Texana Center

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2018

Texana Center

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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, 2018 from Eide Bailly, LLP was reviewed and approved at a meeting of the Board of Trustees held on the 23rd day of January, 2019.

DWilson

Chairperson, Board of Trustees

1/23/19

Date

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Texana Center

PRINCIPAL OFFICIALS

August 31, 2016

BOARD OF TRUSTEES

Dianne Wilson	Chairperson
Dr. Dennis Young	Vice-Chair
Anita Christensen	Secretary
Willie S. Greer	Member
Mary Rose Zdunkewicz	Member
Sue Fagan	Member
Randy Reichardt	Member
Mary desVignes-Kendrick, M.D., M.P.H., F.A.A.P	Member
John Robson	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-Patzgoc	Director of IDD Specialized Services
Shena Ureste	Director of Behavioral Healthcare Services
Sheree Prather	Director of Development & Community Relations

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Independent Auditor's Report

To the Board of Trustees
Texana Center
Rosenberg, Texas

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, 2018, 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.

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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, 2018, 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 accompanying 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 7, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Eide Bailly LLP

Abilene, Texas
January 7, 2019

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, 2018.

FINANCIAL HIGHLIGHTS

- The assets of the Center, excluding component units, exceeded its liabilities at the close of the most recent fiscal year by $32,846,057 (net position). Of this amount, $16,287,120 (unrestricted net position) may be used to meet the Center's ongoing obligations.
- The Center's total net position, excluding component units, increased by $4,175,961 for the year ended August 31, 2018.
- As of August 31, 2018, the Center's governmental funds reported an ending fund balance of $17,682,301, an increase of $3,001,989 from the prior fiscal year.
- At the end of the fiscal year, unassigned and uncommitted fund balance for the General Fund was $12,907,279, or 21.7 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, Intellectual Developmental Disability and Specialized Services.

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 44 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 47-60 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 $32,846,057 as of August 31, 2018.

The largest portion of the Center's net position 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 (49.6 percent) represents unrestricted financial resources available for future operations.

August 31, 2018 and 2017

	Governmental Activities	
	2018	**2017**
Current and other assets	$ 19,898,597	$ 17,246,455
Capital assets, net	22,657,921	22,259,757
Total Assets	42,556,518	39,506,219
Current liabilities	3,905,874	3,670,967
Long term liabilities	5,804,587	7,165,152
Total Liabilities	9,710,461	10,836,114
Net Position:		
Net investment in capital assets	16,558,937	15,474,850
Unrestricted	16,287,120	13,195,218
Total Net Position	$ 32,846,057	$ 28,670,096

Net position of the Center, all of which relate to governmental activities, increased by $4,175,961. Key elements of the increase are as follows:

CHANGES IN NET POSITION

For the Fiscal Year Ended August 31, 2018 and 2017

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 38,948,477	$ 40,212,735
Operating grants and contributions	22,030,459	18,557,792
Capital grants and contributions	425,490	1,117,356
General revenues:		
Local income	825,024	651,269
Investment income	217,456	139,276
Total Revenues	62,453,091	60,689,520
Expenses		
Behavioral Health	20,083,717	18,934,143
Intellectual Developmental Disability	26,347,462	33,840,944
Specialized Services	11,514,297	3,593,866
Interest on long-term debt	331,024	393,957
Total Expenses	58,277,930	56,272,840
Change in Net Position	4,175,961	4,416,849
Net position, beginning	28,670,096	24,253,247
Net Position, Ending	$ 32,846,057	$ 28,670,096

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, 2018, the Center's governmental funds, which consist of a general fund, reported an ending fund balance of $17,682,301 which is a increase of $3,001,889 from last year's total of $14,680,412. 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 21.7 percent of total general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund operating expenditures in 2018 were budgeted at $59.2 million, and actual expenditures incurred at August 31, 2018 were $59.5 million, or .5% higher than what had been projected for this year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Center's investment in capital assets as of August 31, 2018 amounts to $22,657,921 (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	
	2018	**2017**
Land	$ 2,681,919	$ 2,656,481
Construction on Progress	47,664	141,075
Buildings and improvements	28,074,753	26,813,217
Furniture and equipment	2,319,927	1,753,003
Vehicles	4,502,664	4,539,110
Less: accumulated depreciation	(14,969,001)	(13,645,929)
Total Capital Assets, Net	$ 22,657,921	$ 22,259,757

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, 2018, the Center had total tax-exempt bonded debt outstanding of $5,050,000. Interest expense totaled $265,781 for the 2018 fiscal year on this bonded debt. There were no new bond issues in 2018. These outstanding bonds have maturities ranging from 2019 to 2040.

Additionally, as of August 31, 2018 the Center had total notes payable outstanding of $1,048,984, which have maturity dates ranging from 2020-2031. Interest expense totaled $66,143 on these notes for the 2018 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 35.29% at August 31, 2018, which is a decrease from a rate of 37.40% a year ago.

- The original 1115 Healthcare Demonstration Waiver ended September 30, 2016 and the State of Texas is operating on a transition plan funded through September 30, 2021. Under the new terms, there are two years of level funding followed by two years of funding which will decrease each year. Though no funding is currently committed after September 30, 2021, state wide planning is currently underway for a replacement to the waiver program and there is a high level of confidence that a plan will be developed and approved to maintain funding levels.

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

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Texana Center

EXHIBIT A-1

STATEMENT OF NET POSITION
August 31, 2018

	Primary Government	Component Unit
	Governmental Activities	Crossroads Villas September 30, 2018
Assets		
Cash and cash equivalents	$ 17,846,470	$ 32,582
Accounts receivable	2,156,425	35
Due from other governments	4,728,060	5,921
Prepaid items		3,032
Inventories, at cost	155,747	
Deposits	11,895	4,015
Capital assets not being depreciated	2,729,583	
Capital assets net of accumulated depreciation	19,928,338	1,529,147
Total Assets	42,556,518	1,574,732
Liabilities		
Current Liabilities:		
Accounts payable	671,633	34,974
Accrued expenses	1,492,590	28,633
Unearned revenue	52,083	
Accrued interest payable	54,979	
Notes payable - current	169,549	
Bonds payable - current	130,000	
Accrued compensated absences - current	335,050	
Total Current Liabilities	2,905,874	63,607
Non-Current Liabilities:		
Notes payable	879,435	
Bonds payable	4,920,000	
Accrued compensated absences	1,005,153	
Total Non-Current Liabilities	6,804,588	
Total Liabilities	9,710,461	63,607
Net Position		
Net investment in capital assets	16,558,937	
Restricted for:		
Capital Projects		1,683,600
Unrestricted	16,287,120	(172,475)
Total Net Position	$ 32,846,057	$ 1,511,125

See Notes to Financial Statements.

