Texana Center

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2019

Texana Center

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CERTIFICATE OF BOARD APPROVAL

I, Sue Fagan, Chairperson of the Board of Trustees of Texana Center, do hereby certify that this accompanying audit report of the fiscal year ended August 31, 2019 from Eide Bailly, LLP was reviewed and approved at a meeting of the Board of Trustees held on the 22nd day of January, 2020.

Sue Fagan

Chairperson, Board of Trustees

Jan. 22, 2020

Date

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Texana Center

PRINCIPAL OFFICIALS

August 31, 2019

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-Patagoc	Director of IDD Specialized Services
Shena Ureste	Director of Behavioral Healthcare Services
Sheree Prather	Director of Development & Community Relations

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CPAs & BUSINESS ADVISORS

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, the major fund and the aggregate remaining fund information of Texana Center (the Center) as of and for the year ended August 31, 2019, 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 unit. 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, the major fund, and the aggregate remaining fund information of the Center as of August 31, 2019, 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 the audit requirements of 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 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 a report dated January 7, 2020, 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, 2020

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, 2019.

FINANCIAL HIGHLIGHTS

- The assets of the Center, excluding component units, exceeded its liabilities at the close of the most recent fiscal year by $38,126,438 (net position). Of this amount, $18,183,382 (unrestricted net position) may be used to meet the Center's ongoing obligations.
- The Center's total net position, excluding component units, increased by $5,280,381 for the year ended August 31, 2019.
- As of August 31, 2019, the Center's governmental funds reported an ending fund balance of $19,997,699, an increase of $2,315,398 from the prior fiscal year.
- At the end of the fiscal year, unassigned and uncommitted fund balance for the General Fund was $14,748,929, or 25 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 unit 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 $38,126,438 as of August 31, 2019.

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 (47.7 percent) represents unrestricted financial resources available for future operations.

STATEMENT OF NET POSITION
For the Fiscal Year Ended August 31, 2019 and 2018

	Governmental Activities	
	2019	**2018**
Current and other assets	$ 22,353,432	$ 19,898,597
Capital assets, net	25,744,041	22,657,921
Total Assets	48,097,473	42,556,518
Current liabilities	3,391,451	2,905,874
Long-term liabilities	6,579,584	6,804,587
Total Liabilities	9,971,035	9,710,461
Net Position:		
Net investment in capital assets	19,943,056	16,558,937
Unrestricted	18,183,382	16,287,120
Total Net Position	$ 38,126,438	$ 32,846,057

Net position of the Center, all of which relate to governmental activities, increased by $5,280,381. Key elements of the increase are as follows:

CHANGES IN NET POSITION
For the Fiscal Year Ended August 31, 2019 and 2018

	Governmental Activities	
	2019	**2018**
Revenues		
Program revenues:		
Charges for services	$ 38,606,358	$ 38,948,472
Operating grants and contributions	20,894,809	22,039,459
Capital grants and contributions	869,693	423,480
General revenues:		
Local income	769,301	825,024
Investment income	395,828	217,456
Total Revenues	61,535,989	62,453,891
Expenses		
Behavioral Health	19,542,396	20,083,727
Intellectual Developmental Disability	25,196,796	26,347,682
Other Services	11,205,655	11,514,597
Interest on long-term debt	310,761	331,924
Total Expenses	56,255,608	58,277,930
Change in Net Position	5,280,381	4,175,961
Net position, beginning	32,846,057	28,670,096
Net Position, Ending	$ 38,126,438	$ 32,846,057

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, 2019, the Center's governmental funds, which consist of a general fund, reported an ending fund balance of $19,997,699 which is an increase of $2,315,398 from last year's total of $17,682,301. While the Center had approximately $900,000 less in revenue, they also were able to eliminate expenses and had $2.14 million less in expenses than in PY before capital outlay and debt service. Capital outlay was approximately $2.3 million more in FY19 than FY 18 due to the construction on the Graeber Road Building. 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 24.9 percent of total general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund operating expenditures in 2019 were budgeted at $58.3 million, and actual expenditures incurred at August 31, 2019 were $59.2 million, or 1.5% 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, 2019 amounts to $25,744,041 (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	
	2019	**2018**
Land	$ 2,681,919	$ 2,681,919
Construction in Progress	3,665,285	47,664
Software in Progress	335,041	-
Buildings and improvements	28,717,606	28,074,753
Furniture and equipment	2,399,541	2,319,922
Vehicles	4,275,018	4,502,664
Less: accumulated depreciation	(16,330,369)	(14,969,001)
Total Capital Assets, Net	$ 25,744,041	$ 22,657,921

During the current fiscal year, individually significant capital assets additions consisted of construction of the Graeber Road Building 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, 2019, the Center had total tax-exempt bonded debt outstanding of $4,920,000. Interest expense totaled $248,635 for the 2019 fiscal year on this bonded debt. There were no new bond issues in 2019. These outstanding bonds have maturities ranging from 2020 to 2040.

