,000
John J. Stasney	Dallas	Legal	4,990
Lewis Brisbois Bisgaard & Smith LLP	Los Angeles	Legal	3,440
McGuireWoods	Houston	Legal	7,500
Taylor Olson Adkins Sratia & Elam LLP	Fort Worth	Legal	7,504

SINGLE AUDIT SECTION

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

To the Board of Trustees
Texana Center:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Texana Center (the Center), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated January 20, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
January 20, 2017

Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control Over Compliance Required
by the Uniform Guidance and the State of Texas Single Audit Circular

To the Board of Trustees
Texana Center:

Report on Compliance for Each Major Federal and State Program

We have audited Texana Center's (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement, State of Texas Single Audit Circular (TSAC)* and *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers* that could have a direct and material effect on each of the Center's major federal and state programs for the year ended August 31, 2016. The Center's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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); *State of Texas Single Audit Circular (TSAC)* and *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers* (Audit Guidelines). Those standards, the Uniform Guidance, TSAC and the Audit Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2016.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and TSAC, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Center's 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 or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 or state 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 or state 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 and TSAC. Accordingly, this report is not suitable for any other purpose.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
January 20, 2017

Texana Center*SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016***EXHIBIT D-1****Page 1 of 2**

Program Title	Pass-Through Grantor's Number	Expenditures
State Awards:		
Texas Department of State Health Services:		
General Revenue - Mental Health Adult	537-16-0124-00031	\$ 6,842,087
General Revenue - Mental Health Child	537-16-0124-00031	1,644,618
General Revenue - Crisis Services	537-16-0124 00031	1,807,880
General Revenue - Psychiatric Emergency Service Center	537-16-0124-00031	1,526,303
General Revenue - Y&S Waiver	537-16-0124 00031	8,820
Mental Health First Aid	537-16-0124-00031	12,000
Total Texas Department of State Health Services		<u>11,841,708</u>
Texas Department of Aging and Disability Services (DADS):		
General Revenue - TDD	539-12-0151-00001	2,870,620
General Revenue - Crisis Services	539-12-0151-00001	179,766
Total Texas Department of Aging and Disability Services		<u>3,050,386</u>
Texas Department of Assistive & Rehabilitative Services (DARS):		
Division for Early Childhood Intervention - Intervention	538-20-01574-01	650,071
Division for Early Childhood Intervention - Respite	538-20-01574-02	6,696
Services to Children with Autism	538-16-9680-00000000000005	408,352
Total Texas Department of Assistive & Rehabilitative Services		<u>1,065,119</u>
Total State Awards		\$ 15,957,213

Texana Center

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016

EXHIBIT D-1

Page 2 of 2

Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Expenditures
Federal Awards:			
U.S. Department of Health and Human Services			
Passed through the Texas Department of State Health Services (DSHS):			
Mental Health Block Grant	93.958	537-16-0124-00031	\$ 753,084
Title XX Social Services Block Grant	93.667	537-16-0124-00031	118,138
Temporary Assistance for Needy Families ("TANF")	93.558.667 *	537-16-0124-00031	261,107
Total passed through DSHS			<u>1,132,629</u>
Passed through Texas Department of Assistive and Rehabilitative Services Division for Early Childhood Intervention (DARS ECI):			
Temporary Assistance for Needy Families ("TANF")	93.558	# 538-20-01574-01	169,264
Medicaid: Title XIX	93.778	# 529-11-0040-00025	147,305
Total passed through DARS ECI			<u>316,569</u>
Passed through Texas Health & Human Services Commission:			
Medicaid: Title XIX	93.778	# 529-09-0032-00061	1,570,491
Passed Through Texas Dept of Aging & Disability Services:			
Money Following the Person	93.791	539-12-0151-00001	467,574
Total U.S. Department of Health and Human Services			<u>3,487,263</u>
U.S. Department of Education - Office of Special Education of Rehabilitative Services			
Passed through Texas Department of Assistive and Rehabilitative Services Division for Early Childhood Intervention (DARS ECI):			
Special Education Grants for Infants and Families with Disabilities	84.181	538-20-01574-01	607,436
Special Education Grants to States	84.027	538-20-01574-01	71,640
Total passed through DARS ECI			<u>679,076</u>
Total U.S. Department of Education			<u>679,076</u>
Total Federal Awards			<u>\$ 4,166,339</u>
Total State and Federal Awards			<u>\$ 20,123,552</u>

* Total Expenditures for CFDA #93.558 is \$430,371

Total Expenditures for CFDA #93.778 is \$1,717,796

Texana Center

*NOTES TO SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016*

General

The Schedule of Expenditures of State and Federal Awards presents the activity of all applicable state and federal awards of Texana Center (the Center). The Center's reporting entity is defined in Note 1 of the basic financial statements. State and federal assistance received directly from state and federal agencies, as well as federal financial assistance passed through other governmental agencies, are included on the Schedule of Expenditures of State and Federal Awards.

The information in the Schedule of Expenditures of State and Federal Awards 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 of Expenditures of State and Federal Awards presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Center.

Basis of Accounting

The accompanying Schedule of Expenditures of State and Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1(d) to the Center's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or State of Texas Uniform Grant Management Standards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. State and federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

The format for the accompanying schedule has been prescribed by the Texas Department of Health and Human Services Commission *Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers*. Such format includes revenue recognized in the Center's basic financial statements.

Relationship to the Basic Financial Statements

State and federal awards are reported in the Center's basic financial statements in the General Fund.

Certain federal and state programs have been excluded from the Schedule of Expenditures of State and Federal Awards, including monies received under the vendor contract for Title XIX HCS/TDD and other Medicaid/Medicare funding for providing patient services. These monies are reported as local revenues in the basic financial statements. Also, the state program excluded from the schedule but reported as state funds in the basic financial statements is Texas Correctional Office on Offenders with Medical or Mental Impairments program. The federal and state monies excluded from the Schedule of Expenditures of State and Federal Awards are not considered federal or state awards as defined in the Uniform Guidance or *State of Texas Single Audit Circular*.

Program or Award Amounts

Amounts include contract/award amounts plus any additional reimbursement monies received in fiscal year 2016.

State Award Guidelines

State awards are subject to *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers*. Such guidelines are consistent with those required under the Single Audit Act of 1996, Uniform Guidance, the *State of Texas Single Audit Circular* and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Indirect Costs

The Center has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the Center has not been able to negotiate an indirect cost rate for its federal awards.

(This Page Intentionally Left Blank)

Texana Center

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section:

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified, but not considered to be material weaknesses?	None reported
• Noncompliance material to financial statements noted?	No

Federal Awards Section:

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiencies identified, but not considered to be material weaknesses?	None reported

Type of auditor's report on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or the State of Texas Single Audit Circular? No

Identification of Major Programs:

Name of Federal Program

Medicaid Title XIX

CFDA Number

93.778

Name of State Program

General Revenue (MH Adult, MH Child, MH Crisis Services, and IDD)
Psychiatric Emergency Service Center

Dollar threshold for distinguishing Type A and B programs: \$750,000-federal
\$478,716-state

Auditee qualified as a low-risk auditee? Yes

Texana Center

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016*

PART II - FINANCIAL STATEMENT FINDINGS

No financial statement findings were noted.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No federal award findings were noted.

Texana Center

*SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2016*

No prior year federal award findings were noted.

(This Page Intentionally Left Blank)

To the Board of Trustees of
Texana Center:

In planning and performing our audit of the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Texana Center (the Center) as of and for the year ended August 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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 may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

Abilene, Texas
January 20, 2017