Texana Center

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Functions/Programs	Expenses: Expenses	Expenses: Administration Allocations	Expenses: Expenses after Allocation of Administration
Primary Government			
Governmental Activities			
Behavioral Health	$ 18,366,911	$ 1,716,816	$ 20,083,727
Intellectual Developmental Disability	24,114,904	2,232,777	26,347,681
Other Services	10,537,748	976,849	11,514,597
Administration	4,926,442	(4,926,442)	
Interest on long-term debt	331,925		331,925
Total Governmental Activities	$ 58,277,930	$	$ 58,277,930
Component Unit			
Crossroads Villas, for the year ended September 30, 2018	$ 140,149	$	$ 140,149
Total Component Unit	$ 140,149	$	$ 140,149

See Notes to Financial Statements.

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Operating		Primary Government	Component Unit
	Charges for Services	Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Crossroads Villas
	$ 6,650,636	$ 15,844,078	$	$ 2,410,987	$
	22,411,760	4,313,224		377,303	
	9,886,076	1,882,157		253,636	
			423,480	423,480	
				(331,925)	
	$ 38,948,472	$ 22,039,459	$ 423,480	3,133,481	
	$ 38,192	$ 64,486	$		(37,471)
	$ 38,192	$ 64,486	$		(37,471)
General Revenues:					
Local income				825,024	10,565
Investment earnings				217,456	88
Total General Revenues				1,042,480	10,653
Change in Net Position				4,175,961	(26,818)
Net Position, Beginning				28,670,096	1,537,943
Net Position, Ending				$ 32,846,057	$ 1,511,125

Texana Center

EXHIBIT A-3

BALANCE SHEET

GOVERNMENTAL FUNDS

August 31, 2018

		General Fund		Total Governmental Funds
Assets				
Cash and cash equivalents	$	12,846,470	$	12,846,470
Accounts receivable, net of allowance of $197,484		2,156,425		2,156,425
Due from other governments		4,728,060		4,728,060
Prepaid items and other				
Deposits		11,895		11,895
Inventories, at cost		155,747		155,747
Total Assets	$	19,898,597	$	19,898,597
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$	671,633	$	671,633
Accrued expenses		1,492,580		1,492,580
Unearned revenue		52,083		52,083
Total Liabilities		2,216,296		2,216,296
Fund Balances:				
Nonspendable:				
Deposits		11,895		11,895
Inventory		155,747		155,747
Committed		4,607,380		4,607,380
Unassigned		12,907,279		12,907,279
Total Fund Balances		17,682,301		17,682,301
Total Liabilities and Fund Balances	$	19,898,597		

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.		22,657,921
Accrued interest on long-term liabilities is not payable with current financial resources and therefore not reported as a liability in the governmental funds.		(54,979)
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.		(1,340,202)
Notes payable are not due and payable in the current period and therefore are not reported in the governmental funds.		(1,048,984)
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		(5,050,000)
Net Position of Governmental Activities	$	32,846,057

See Notes to Financial Statements.

Texana Center

EXHIBIT A-4

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR EBDED AUGUST 31, 2018

	General Fund	Total Governmental Funds
Revenues:		
Local funds	$ 38,831,285	$ 38,831,285
State funds	18,050,295	18,050,295
Federal funds	5,579,575	5,579,575
Total Revenues	62,461,155	62,461,155
Expenditures:		
Current:		
Behavioral Health	17,595,727	17,595,727
Intellectual Developmental Disability	23,507,508	23,507,508
Other Services	10,178,471	10,178,471
Administration	4,884,173	4,884,173
Debt Service:		
Principal	685,894	685,894
Interest	331,925	331,925
Capital Outlay	2,275,568	2,275,568
Total Expenditures	59,459,266	59,459,266
Excess of Revenues over Expenditures	3,001,889	3,001,889
Net Change in Fund Balance	3,001,889	3,001,889
Fund Balance - September 1 (Beginning)	14,680,412	14,680,412
Fund Balance - August 31 (Ending)	$ 17,682,301	$ 17,682,301

See Notes to Financial Statements.

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, 2018

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

Net change in fund balance - governmental funds	$	3,001,889
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay $2,275,568 exceeded capital depreciation ($1,868,365) in the current period offset by loss on disposals ($9,039).		398,164
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.		685,894
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 ($1,777) and accrued compensated absences ($88,237).		90,014
Change in Net Position of Governmental Activities	$	4,175,961

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Local Sources:				
County Tax Funds	$ 678,248	$ 678,248	$ 855,024	$ 176,776
Patient Fees/Insurance	6,286,918	6,286,918	5,593,040	(693,878)
Managed Care	2,294,424	2,294,424	2,057,844	(236,580)
Miscellaneous Income	192,608	192,608	1,638,321	1,445,713
Capital Campaign			423,480	423,480
TWC - Rehabilitation	230,804	230,804	117,269	(113,535)
Medicare/Medicaid	4,702,015	4,702,015	4,243,234	(458,781)
Title XIX - HCS	12,137,895	12,137,895	11,697,403	(440,492)
Title XIX - Texas Home Living Waiver	2,125,703	2,125,703	2,109,835	(15,868)
Title XIX - ICF/IID	2,595,516	2,595,516	2,547,865	(47,651)
Title XIX - YES Waiver	43,861	43,861	49,020	5,159
1115 Waiver	5,271,761	5,271,761	6,900,727	1,628,966
Contracts	385,456	385,456	632,251	246,795
Total Local Sources	36,915,219	36,915,219	38,831,285	1,916,066
State Programs:				
HHSC - MH	12,512,580	12,512,580	13,300,733	788,153
HHSC - IDD	3,310,886	3,310,886	3,424,597	113,711
HHSC - Early Childhood Intervention	313,150	313,150	313,150	
HHSC - Autism	522,658	522,658	477,923	(44,735)
TCOOMMI Funds	509,505	509,505	533,582	24,077
Total State Programs	17,169,099	17,169,099	18,050,285	881,186
Federal Programs:				
Mental Health Block Grant	753,086	753,086	753,084	(2)
Title XX Soc. Serv. Block Grant	118,440	118,440	118,438	(2)
Title XX - TANF	261,102	261,102	261,107	5
Early Childhood Intervention	1,088,416	1,088,416	1,136,393	47,977
Medicaid - Administrative Claiming	1,677,792	1,677,792	1,707,620	29,828
HHSC - MFP	719,314	719,314	725,790	6,476
FEMA			877,133	877,133
Total Federal Programs	4,618,150	4,618,150	5,579,585	961,435
Total Revenues	58,702,468	58,702,468	62,461,155	3,758,687
EXPENDITURES:				
Personnel:				
Salaries	32,933,944	32,933,944	31,689,169	1,244,775
Employee Benefits	8,674,316	8,674,316	7,880,414	793,902
Total Personnel	41,608,260	41,608,260	39,569,583	2,038,677
Travel	512,694	512,694	485,717	26,977