Additionally, as of August 31, 2019 the Center had total notes payable outstanding of $880,985, which have maturity dates ranging from 2020-2031. Interest expense totaled $63,129 on these notes for the 2019 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 34% at August 31, 2019, which is a decrease from a rate of 35.29% a year ago.

- The original 1115 Healthcare Demonstration Waiver ended September 20, 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, statewide 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, 2019

	Primary Government	Component Unit
	Governmental Activities	Crossroads Villas September 30, 2019
Assets		
Cash and cash equivalents	$ 16,469,018	$ 43,097
Accounts receivable, net	1,605,410	294
Due from other governments	4,068,394	575
Prepaid items	48,185	3,844
Inventories, at cost	148,180	
Deposits	14,245	3,575
Capital assets not being depreciated	6,682,245	
Capital assets net of accumulated depreciation	19,061,796	1,486,229
Total Assets	48,097,473	1,537,614
Liabilities		
Current Liabilities:		
Accounts payable	1,051,452	23,454
Accrued expenses	1,304,281	28,125
Construction retainage payable	364,803	
Accrued interest payable	53,739	
Notes payable - current	133,232	
Bonds payable - current	135,000	
Accrued compensated absences - current	348,944	
Total Current Liabilities	3,391,451	51,579
Non-Current Liabilities:		
Notes payable	747,753	
Bonds payable	4,785,000	
Accrued compensated absences	1,046,831	
Total Non-Current Liabilities	6,579,584	
Total Liabilities	9,971,035	51,579
Net Position		
Net investment in capital assets	19,943,056	
Restricted for:		
Capital Projects		1,683,600
Unrestricted	18,183,382	(197,565)
Total Net Position	$ 38,126,438	$ 1,486,035

See Notes to Financial Statements.

Texana Center

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2019

Functions/ Programs	Expenses	Expenses	Expenses
	Expenses	Administration Allocations	Expenses after Allocation of Administration
Primary Government			
Governmental Activities			
Behavioral Health	$ 17,787,217	$ 1,755,179	$ 19,542,396
Intellectual Developmental Disability	22,933,773	2,263,023	25,196,796
Other Services	10,199,232	1,006,424	11,205,656
Administration	5,024,625	(5,024,625)	
Interest on long-term debt	310,761		310,761
Total Governmental Activities	$ 56,255,608	$	$ 56,255,608
Component Unit			
Crossroads Villas, for the year ended September 30, 2019	$ 128,660	$	$ 128,660
Total Component Unit	$ 128,660	$	$ 128,660

See Notes to Financial Statements.

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
				Primary Government	Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Crossroads Villas
	$ 3,784,772	$ 15,361,219	$	$ (396,405)	$
	21,195,579	4,067,404		66,187	
	13,626,007	1,466,186		3,886,537	
			869,693	869,693	
				(310,761)	
	$ 38,606,358	$ 20,894,809	$ 869,693	4,115,252	
	$ 46,302	$ 54,842	$		(27,516)
	$ 46,302	$ 54,842	$		(27,516)
General Revenues:					
Local income				769,301	2,301
Investment earnings				395,828	125
Total General Revenues				1,165,129	2,426
Change in Net Position				5,280,381	(25,090)
Net Position, Beginning				32,846,057	1,511,125
Net Position, Ending				$ 38,126,438	$ 1,486,035

Texana Center

EXHIBIT A-3

BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2019

	General Fund	Total Governmental Funds
Assets		
Cash and cash equivalents	$ 16,469,018	$ 16,469,018
Accounts receivable, net of allowance of $145,415	1,605,410	1,605,410
Due from other governments	4,068,394	4,068,394
Prepaid items and other	48,185	48,185
Deposits	14,245	14,245
Inventories, at cost	148,180	148,180
Total Assets	$ 22,353,432	$ 22,353,432
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	$ 1,051,452	$ 1,051,452
Accrued expenses	1,304,281	1,304,281
Total Liabilities	2,355,733	2,355,733
Fund Balances:		
Nonspendable:		
Prepaid items and other	48,185	48,185
Deposits	14,245	14,245
Inventory	148,180	148,180
Committed	3,101,704	3,101,704
Restricted	1,936,456	1,936,456
Unassigned	14,748,929	14,748,929
Total Fund Balances	19,997,699	19,997,699
Total Liabilities and Fund Balances	$ 22,353,432	