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, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES (Continued):				
Consumable Items:				
Drugs	651,912	651,912	1,133,707	(481,795)
Food	319,935	319,935	304,882	15,053
Other	1,187,972	1,187,972	1,319,988	(132,016)
Total Consumable Items	2,159,819	2,159,819	2,758,577	(598,758)
Equipment and Furniture:				
Rental	158,210	158,210	156,385	1,825
Repairs and Maintenance	1,152	1,152	2,381	(1,229)
Total Equip. & Furniture	159,362	159,362	158,766	596
Building:				
Rent	410,895	410,895	433,470	(22,575)
Repairs and Maintenance	831,655	831,655	1,375,149	(543,494)
Total Building	1,242,550	1,242,550	1,808,619	(566,069)
Vehicle:				
Operating & Maintenance	429,148	429,148	463,705	(34,557)
Total Vehicle	429,148	429,148	463,705	(34,557)
Consultant/Contracts with Service Agencies:	7,656,651	7,656,651	7,855,207	(198,556)
Other:				
Telephone	568,911	568,911	588,631	(19,720)
Utilities	491,816	491,816	510,659	(18,843)
Insurance	577,373	577,373	637,153	(59,780)
Information Services	877,833	877,833	815,707	62,126
Miscellaneous	171,415	171,415	413,555	(242,140)
Total Other	2,687,348	2,687,348	2,965,705	(278,357)
Debt Service	605,572	605,572	1,017,819	(412,247)
Capital Outlay	2,106,759	2,106,759	2,275,569	(168,810)
Total Expenditures	59,168,197	59,168,197	59,459,266	(291,069)
Revenues (Under) Expenditures	(465,734)	(465,734)	3,001,889	3,457,623
Change in Fund Balance	(465,734)	(465,734)	3,001,889	3,457,623
Fund Balance - Beginning	14,680,412	14,680,412	14,680,412	
Fund Balance - Ending	$ 14,214,678	$ 14,214,678	$ 17,682,301	$ 3,457,623

See Notes to Financial Statements.

Texana Center

EXHIBIT A-7

STATEMENT OF FIDUCIARY NET POSITION
August 31, 2018

	Client Agency Fund
Assets	
Cash and cash equivalents	$ 138,771
Total Assets	$ 138,771
Liabilities	
Due to clients	$ 138,771
Total Liabilities	$ 138,771

See Notes to Financial Statements.

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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 intellectual developmental disability (IDD) 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, 2018. 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 form 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 appropriable 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, 2018, the Center did not own any types of securities other than those permitted by statute.

2. Accounts Receivable

Patient Receivables

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, 2018, accounts receivable due from insurance carriers amounted to $1,217,708, with an allowance of $197,484.

Grant Receivables

Grant receivables represent contractual exchange transactions that are recognized as revenue as the services are performed or nonexchange operational grants. Management has not recorded an allowance on grants receivable as amounts are expected to be fully collected within the year.

3. Revenues

Net Patient and Client Service Revenue

The Center has agreements with third-party payors that provide for payments to the Center at contractually agreed upon rates. Net patient and client service revenue is reported at the estimated net realizable amounts from patients, clients, and third-party payors, and others for services rendered. The Center also entered into payment agreements with Medicare, certain commercial insurance carriers (managed care organizations) and other organizations. The basis for payment under these agreements is mostly based on fee for service arrangements. For uninsured patients, the Center recognizes revenue on the basis of its standard rates for services provided, adjusted for the minimum monthly fee provisions as mandated by the state of Texas. Revenue from Medicaid Waiver programs (such as 1115, Home Community Services, Texas Home Living, YES) are recognized when services are rendered. These programs are billed based on state negotiated rates.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Grants

The Center receives grants from private organizations and state and federal agencies. Revenues from grants are recognized when all eligibility requirements, including time requirements are met.

Other Revenues

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

3. Prepaid Items

Payments to vendors for services that will benefit periods beyond August 31, 2018 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:

Asset Description	Years
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 $2,340,202 at August 31, 2018.

8. <u>Source of Funds</u>

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. <u>Fund Equity</u>

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. <u>Tax-Exempt Status</u>

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. <u>Use of Estimates</u>

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 those estimates.

<u>NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY</u>

<u>Budgetary Information</u>

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. For the year ended August 31, 2018, actual expenditures exceeded budgeted expenditures by $291,074. Fund balance was available to cover the increase in expenditures.

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, 2018 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:

	Fair Value	Weighted Average Maturity (Days)
LOGIC	$ 120,719	34
TexPool	30,609	26
TexPool Prime	12,108,083	32
Total Investments	12,259,411	
Investments classified as cash equivalents	(12,259,411)	
Total Investments per Statement of Position	$ -	

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, 2018, 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:

	Amount
Local Funds	
HCS	$ 1,057,820
ICF-IDD	330,372
MAC	1,507,023
State Funds	
HHSC - PPB	714,780
HHSC - MHFA	96,000
HHSC - Autism	65,564
HHSC - SB 292	20,620
HHSC - Early Childhood Intervention	412
TCOOMMI	85,368
Federal Funds	
HHSC - MFP Funds	106,735
FEMA	737,357
Total	$ 4,728,060

C. Capital Assets

A summary of changes in the primary government's capital assets for the year ended August 31, 2018, is as follows:

	Primary Government			
	Balance Sept. 1, 2017	Increases	(Decreases)	Balance Aug. 31, 2018
Governmental Activities:				
Non-depreciable Assets:				
Land	$ 2,638,491	$ 23,428	$	$ 2,661,919
Construction in Progress	$ 161,975	$ 15,083	$ (139,344)	$ 67,614
Total Non-depreciable Assets	2,800,455	60,471	(139,344)	2,729,533
Depreciable Assets				
Buildings and improvements	26,813,117	1,257,673	(6,057)	28,074,753
Furniture and equipment	1,733,003	[illegible]		[illegible]
Vehicles	4,559,113	511,845	(548,255)	4,502,654
Total Depreciable Assets	33,105,233	2,345,441	(554,332)	34,897,339
Less accumulated depreciation:				
Buildings and improvements	(9,656,115)	(1,233,971)	706	(9,889,391)
Furniture and equipment	(1,477,385)	(127,416)		([illegible])
Vehicles	(3,572,427)	(505,578)	544,587	(3,534,018)
Total Accum. Depreciation	([illegible])	(1,868,365)	545,293	(14,909,001)
Total Depreciable Assets, Net	19,459,331	473,076	(9,039)	19,978,338
Totals	$ 22,259,757	$ 543,547	$ (148,383)	$ 22,657,921