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.	25,744,041
Accrued interest on long-term liabilities is not payable with current financial resources and therefore not reported as a liability in the governmental funds.	(53,739)
Construction retainage payable is not payable with current financial resources and therefore is not reported in the governmental funds.	(364,803)
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(1,395,775)
Notes payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(880,985)
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,920,000)
Net Position of Governmental Activities	$ 38,126,438

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, 2019

	General Fund	Total Governmental Funds
Revenues:		
Local funds	$ 38,547,693	$ 38,547,693
State funds	17,973,303	17,973,303
Federal funds	5,014,993	5,014,993
Total Revenues	61,535,989	61,535,989
Expenditures:		
Current:		
Behavioral Health	17,015,932	17,015,932
Intellectual Developmental Disability	22,328,087	22,328,087
Other Services	9,849,419	9,849,419
Administration	4,831,337	4,831,337
Debt Service:		
Principal	297,998	297,998
Interest	310,761	310,761
Capital Outlay	4,587,057	4,587,057
Total Expenditures	59,220,591	59,220,591
Excess of Revenues over Expenditures	2,315,398	2,315,398
Net Change in Fund Balance	2,315,398	2,315,398
Fund Balance - September 1 (Beginning)	17,682,301	17,682,301
Fund Balance - August 31 (Ending)	$ 19,997,699	$ 19,997,699

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, 2019

Amounts reported for governmental activities in the statement of activities (pages 17-18) are different because:		
Net change in fund balance - governmental funds	$	2,315,398
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 $4,587,057 plus construction retainage $364,803 exceeded capital depreciation ($1,835,572) in the current period offset by loss on disposals ($30,168).		3,086,120
Construction retainage payable is not payable with current financial resources and therefore not reported in the governmental funds.		(364,803)
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.		297,998
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 ($1,241) and accrued compensated absences $55,573.		(54,332)
Change in Net Position of Governmental Activities	$	5,280,381

See Notes to Financial Statements.

Texana Center

Exhibit A-6
Page 1 of 2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Local Sources:				
County Tax Funds	$ 1,022,395	$ 1,022,395	$ 953,208	$ (69,187)
Patient Fees/Insurance	6,915,527	6,915,527	6,292,465	(623,062)
Managed Care	2,270,256	2,270,256	2,174,129	(96,127)
Miscellaneous Income	319,838	319,838	668,892	349,054
Donations			899,856	899,856
TWC - Rehabilitation	134,460	134,460	88,008	(46,452)
Medicaid	4,094,172	4,094,172	4,315,152	220,980
1115 Waiver	2,555,125	2,555,125	5,689,141	3,134,016
Title XIX - HCS	11,550,949	11,550,949	11,311,849	(239,100)
Title XIX - Texas Home Living Waiver	2,011,284	2,011,284	1,985,232	(26,052)
Title XIX - ICF-IDD	2,547,306	2,547,306	2,712,021	164,715
Title XIX - YES Waiver	34,152	34,152	71,319	37,167
TCOOMMI Funds	538,673	538,673	538,518	(155)
Contracts	648,167	648,167	847,903	199,736
Total Local Sources	34,642,304	34,642,304	38,547,693	3,905,389
State Programs:				
HHSC - MH	13,411,887	13,411,887	13,569,967	158,080
HHSC - IDD	3,478,697	3,478,697	3,489,304	10,607
HHSC - Early Childhood Intervention	371,611	371,611	371,611	
HHSC - Autism	583,702	583,702	496,717	(86,985)
DFPS - Applied Behavior Analysis Services			45,704	45,704
Total State Programs	17,845,897	17,845,897	17,973,303	127,406
Federal Programs:				
Mental Health Block Grant	753,086	753,086	901,572	148,486
Title XX Soc. Serv. Block Grant	112,174	112,174	112,173	(1)
Title XX - TANF	238,988	238,988	238,989	1
Early Childhood Intervention	1,071,586	1,071,586	1,087,949	16,363
Medicaid - Administrative Claiming	1,460,618	1,460,618	2,138,132	677,514
HHSC - MFP	556,331	556,331	536,178	(20,153)
Total Federal Programs	4,192,783	4,192,783	5,014,993	822,210
Total Revenues	56,680,984	56,680,984	61,535,989	4,855,005
EXPENDITURES:				
Personnel:				
Salaries	32,413,721	32,413,721	31,476,759	936,962
Employee Benefits	8,662,182	8,662,182	7,757,739	904,443
Total Personnel	41,075,903	41,075,903	39,234,498	1,841,405
Travel	516,621	516,621	506,693	9,928