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

Governmental Activities:		
Behavioral Health	$	771,185
Developmental Disability		932,307
Early Childhood Intervention		34,368
Administration		130,505
Total Governmental Activities Depreciation Expense	$	1,868,365

A summary of changes in the discretely presented component unit (Crossroads Villas) capital assets for the year ended August 31, 2018, is as follows:

	Discretely Presented Component Unit			
	Balance Sept. 1, 2017	Increases	(Decreases)	Balance Sep. 30, 2018
Business-type Activities:				
Depreciable Assets:				
Buildings and improvements	$ 1,711,317	$	$	$ 1,711,317
Furniture and equipment	22,041			22,041
Total Depreciable Assets	1,733,358			1,733,358
Less accumulated depreciation	([illegible])	(44,670)		([illegible])
Totals	$ 1,575,817	$ (44,670)	$	$ 1,529,147

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, 2018 was $443,470. 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
2019	$ 437,021
2020	336,583
2021	197,9[illegible]
2022	160,042
2023	138,823
2024	34,267
	$ 1,306,680

E. Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the Center for the year ended August 31, 2018:

	Balance Sept. 1, 2017	Additions	Reductions	Balance August 31, 2018	Amounts Due within One Year
Notes payable	$ 1,609,877	$	$ (560,894)	$ 1,048,983	$ 169,349
Bonds payable	5,175,000		(125,000)	5,050,000	130,000
Compensated absences	1,428,439		(88,237)	1,340,202	335,050
Total	$ 8,213,316	$	$ (774,131)	$ 7,439,185	$ 634,399

Bonds and notes payable at August 31, 2018, 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, 2018, the outstanding principal on the bonds is $5,050,000.

Notes payable:

In October 2006, the Center entered into a $152,150 note payable to Prosperity Bank to purchase a Group Home for IDD 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, 2018, the note has an outstanding balance of $86,200.

In April 2007, the Center entered into a $204,277 note payable to Prosperity Bank to purchase a Learning Center for IDD Day Habilitation Services. The note carries an interest rate of 5.00% and is payable in four monthly interest only payments followed by principal and interest payments of $1,369 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, 2018, the note has an outstanding balance of $114,116.

In July 2008, the Center entered into a $161,500 note payable to Prosperity Bank to purchase a Group Home for IDD 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, 2018, the note has an outstanding balance of $106,650.

In February 2010, the Center entered into a $126,400 note payable to Prosperity Bank to purchase a Group Home for IDD 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, 2018, the note has an outstanding balance of $68,586.

In February 2010, the Center entered into a $112,800 note payable to Prosperity Bank to purchase a Group Home for IDD 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, 2018, the note has an outstanding balance of $61,210.

In March 2010, the Center entered into a $165,000 note payable to Prosperity Bank to purchase a Group Home for IDD 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, 2018, the note has an outstanding balance of $90,513.

In July 2011, the Center entered into a $156,000 note payable to Prosperity Bank to purchase a Group Home for IDD 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, 2018, the note has an outstanding balance of $96,553.

In December 2014, the Center entered into a $161,000 note payable to Prosperity Bank to purchase a Group Home for IDD 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, 2018, the note has an outstanding balance of $133,575.

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, 2018, the note has an outstanding balance of $127,983.

In November 2016, the Center entered into a $176,000 note payable to Prosperity Bank to purchase a Group Home for IDD Residential Services. The note carries an interest rate of 4.99% and is payable in principal and interest payments of $1,397 per month, with principal and remaining interest due on maturity. The note matures on November 21, 2031 and is secured by a deed of trust on real estate. As of August 31, 2018, the note has an outstanding balance of $161,597.

The annual requirements for repayment of principal and interest on the bonds and notes payable outstanding as of August 31, 2018, are as follows.

Year Ending August 31,	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest
2019	130,000	257,044	169,549	51,147
2020	135,000	251,247	133,172	43,601
2021	145,000	245,122	94,960	38,900
2022	150,000	238,085	100,419	32,530
2023	155,000	230,234	106,198	26,773
2024-2028	910,000	1,018,426	377,600	55,686
2029-2033	1,175,000	750,705	67,085	4,509
2034-2038	1,525,000	398,343		
2039-2040	725,000	38,456		
	$ 5,050,000	$ 3,427,662	$ 1,048,983	$ 252,274

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 2018. 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, 2018. Subsequent to year end, the Center did not renew the line of credit.

In December, 2018, subsequent to year end, the Center entered into a $4,200,000 note payable to Prosperity Bank to construct an office building at 2330 Graeber Road in Rosenberg. The note is (1) 12 months at 5.25% fixed interest only during construction phase; (2) term loan at 5.25% fixed for 36 months on a 15 year amortization, then 144 months floating adjusted daily to WSJP + .50% with a floor of 4.99%. The note matures on December 18, 2034.

F. Retirement 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, 2018, contributions from the employer and employees were $1,193,165 and $795,464, respectively. Total plan assets, including loans, as of August 31, 2018 are $21,516,180.

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 Health and Human Services Commission (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. The following table lists revenues that individually represent greater than 10% of the Center's total revenue:

HCS	$11,697,403
1115 Waiver	$6,900,727
HHSC – MH and IDD	$17,857,959

K. Hurricane Harvey

During the year ended August 31, 2018, the Center received $835,719 in insurance proceeds related to damage sustained from Hurricane Harvey which struck the area in August of 2017. The insurance proceeds are reported as miscellaneous revenues in the budget to actual schedule and not amounts were included in the budget. The Center also received $877,133 from the Federal Emergency Management Agency related to Hurricane Harvey.

L. Committed Funds

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

Learning Center - Rosenberg Art/Parents	$	5,224
Learning Center - El Campo Parents		3,676
Buildings		1,800,000
Electronic Health Record		1,289,085
Fulshear Capital Campaign		1,509,395
	$	4,607,380

M. 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 $2,822,954. 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.

N. Medicaid 1115 Waiver:

The State of Texas was originally approved for a five-year Medicaid demonstration waiver that would enable hospitals and other providers to earn up to $11.4 billion in funds for Delivery System Reform Incentive Payment (DSRIP) projects. DSRIP projects are designed to improve Texas' health care delivery system, including access to care, quality of care, and health outcomes. Texas has allocated 14% of the DSRIP funds to the community mental health centers that serve mentally ill Medicaid and indigent patients throughout the state. The original demonstration waiver ended September 30, 2016 and the State of Texas is operating on a transition plan funded through September 30, 2021. Under the new terms, there are two years of level funding followed by two years of funding which will decrease each year. There is no funding committed after September 30, 2021. State wide planning is currently underway for a replacement to the waiver program.