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
EXPENDITURES (Continued):				
Consumable Items:				
Drugs	696,734	696,734	402,207	294,527
Food	283,420	283,420	289,568	(6,148)
Other	1,143,593	1,143,593	1,157,606	(14,013)
Total Consumable Items	2,123,747	2,123,747	1,849,381	274,366
Equipment and Furniture:				
Rental	147,323	147,323	137,820	9,503
Repairs and Maintenance	1,236	1,236	688	548
Total Equip. & Furniture	148,559	148,559	138,508	10,051
Building:				
Lease	384,944	384,944	384,133	811
Repairs and Maintenance	1,012,674	1,012,674	874,755	137,919
Total Building	1,397,618	1,397,618	1,258,888	138,730
Vehicle:				
Operating & Maintenance	397,616	397,616	432,097	(34,481)
Total Vehicle	397,616	397,616	432,097	(34,481)
Consultant/Contracts with Service Agencies:	7,550,652	7,550,652	7,720,184	(169,532)
Other:				
Telephone	544,194	544,194	665,865	(121,671)
Utilities	489,791	489,791	486,808	2,983
Insurance	612,320	612,320	652,079	(39,759)
Information Services	842,131	842,131	862,051	(19,920)
Miscellaneous	164,416	164,416	217,723	(53,307)
Total Other	2,652,852	2,652,852	2,884,526	(231,674)
Debt Service	519,373	519,373	608,759	(89,386)
Capital Outlay	1,937,334	1,937,334	4,587,057	(2,649,723)
Total Expenditures	58,320,275	58,320,275	59,220,591	(900,316)
Revenues (Under) Expenditures	(1,639,291)	(1,639,291)	2,315,398	3,954,689
Change in Fund Balance	(1,639,291)	(1,639,291)	2,315,398	3,954,689
Fund Balance - Beginning	17,682,301	17,682,301	17,682,301	
Fund Balance - Ending	$ 16,043,010	$ 16,043,010	$ 19,997,699	$ 3,954,689

See Notes to Financial Statements.

Texana Center

EXHIBIT A-7

STATEMENT OF FIDUCIARY NET POSITION
August 31, 2019

	Client Agency Fund
Assets	
Cash and cash equivalents	$ 95,546
Total Assets	$ 95,546
Liabilities	
Due to clients	$ 95,546
Total Liabilities	$ 95,546

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 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, 2019. 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 fund:

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. Investments in public funds investment pools are not measured at fair value, but rather amortized cost.

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, 2019, the Center did not own any types of securities other than those permitted by statute.

2. Accounts Receivable

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, 2019, accounts receivable due from insurance carriers net of the allowance amounted to $438,856.

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 Home and Community-based 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.

4. <u>Prepaid Items</u>

Payments to vendors for services that will benefit periods beyond August 31, 2019 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.

5. <u>Inventories</u>

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).

6. <u>Capital Assets</u>

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 acquisition 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

7. 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.

8. Compensated Absences

The Center provides compensated absences benefits to its employees. Compensated absences are vested and, upon termination, paid at the current salary. The Center accrues its liability for such accumulated unpaid benefits in the government-wide financial statements. Actual compensated absences benefits paid during the year are recorded as expenditures in the General Fund. The Center’s liability for accrued benefits was $1,395,775 at August 31, 2019.

9. Source of Funds

Some funds from federal and other state sources represent fee for service reimbursements, as well as project grants. The funds that are specifically for individual patient service reimbursements are reported as local funds under patient fees or insurance reimbursements, identified by source as directed by the Texas Health and Human Services Commission.

10. Fund Equity

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. Amounts considered nonspendable relate to prepaid items and inventory that have already been expended and represent a portion of the fund balance that is not available for future operations. Committed fund balance represents fund balance that can be used only for the specific purposes determined by a formal action of the Board of Trustees.

11. Tax-Exempt Status

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

12. Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABLILITY

Budgetary Information

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

The Senior Leadership Team is responsible for preparing the Center’s budget required by the State for the General Fund. The proposed operating budget includes an estimate of expenditures and the revenues expected to finance such expenditures. The budget is prepared and submitted to the Board for approval each fiscal 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. The Center exceeded budgeted funds by $900,316 which will be covered with reserves.

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, 2019 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:

		Amortized Cost	Weighted Average Maturity (Days)
LOGIC	$	123,734	42
TexPool		31,321	27
TexPool Prime		15,980,227	38
Total Investments		16,135,282	
Investments classified as cash equivalents		(16,135,282)	
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, 2019, the Center's investments in TexPool and LOGIC were rated AAAm, 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 are not measured at fair value but rather measured at amortized cost 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	$ 981,811
ICF-IDD	392,320
MAC	1,411,413
State Funds	
HHSC - MHFA	47,400
HHSC - Autism	107,596
HHSC - SB 292	73,245
HHSC - Early Childhood Intervention	242,287
TCOOMMI	83,699
Federal Funds	
HHSC - MFP Funds	294,320
HHSC - MH Block Grant	276,062
HHSC - Coordinated Specialty Care	148,488
HHSC - ECI Preschool Development Grant	9,753
Total	$ 4,068,394

C. Capital Assets

A summary of changes in the primary government's capital assets for the year ended August 31, 2019, is as follows:

	Primary Government			
	Balance Sept. 1, 2018	**Increases**	**(Decreases)**	**Balance Aug. 31, 2019**
Governmental Activities:				
Non-depreciable Assets:				
Land	$ 2,681,919	$	$	$ 2,681,919
Construction in Progress	47,664	3,668,421	(50,800)	3,665,285
Software in Progress		335,041		335,041
Total Non-depreciable Assets	2,729,583	4,003,462	(50,800)	6,682,245
Depreciable Assets:				
Buildings and improvements	28,074,753	642,853		28,717,606
Furniture and equipment	2,319,922	87,179	(7,560)	2,399,541
Vehicles	4,502,664	238,998	(466,644)	4,275,018
Total Depreciable Assets	34,897,339	969,030	(474,204)	35,392,165
Less accumulated depreciation:				
Buildings and improvements	(9,889,381)	(1,281,143)		(11,170,524)
Furniture and equipment	(1,544,802)	(129,213)	7,560	(1,666,455)
Vehicles	(3,534,818)	(425,216)	466,644	(3,493,390)
Total Accum. Depreciation	(14,969,001)	(1,835,572)	474,204	(16,330,369)
Total Depreciable Assets, Net	19,928,338	(866,542)		19,061,796
Totals	$ 22,657,921	$ 3,136,920	$ (50,800)	$ 25,744,041

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

Governmental Activities:	
Behavioral Health Services	$ 771,284
Intellectual Developmental Disability Services	576,758
Specialized Services	349,809
Administration	137,721
Total Governmental Activities Depreciation Expense	$ 1,835,572

A summary of changes in the discretely presented component unit (Crossroads Villas) capital assets for the year ended August 31, 2019, is as follows:

	Discretely Presented Component Unit			
	Balance Oct. 1, 2018	**Increases**	**(Decreases)**	**Balance Sep. 30, 2019**
Component Unit:				
Depreciable Assets:				
Buildings and improvements	$ 1,711,317	$	$	$ 1,711,317
Furniture and equipment	22,041	1,600		23,641
Total Depreciable Assets	1,733,358	1,600		1,734,958
Less accumulated depreciation	(204,211)	(44,518)		(248,729)
Totals	$ 1,529,147	$ (42,918)	$	$ 1,486,229

D. Lease Obligations

The Center leases certain buildings, vehicles and equipment under short-term operating leases for varying periods. Lease expense for the year ended August 31, 2019 was $661,497. 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**
2020	$ 568,051
2021	404,972
2022	313,257
2023	222,488
2024	63,233
	$ 1,572,001

E. Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the Center for the year ended August 31, 2019:

	Balance Sept. 1, 2018	Additions	Reductions	Balance August 31, 2019	Amounts Due within One Year
Notes payable	$ 1,048,983	$	$ (167,998)	$ 880,985	$ 133,232
Bonds payable	5,050,000		(130,000)	4,920,000	135,000
Compensated absences	1,340,202	55,573		1,395,775	348,944
Total	$ 7,439,185	$ 55,573	$ (297,998)	$ 7,196,760	$ 617,176

Bonds and notes payable at August 31, 2019, 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, 2019, the outstanding principal on the bonds is $4,920,000.