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

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

Texana Center

EXHIBIT B-1

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
AUGUST 31, 2018

Governmental Funds Capital Assets:	
Land	$ 2,681,919
Construction on Progress	47,664
Buildings and improvements	28,074,753
Furniture and equipment	2,319,922
Vehicles	4,502,664
Total Governmental Funds Capital Assets	$ 37,626,922

Investment in Governmental Funds Capital Assets by Source:	
General Fund	$ 37,626,922
Total Investment in Governmental Funds Capital Assets	$ 37,626,922

Texana Center

EXHIBIT B-2

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
AUGUST 31, 2018

Function	Land	Construction in Progress	Buildings and Improvements	Furniture and Equipment	Vehicles	Total
Behavioral Health	$ 513,388	$	$ 11,065,572	$ 900,475	$ 1,529,139	$ 14,008,576
Developmental Disability	2,168,531	47,664	14,936,115	572,017	2,712,541	20,437,868
Early Childhood Intervention			812,706			812,706
Administrative			1,260,359	846,629	260,984	2,367,972
Total Governmental Capital Assets	$ 2,681,919	47,664	$ 28,074,753	$ 2,319,122	$ 4,502,664	$ 37,626,122

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, 2018

Function	Governmental Funds Capital Assets September 1, 2017	Additions and Transfers	Retirements and Transfers	Governmental Funds Capital Assets August 31, 2018
Behavioral Health	$ 12,352,437	$ 1,690,517	$ (34,377)	$ 14,008,576
Developmental Disability	20,443,378	634,016	(629,726)	20,437,668
Early Childhood Intervention	812,137	570		812,706
Administrative	2,297,736	89,807	(19,571)	2,367,972
Total Governmental Funds Capital Assets	$ 35,905,686	$ 2,414,912	$ (683,675)	$ 37,626,922

STATISTICAL SECTION

Texana Center

EXHIBIT C-1

SCHEDULE OF REVENUE AND EXPENDITURES BY SOURCE OF FUNDS
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013
(UNAUDITED)

Fund Source	Total Revenue	Total BH Adult Expend.	Total BH C&A Expend.	Total BH Crisis Expend.	Total IDD Expend.	Total Other Expend.	Total Center Expend.	Excess Rev. Over Expend.
Objects of Expense:								
Personnel	$ 28,629,722	$ 5,535,091	$ 2,698,230	$ 1,360,041	$ 12,354,318	$ 6,746,878	$ [illegible]	$
Employee Benefits	7,152,685	1,172,523	515,055	275,828	3,431,161	1,727,309	7,152,685	
Professional Contract Services	7,840,837	785,018	254,635	1,384,405	4,500,606	316,710	7,840,837	
Training and Travel	475,165	77,124	47,490	25,000	144,667	181,005	475,165	
Debt Service	909,517				472,570	436,947	909,517	
Capital Outlay	2,185,761	968,012	510,186	235,400	325,992	206,260	2,185,761	
Non-Capitalized Equipment	80,953	28,713	10,877	7,065	15,998	9,095	80,953	
Pharmaceutical Expense	1,123,530	916,361				207,169	1,123,530	
PAP Expense	2,822,954	2,555,617				267,337	2,822,954	
Other Operating Expense	6,126,013	1,150,500	506,236	377,537	3,097,510	1,010,028	6,126,013	
Allocation of G&A	4,973,903	804,107	473,854	378,209	2,290,356	926,089	4,973,903	
Total Expenditures	$ 62,232,220	$ 13,997,727	$ 5,024,025	$ 4,438,135	$ 26,724,904	$ 12,033,509	$ 62,232,220	
Method of Finance:								
General Revenue								
HHSC - BH	$ 13,223,218	$ 7,615,106	$ 1,738,754	$ 3,869,183	$	$	$ 13,223,218	$
HHSC - IDD	3,474,596				3,474,596		3,474,596	
Mental Health Block Grant	753,084	555,391	197,693				753,084	
SS Block Grant/TANF	379,545	164,574	214,971				379,545	
Medicaid Waivers and ICF IID	16,390,093		40,020		16,350,073		16,390,093	
Other Federal Funds	14,453,514	1,819,157	1,005,145		5,830,041	3,824,040	12,653,478	1,800,036
Other State Agencies	2,046,010	444,301	130,990		102,905	1,002,137	2,046,010	
Required Local Match	1,993,348	503,776	1,222,402		267,080		1,993,348	
PAP Medications	2,822,954	2,555,617				267,337	2,822,954	
Add'l Local Fund Match	9,170,614	139,175	410,252	773,912	690,255	5,561,245	7,926,811	1,201,803
Total Expended Sources	$ 65,206,108	$ 13,997,727	$ 5,024,025	$ 4,438,135	$ 26,724,904	$ 12,033,509	$ 62,232,220	$ 3,001,838

Texana Center

RECONCILIATION OF TOTAL REVENUES TO FOURTH QUARTER FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018
(UNAUDITED)

	Revenues			
	Care Report III	Additions	Deletions	Audited Financial Statements
Local Sources:				
County Tax Funds	$ 825,024	$	$	$ 825,024
Patient Fees/Insurance	7,650,885			7,650,885
Miscellaneous Income	2,656,053			2,656,053
Patient Assistance Program	2,822,954		(2,822,954) (a)	
TWC - Rehab	117,269			117,269
Medicare/Medicaid	11,142,961			11,142,961
Title XIX - HCS	11,097,403			11,097,403
Title XIX - Texas Home Living Waiver	2,109,005			2,109,005
Title XIX - ICF	2,542,865			2,542,865
YES Waiver	49,020			49,020
Total Local Sources	41,654,239		(2,822,954)	38,831,285
State Programs:				
General Revenue - BH	13,300,733			13,300,733
General Revenue - IDD	3,424,586	1 (b)		3,424,587
TCOOMMI Funds	533,593		(1) (b)	533,592
Early Childhood Intervention	313,460			313,460
HHSC - Autism	477,923			477,923
Total State Programs	18,050,295	1	(1)	18,050,295
Federal Programs:				
Mental Health Block Grant	753,004			753,004
Title XX Soc Services Block Grant	118,438			118,438
Title XX - TANF	261,107			261,107
Money Follows the Person	725,740			725,740
Medicaid - Administrative Claiming	1,707,680			1,707,680
Early Childhood Intervention	1,136,393			1,136,393
Federal Emergency Management Agency	877,133			877,133
Total Federal Programs	5,579,575			5,579,575
Total Revenues	$ 65,284,109	$ 1	$ (2,822,955)	$ 62,461,155

(a) Remove PAP Contributions
(b) Rounding

Texana Center

RECONCILIATION OF TOTAL EXPENDITURES TO FOURTH QUARTER FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018
(UNAUDITED)

Exhibit C-2
Page 2 of 2

	Expenditures							
Function		Core Report III		Additions		Deletions		Audited Financial Statements
Personnel	$	31,689,169	$		$		$	31,689,169
Employee Benefits		7,680,413		1 (b)				7,680,414
Professional Contract Services		7,956,070		9,137 (c)				7,965,207
Training and Travel		485,716		1 (b)				485,717
Debt Service		930,091		87,728 (c)				1,017,819
Capital Outlay		2,275,569						2,275,568
Non-Capitalized Equipment		107,434				(107,434) (c)		
Pharmaceutical Expense		1,173,536		10,177 (c)				[illegible]
Patient Assistance Program Expense		2,822,954				(2,822,954) (a)		
Other Operating Expenses		7,020,275				1,390 (c)		7,021,665
Total Expenditures	$	62,281,220	$	107,044	$	(2,926,993)	$	59,459,266

(a) Remove PAP Contributions
(b) Rounding
(c) Reclassification for audited financial statement purposes

Texana Center

EXHIBIT C-3

SCHEDULE OF INDIRECT COSTS
FOR THE YEAR ENDED AUGUST 31, 2018
(UNAUDITED)

	Total Costs	Non-Allowable Costs	Depreciation	Total Adjusted Costs	Direct Costs	Indirect Costs
Salaries	$ 31,689,169	$	$	$ 31,689,169	$ 28,639,722	$ 3,049,447
Employee Benefits	7,880,414			7,880,414	7,152,887	727,527
Capital Outlay	2,275,568	(2,275,568)				
Debt Service - Principal	685,895	(685,895)				
Depreciation			1,868,365	1,868,365	1,737,860	130,505
Other Operating Expend.	16,928,220	(335,155)		16,593,065	15,507,440	1,085,625
Total Expenditures	$ 59,459,266	$ (3,296,618)	$ 1,868,365	$ 58,031,013	$ 53,037,909	$ 4,993,104

Computation of Indirect Cost Rate for the Year Ended August 31, 2018

Indirect Costs	4,993,104
Direct Costs	53,037,909
Indirect Cost Rate	9.41%

Texana Center

SCHEDULE OF LEASES
FOR THE YEAR ENDED AUGUST 31, 2018
(UNAUDITED)

Lessor or Other Part to Contract	Location	Monthly Amount	Period Covered	
			Start Date	End Date
Group Homes				
John Schmermund	1305 Ward Road, Sealy (Ends 10/1/17)	$ 1,350	4/1/2016	10/1/2017
ARC of Fort Bend County	8413 Brazos Glen, Richmond	1,100	8/31/2016	8/31/2020
ARC of Fort Bend County	5141 Cotter Lane, Rosenberg (Ends 9/30/18)	1,100	8/31/2016	9/30/2018
ARC of Fort Bend County	6623 Grant Drive, Richmond (Ends 2/28/18)	1,200	9/1/2016	2/28/2018
Wharton ARC	509 1/2 Sunset, Wharton	1,500	9/1/2016	8/31/2021
ARC of Fort Bend County	5518 Wagon Wheel, Rosenberg (Ends 11/30/18)	1,200	9/1/2016	11/30/2018
ARC of Fort Bend County	2402 Rustic Trail, Richmond	1,300	2/1/2016	1/31/2020
Angela Maxwell	204 Briar Circle, Sealy (Ends 10/1/17)	1,200	7/1/2014	10/1/2017
Wayne Allen	722 Old Caney Road, Wharton	1,575	9/1/2016	8/31/2020
Gerald Pinto	2819 S. Blue Meadow, Sugar Land	1,925	9/1/2015	10/31/2017
Texana Facilities				
Wharton ARC	1017 1/2 Alabama Rd., Wharton	1,200	9/1/2016	8/31/2020
ARC of Fort Bend County	2715 Cypress Point, Missouri City	6,800	2/1/2014	1/31/2019
130 Industrial L.P.	130 Industrial Ste 360, Sugar Land	1,074	9/1/2017	9/6/2019
130 Industrial L.P.	130 Industrial Ste 200, Sugar Land	11,422	7/1/2014	11/30/2023
Ward Real Estate, Inc.	3636 Avenue F, Bay City (Ends 2/28/18)	1,950	2/14/2017	2/14/2018
Colorado County	1063 Old Altair Road, Altair	1,500	10/1/2016	month to month
Parkway Fellowship of Katy	27043 FM 1093 Road, Richmond	200	3/6/2017	3/6/2019
Copy Machines				
Canon Financial Solutions	4706 Airport Ave, Rosenberg - ECI	625	8/4/2014	8/3/2018
Canon Financial Solutions	4910 Airport, Rosenberg - Building 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 - Building A	83	7/16/2014	7/16/2018
Canon Financial Solutions	4910 Airport, Rosenberg - Building D	87	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 - Building G	485	7/16/2014	7/16/2018
Canon Financial Solutions	130 Industrial Blvd, Suite 200, Sugarland	535	7/16/2014	7/16/2018
Canon Financial Solutions	4706 Airport Avenue, Rosenberg - Building A	475	8/29/2014	8/29/2018
Canon Financial Solutions	3007 N. Richmond Road, Wharton	325	9/24/2014	1/31/2018
Canon Financial Solutions	3007 N. Richmond Road, Wharton	180	10/1/2015	1/31/2018
Canon Financial Solutions	3007 N. Richmond Road, Wharton	180	10/1/2015	1/31/2018
Canon Financial Solutions	3007 N. Richmond Road, Wharton	180	10/1/2015	1/31/2018
Canon Financial Solutions	1460 Walnut Street, Columbus	197	6/9/2016	1/31/2018
Canon Financial Solutions	130 Industrial Blvd, Ste 200, Sugarland	70	10/27/2014	7/1/2018
Canon Financial Solutions	4706 Airport, Rosenberg - Building A	82	7/16/2014	10/1/2018
Canon Financial Solutions	4706 Airport Avenue, Rosenberg - Building C	419	1/28/2015	1/28/2019
Canon Financial Solutions	1017 1/2 Alabama Road, Wharton	180	10/1/2015	10/1/2019

Texana Center

SCHEDULE OF LEASES
FOR THE YEAR ENDED AUGUST 31, 2018
(UNAUDITED)