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, 2019, the note has an outstanding balance of $79,927.

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 6.00% 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, 2019, the note has an outstanding balance of $103,413.

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, 2019, the note has an outstanding balance of $98,859.

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, 2019, the note has an outstanding balance of $59,670.

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, 2019, the note has an outstanding balance of $53,254.

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, 2019, the note has an outstanding balance of $78,929.

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, 2019, the note has an outstanding balance of $86,342.

In December 2014, the Center entered into a $164,000 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, 2019, the note has an outstanding balance of $124,359.

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, 2019, the note has an outstanding balance of $43,428.

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, 2019, the note has an outstanding balance of $152,804.

The annual requirements for repayment of principal and interest on the bonds and notes payable outstanding as of August 31, 2019, are as follows:

Year Ending	**Revenue Bonds**		**Notes Payable**	
August 31,	**Principal**	**Interest**	**Principal**	**Interest**
2020	135,000	251,247	133,232	43,601
2021	145,000	245,122	94,960	38,008
2022	150,000	238,088	100,419	32,550
2023	155,000	230,234	106,198	27,438
2024	165,000	221,994	112,423	21,181
2025-2029	955,000	970,404	295,733	38,200
2030-2034	1,240,000	687,638	38,020	1,942
2035-2039	1,605,000	316,181		
2040-2044	370,000	9,713		
	$ 4,920,000	$ 3,170,621	$ 880,985	$ 202,920

F. Pension Plan

The Center participates in a 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, 2019, contributions from the employer and employees were $1,190,510 and $793,673, respectively. Total plan assets, including loans, as of August 31, 2019 are $22,402,681.

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	$11,311,849	18%
Patient Fees/Insurance	6,292,465	10%
HHSC – GR- MH and IDD	18,163,517	30%

K. Committed and Restricted Funds

The Center has $1,936,456 of the general fund balance restricted related to the Fulshear Capital Campaign. In addition, the Board of Trustees has committed funds in the General Fund for the following:

Learning Center - Rosenberg Art/Parents	$	4,539
Learning Center - El Campo Parents		3,676
Learning Center - Missouri City Parents		4,404
Buildings		1,800,000
Electronic Health Record		1,289,085
	$	3,101,704

L. Patient Assistance Program for Pharmacy

The Center participated in a pharmaceutical-sponsored Patient Assistance Program, whereby the Center processes applications for medications on behalf of qualifying consumers. In addition, the Center utilizes samples provided by pharmaceutical companies in the treatment of consumers. The estimated value of the medications received through the Patient Assistance Program during the year was $3,695,595. The Center does not take ownership of these assets but rather facilitates the transfer to the end user; therefore, those benefits are not recorded on the Center's books.

M. Medicaid 1115 Waiver:

The State of Texas was 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

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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, 2019

Governmental Funds Capital Assets:	
Land	$ 2,681,919
Construction in Progress	3,665,285
Software in Progress	335,041
Buildings and improvements	28,717,606
Furniture and equipment	2,399,541
Vehicles	4,275,018
Total Governmental Funds Capital Assets	$ 42,074,410

Investment in Governmental Funds Capital Assets by Source:	
General Fund	$ 42,074,410
Total Investment in Governmental Funds Capital Assets	$ 42,074,410

Texana Center

EXHIBIT B-2

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
AUGUST 31, 2019

Function	Land	Construction and Software in Progress	Buildings and Improvements	Furniture and Equipment	Vehicles	Total
Behavioral Health	$ 513,388	$ 3,665,285	$ 11,400,905	$ 909,042	$ 1,616,221	$ 18,104,841
Developmental Disability	370,534		10,754,940	95,345	1,643,963	12,864,782
Specialized Services	1,797,997		4,750,321	517,412	777,186	7,842,916
Administrative		335,041	1,811,440	877,742	237,648	3,261,871
Total Governmental Capital Assets	$ 2,681,919	$ 4,000,326	$ 28,717,606	$ 2,399,541	$ 4,275,018	$ 42,074,410

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, 2019

Function	Governmental Funds Capital Assets September 1, 2018	Additions and Transfers	Retirements and Transfers	Governmental Funds Capital Assets August 31, 2019
Behavioral Health	$ 14,008,576	$ 4,110,949	$ (14,684)	$ 18,104,841
Developmental Disability	20,437,668	199,572	(7,772,458)	12,864,782
Specialized Services	812,706	7,046,651	(16,441)	7,842,916
Administrative	2,367,972	917,234	(23,335)	3,261,871
Total Governmental Funds Capital Assets	$ 37,626,922	$ 12,274,406	$ (7,826,918)	$ 42,074,410