Lessor or Other Part to Contract	Location	Monthly Amount	Period Covered Start Date	End Date
Copy Machines (cont'd)				
Canon Financial Solutions	2535 Cordes Drive, Sugar Land	$ 180	10/1/2015	10/1/2019
Canon Financial Solutions	2535 Cordes Drive, Sugar Land	180	10/1/2015	10/1/2019
Canon Financial Solutions	4706 Airport Avenue, Rosenberg - Building A	180	10/1/2015	10/1/2019
Canon Financial Solutions	4706 Airport Avenue, Rosenberg - Building A	180	10/1/2015	10/1/2019
Canon Financial Solutions	4706 Airport Avenue, Rosenberg - Building B	180	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport Avenue, Rosenberg - Building A	180	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport Avenue, Rosenberg - Building A	180	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport Avenue, Rosenberg - Building D	180	10/1/2015	10/1/2019
Canon Financial Solutions	4706 Airport Avenue, Rosenberg - Building A	202	10/1/2015	10/1/2019
Canon Financial Solutions	2715 Cypress Point Drive, Missouri City	224	10/1/2015	10/1/2019
Canon Financial Solutions	1818 Collins Road, Richmond	224	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport Avenue, Rosenberg - Building A	224	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport Avenue, Rosenberg - Building F	233	6/9/2016	6/9/2020
Canon Financial Solutions	4910 Airport Avenue, Rosenberg - Building D	233	6/9/2016	6/9/2020
Canon Financial Solutions	4706 Airport Avenue, Rosenberg - Building A	233	6/9/2016	6/9/2020
Canon Financial Solutions	4910 Airport Avenue, Rosenberg - Building B	233	6/9/2016	6/9/2020
Canon Financial Solutions	400 Avenue F, Bay City	211	6/9/2016	6/9/2020
Canon Financial Solutions	708 Avenue I, El Campo	85	6/9/2016	6/9/2020
Canon Financial Solutions	4910 Airport Ave Bldg A, Rosenberg, Mailroom	79	11/1/2016	11/1/2020
Canon Financial Solutions	HWY 90, Eagle Lake	151	10/1/2016	10/1/2020
Canon Financial Solutions	123 W First St, El Campo	151	10/1/2016	10/1/2020
Canon Financial Solutions	5311 Avenue N, Rosenberg	294	10/1/2016	10/1/2020
Canon Financial Solutions	5311 Avenue N, Rosenberg	294	10/1/2016	10/1/2020
Canon Financial Solutions	400 Ave F, Bay City (Front Office)	211	10/18/2016	10/18/2020
Canon Financial Solutions	27043 FM 1093, Richmond	78	4/18/2017	4/18/2021
Canon Financial Solutions	4910 Airport Ave Bldg A (Front Office)	80	11/1/2017	10/31/2021
Canon Financial Solutions	4910 Airport Ave Bldg A (Front Office)	80	11/1/2017	10/31/2021
Canon Financial Solutions	1460 Walnut, Columbus	229	2/1/2018	1/31/2022
Canon Financial Solutions	3007 N Richmond Rd, Wharton	229	2/1/2018	1/31/2022
Canon Financial Solutions	3007 N Richmond Rd, Wharton	229	2/1/2018	1/31/2022
Canon Financial Solutions	3007 N Richmond Rd, Wharton	229	2/1/2018	1/31/2022
Canon Financial Solutions	4910 Airport Ave Bldg F, Rosenberg	60	7/1/2018	6/30/2022
Canon Financial Solutions	4706 Airport Ave Bldg A (Downstairs)	325	7/1/2018	6/30/2022
Canon Financial Solutions	535 FM359 S, Brookshire	164	7/1/2018	6/30/2022
Canon Financial Solutions	4910 Airport Ave Bldg G, Rosenberg	325	7/1/2018	6/30/2022
Canon Financial Solutions	4910 Airport Ave Bldg F, Rosenberg	99	7/1/2018	6/30/2022
Canon Financial Solutions	4706 Airport Ave Bldg A (SCI)	99	7/1/2018	6/30/2022
Canon Financial Solutions	130 Industrial Blvd, Sugar Land	325	7/1/2018	6/30/2022
Canon Financial Solutions	4706 Airport Ave Bldg A (NO CHARGE LEASE)	-	10/8/2018	10/7/2020

Texana Center

SCHEDULE OF LEASES
FOR THE YEAR ENDED AUGUST 31, 2018
(UNAUDITED)

Lessor or Other Part to Contract	Location	Monthly Amount	Period Covered Start Date	End Date
Mailing Equipment				
Pitney Bowes	4910 Airport, Bldg. G, Rosenberg, Texas	$ 205	3/30/2018	3/29/2019
Pitney Bowes	4911 Airport, Bldg. G, Rosenberg, Texas	251	3/30/2019	3/29/2020
Automobiles				
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DCXHS776860	477	9/27/2016	8/5/2018
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DCXHS776506	477	9/27/2016	10/5/2018
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC9HS774744	477	9/27/2016	8/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC4HS774019	477	9/27/2016	8/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC2HS776948	477	9/27/2016	8/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC8HS776498	477	9/27/2016	8/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC6HS773454	477	9/27/2016	8/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC1HS774365	477	9/27/2016	8/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC0HS773180	477	9/27/2016	8/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC6HS775060	477	9/27/2016	8/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC3HS775890	477	9/27/2016	8/26/2020
Enterprise FM Trust	2017 Nissan Altima White 1N4AL3AP9HN310239	314	10/31/2016	10/30/2020
Enterprise FM Trust	2017 Nissan Sentra 3N1AB7AP9HY210715	273	1/4/2018	1/3/2022

Texana Center

EXHIBIT C-5

SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED AUGUST 31, 2018
(UNAUDITED)

General Liability		
Insurer: Texas Council Risk Management Fund		
Policy Period: 09/01/17 - 08/31/18		
Coverage:		
Per Occurrence Limit of Liability and Annual Aggregate	$	400,000
Deductible		1,000
Automobile Liability		
Insurer: Texas Council Risk Management Fund		
Policy Period: 09/01/17 - 08/31/18		
Coverage:		
Per Occurrence Limit of Liability and Annual Aggregate		400,000
Deductible		1,000
Professional Liability		
Insurer: Texas Council Risk Management Fund		
Policy Period: 09/01/17 - 08/31/18		
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: 09/01/17 - 08/31/18		
Coverage:		
Per Occurrence Limit of Liability and Annual Aggregate		1,000,000
Deductible		1,000
Property		
Insurer: Texas Council Risk Management Fund		
Policy Period: 09/01/17 - 08/31/18		
Coverage:		
Blanket Limit Each Occurrence		40,803,528
Blanket Per Occurrence Deductible		5,000
Automobile Physical Damage		
Insurer: Texas Council Risk Management Fund		
Policy Period: 09/01/17 - 08/31/18		
Coverage Basis is Scheduled; Deductible Varies by Vehicle		
Crime Coverage		
Insurer: Texas Council Risk Management Fund		
Policy Period: 09/01/17 - 08/31/18		
Per Occurrence Limit of Liability		10,000
Deductible		1,000
Workers Compensation		
Insurer: Texas Municipal League		
Policy Period: 09/01/17 - 08/31/18		
Coverage: Statutory		
Windstorm and Hail		
Insurer: Texas Windstorm Insurance Association		
Policy Period: 09/01/17 - 08/31/18		
Coverage		669,966
Deductible		6,699
Information Security and Privacy Insurance with Breach Response Services		
Insurer: Lloyds of London Beazley Syndicate		
Policy Period: 09/01/17 - 08/31/18		
Coverage:		
Policy Aggregate of Limit		5,000,000
Regulatory Defense and Penalties Sublimit		5,000,000
PCI Fines, Expenses and Costs Sublimit		5,000,000