STATISTICAL SECTION

Texana Center

EXHIBIT C-1

SCHEDULE OF REVENUE AND EXPENDITURES BY SOURCE OF FUNDS
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019
(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	$ 28,453,955	$ 5,911,594	$ 2,716,581	$ 1,441,891	$ 11,744,182	$ 6,639,707	$ 28,453,955	$
Employee Benefits	7,018,273	1,253,122	569,604	298,053	3,179,120	1,718,374	7,018,273	
Professional Contract Services	7,628,243	685,232	126,005	2,016,275	4,451,773	348,958	7,628,243	
Training and Travel	452,385	87,740	50,924	15,611	157,964	140,146	452,385	
Debt Service	587,648	2,815	1,618		552,867	30,348	587,648	
Capital Outlay	4,341,599	352,898	89,077	36,476	183,058	3,680,090	4,341,599	
Non-Capitalized Equipment	61,302	8,895	439	147	44,939	6,882	61,302	
Pharmaceutical Expense	386,779	277,352				109,427	386,779	
PAP Expense	3,695,595	3,342,490				353,105	3,695,595	
Other Operating Expense	5,192,506	943,612	414,043	198,812	2,750,112	885,927	5,192,506	
Allocation of G&A	5,097,901	886,769	378,345	382,061	2,198,968	1,251,758	5,097,901	
Total Expenditures	$ 62,916,186	$ 13,752,519	$ 4,346,636	$ 4,389,326	$ 25,262,983	$ 15,164,722	$ 62,916,186	
Method of Finance:								
General Revenue								
HHSC - BH	$ 13,251,026	$ 7,703,017	$ 1,743,620	$ 3,804,389	$	$	$ 13,251,026	$
HHSC - IDD	3,489,305				3,489,305		3,489,305	
Mental Health Block Grant	753,084	555,993	197,091				753,084	
Title XX Soc. Serv. Block Grant	112,173	66,902		45,271			112,173	
Title XX - TANF	238,989	35,812	203,177				238,989	
Medicaid Waivers and ICF-IID	16,080,421		71,319		16,009,102		16,080,421	
Other Federal Funds	12,678,602		1,428,729		4,733,031	6,516,842	12,678,602	
Other State Agencies	3,050,232	795,961	185,701	24,285	578,099	1,466,186	3,050,232	
Required Local Match	1,993,348	1,221,919	504,349		267,080		1,993,348	
PAP Medications	3,695,595	3,342,490				353,105	3,695,595	
Additional Local Sources	9,888,809	30,425	12,650	515,381	186,366	6,828,589	7,573,411	2,315,398
Total Expended Sources	$ 65,231,584	$ 13,752,519	$ 4,346,636	$ 4,389,326	$ 25,262,983	$ 15,164,722	$ 62,916,186	$ 2,315,398

Texana Center

RECONCILIATION OF TOTAL REVENUES TO FOURTH QUARTER FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019
(UNAUDITED)

	Revenues			
	Care Report III	**Additions**	**Deletions**	**Audited Financial Statements**
Local Sources:				
County Tax Funds	$ 953,208	$	$	$ 953,208
Patient Fees/Insurance	8,466,594			8,466,594
Miscellaneous Income	2,462,355			2,462,355
Patient Assistance Program	3,695,595		(3,695,595) (a)	
TWC - Rehab	88,008			88,008
TCOOMMI Funds	538,518			538,518
Medicaid	10,004,294		(1) (b)	10,004,293
Title XIX - HCS	11,311,849			11,311,849
Title XIX - Texas Home Living Waiver	1,985,232			1,985,232
Title XIX - ICF	2,712,021			2,712,021
YES Waiver	71,319			71,319
Total Local Sources	42,288,993		(3,695,596)	38,593,397
State Programs:				
HHSC - BH	13,718,455		(148,488) (c)	13,569,967
HHSC - IDD	3,489,304			3,489,304
HHSC - Early Childhood Intervention	371,611			371,611
HHSC - Autism	496,717			496,717
Total State Programs	18,076,087		(148,488)	17,927,599
Federal Programs:				
Mental Health Block Grant	753,084	148,488 (c)		901,572
Title XX Soc Sevices Block Grant	112,173			112,173
Title XX - TANF	238,989			238,989
Money Follows the Person	536,178			536,178
Medicaid Administrative Claiming	2,138,131	1 (b)		2,138,132
Early Childhood Intervention	1,087,949			1,087,949
Total Federal Programs	4,866,504	148,489		5,014,993
Total Revenues	$ 65,231,584	$ 148,489	$ (3,844,084)	$ 61,535,989

(a) Remove PAP Contributions
(b) Rounding
(c) Included with federal funds in audited financials.