Texana Center

EXHIBIT C-6

SCHEDULE OF PROFESSIONAL AND CONSULTING FEES
FOR THE YEAR ENDED AUGUST 31, 2018
(UNAUDITED)

Name	City	Type of Service	Amount
BSA Architects, Inc.	Sugar land	Architectural	$ 345,233
Ray and Hollington Architects	Alpine	Architectural	15,145
Davis Kinard & Co CPA	Abillene	Financial Audit	9,700
Eide Bailly LLP	Abillene	Financial Audit	22,750
JSA Health LLC	Houston	Medical	281,013
Rafael Guerro, MD	Katy	Medical	7,875
Jan Robinson, RN	Kyle	Nursing	42,798
Oakbend Medical Group	Richmond	Medical	5,500
Carlos D Zorilla, MD	Sugar Land	Medical	175
Deborah Grossell, PhD, BCBD-D	Spring	Psychological Consult	160
Afia, Inc.	Ann Arbor	EHR Vendor Selection	50,866

Texana Center

EXHIBIT C-7

SCHEDULE OF LEGAL SERVICES
FOR THE YEAR ENDED AUGUST 31, 2018
(UNAUDITED)

Name	City	Type of Service	Amount	
Chamberlain, Hrdlicka, White, Williams & Aughtry	Houston	Legal	$	634
David W. Kiatta	Sugar Land	Legal		2,663
Lewis Brisbois Bisgaard & Smith LLP	Los Angeles	Legal		1,918
Orrick, Herrington & Sutcliffe LLP	San Francisco	Legal		5,000

SINGLE AUDIT SECTION

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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
Rosenberg, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2018, 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 7, 2019.

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.

Eide Bailly LLP

Abilene, Texas
January 7, 2019

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:
Rosenberg, Texas

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, 2018. 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.

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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, 2018.

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.

Eide Bailly LLP

Abilene, Texas
January 7, 2019

Texana Center
SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018

Program Title	Pass-Through Grantor's Number		Expenditures
State Awards:			
Texas Health & Human Services Commission - MH			
General Revenue - Mental Health Adult	529-17-0038-00002	$	7,523,205
General Revenue - Mental Health Child	529-17-0039-00002		1,755,251
General Revenue - Crisis Services	529-17-0038-00002		1,007,880
General Revenue - Psychiatric Emergency Service Center	529-17-0038-00002		1,526,303
General Revenue - Private Psychiatric Beds	529-17-0038-00002		511,000
General Revenue - Mental Health First Aid	2017-019931-001B		106,208
Senate Bill 292	HHS000134400012		67,390
Total HHSC - MH			13,300,793
Texas Health & Human Services Commission - IDD			
General Revenue - IDD	529-18-0051-00001		2,428,001
Permanency Planning	529-18-0051-00001		47,561
CLOIP	529-18-0051-00001		302,042
IDD Crisis Intervention Specialists	529-18-0051-00001		198,374
IDD Crisis Respite Services	529-18-0051-00001		155,612
Nursing Facility PASRR Service Coordination	529-18-0051-00001		194,720
Nursing Facility PASRR Specialized Services - Form 1046	529-18-0051-00001		78,319
Total HHSC - IDD			3,424,597
Texas Health & Human Services Commission - ECI			
Division for Early Childhood Intervention - Intervention	538-20-01574-01		306,904
Division for Early Childhood Intervention - Respite	538-20-01574-02		6,496
Total HHSC - ECI			313,400
Texas Health & Human Services Commission - Autism	538-16-4558-00000000005		477,923
Total Texas Health & Human Services Commission			17,516,713
Total State Awards		$	17,516,713

Texana Center

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018

Program Title	Federal CFDA Number		Pass-Through Grantor's Number	Expenditures
Federal Awards:				
U.S. Department of Health and Human Services				
Passed through HHSC - MH				
Mental Health Block Grant	93.958		529-17-0038-00032	$ 753,064
Title XX Social Services Block Grant	93.667		529-17-0038-00032	118,428
Temporary Assistance for Needy Families ("TANF") - TANF Cluster	93.558,667	*	529-17-0038-00032	261,107
Passed through HHSC - ECI				
Temporary Assistance for Needy Families ("TANF") - TANF Cluster	93.558	*	530-20-01574-01	159,877
Medicaid: Title XIX - Medicaid Cluster	93.778	+	529-11-0040-00033	110,096
Passed through Texas Health & Human Services Commission				
Medicaid: Title XIX - Medicaid Cluster	93.778	+	529-09-0032-00061	1,597,584
Passed through HHSC - IDD				
PAC 304 Title XVIII	93.791		529-18-0150-00001	725,740
Total U.S. Department of Health and Human Services				3,725,906
Department of Education - Office of Special Education and Rehabilitative Services				
Passed through HHSC - ECI				
Grants for Infants and Families with Disabilities	84.181		530-20-01574-01	512,795
Grants to States - Special Education Cluster (IDEA)	84.027		530-20-01574-01	63,721
Total Department of Education				576,516
Federal Emergency Management Agency				
Passed through Texas Division of Emergency Management (TDEM)				
Public Assistance Grant, 4332, Texas Hurricane Harvey	97.036		4332DRTXP0000001	877,153
Total Federal Emergency Management Agency				877,153
Total Federal Awards				5,179,575
Total State and Federal Awards				$ 25,065,268

* Total Expenditures for TANF Cluster CFDA #93.558 is $420,984

+ Total Expenditure for Medicaid Cluster CFDA #93.778 is $1,707,680

Texana Center

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018

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/IDD 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 2018.

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.

Texana Center

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018

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 and State 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 2 CFR 200.516 or the State of Texas Single Audit Circular?	No

Identification of Major Programs:

Name of Federal Program	**CFDA Number**
Medicaid Title XIX	93.778
Federal Emergency Management Agency	97.036
Name of State Program	
General Revenue (MH Adult and IDD)	N/A
Private Psychiatric Beds	N/A

Dollar threshold for distinguishing Type A and B programs:	$750,000 - federal $525,501 - state
Auditee qualified as a low-risk auditee?	Yes

PART II - FINANCIAL STATEMENT FINDINGS

No financial statement findings were noted.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No federal or state award findings were noted.

Texana Center

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED AUGUST 31, 2018

No prior year federal or state award findings were noted

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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, 2018, 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.

Eide Bailly LLP

Abilene, Texas
January 7, 2019

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