Texana Center

RECONCILIATION OF TOTAL EXPENDITURES TO FOURTH QUARTER FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019
(UNAUDITED)

Function	Expenditures: Care Report III	Expenditures: Additions	Expenditures: Deletions	Expenditures: Audited Financial Statements
Personnel	$ 31,476,759	$	$	$ 31,476,759
Employee Benefits	7,757,739			7,757,739
Professional Contract Services	7,720,184			7,720,184
Training and Travel	506,693			506,693
Debt Service	608,759			608,759
Capital Outlay	4,587,057			4,587,057
Non-Capitalized Equipment	65,242			65,242
Pharmaceutical Expense	402,207			402,207
Patient Assistance Program Expense	3,695,595		(3,695,595) (a)	
Other Operating Expenses	6,095,951			6,095,951
Total Expenditures	$ 62,916,186	$	$ (3,695,595)	$ 59,220,591

(a) Remove PAP Contributions

Texana Center

EXHIBIT C-3

SCHEDULE OF INDIRECT COSTS
FOR THE YEAR ENDED AUGUST 31, 2019
(UNAUDITED)

	Total Costs	Non-Allowable Costs	Depreciation	Total Adjusted Costs	Direct Costs	Indirect Costs
Salaries	$ 31,476,759	$	$	$ 31,476,759	$ 28,453,953	$ 3,022,806
Employee Benefits	7,757,739			7,757,739	7,018,271	739,468
Capital Outlay	4,587,057	(4,587,057)				
Debt Service - Principal	297,998	(297,998)				
Depreciation			1,835,572	1,835,572	1,697,851	137,721
Other Operating Expend.	15,101,038	(146,987)		14,954,051	13,863,884	1,090,167
Total Expenditures	$ 59,220,591	$ (5,032,042)	$ 1,835,572	$ 56,024,121	$ 51,033,959	$ 4,990,162

Computation of Indirect Cost Rate for the Year Ended August 31, 2019

Indirect Costs	4,990,162
Direct Costs	51,033,959
Indirect Cost Rate	9.78%

Texana Center

SCHEDULE OF LEASES
FOR THE YEAR ENDED AUGUST 31, 2019
(UNAUDITED)

Lessor or Other Part to Contract	Location	Monthly Amount	Period Covered Start Date	End Date
Group Homes				
ARC of Fort Bend County	6419 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	8/31/2018	9/30/2018
Wharton ARC	509 1/2 Sunset, Wharton	1,500	9/1/2016	8/31/2021
ARC of Fort Bend County	5618 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
Wayne Allen	722 Old Caney Road, Wharton	1,575	8/1/2016	8/31/2020
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	8,000	2/1/2014	1/31/2022
130 Industrial L.P.	130 Industrial Ste 160, 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
Colorado County	1003 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	3/6/2020
104 Industrial L.P.	140 Industrial Blvd Ste 207, Sugar Land	750	9/1/2019	8/31/2020
Glory WPC I, L.P.	5223 Reading Rd, Rosenberg TX 77469	2,350	2/15/2019	2/29/2020
Copy Machines				
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
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	239	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	259	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	78	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	10/1/2006	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

Texana Center

SCHEDULE OF LEASES
FOR THE YEAR ENDED AUGUST 31, 2019
(UNAUDITED)

Lessor or Other Part to Contract	Location	Monthly Amount	Period Covered Start Date	End Date
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 E, 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 (ECI)	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
Canon Financial Solutions	4706 Airport Ave, Bldg C, Rosenberg	220	2/1/2019	1/23/2023
Canon Financial Solutions	4706 Airport Ave, Bldg A-Upstairs	175	5/31/2019	5/30/2023
Canon Financial Solutions	4706 Airport Ave, Bldg A-Upstairs	157	5/31/2019	5/30/2023
Canon Financial Solutions	4706 Airport Ave, Bldg B-Learning Center	175	5/31/2019	5/30/2023
Canon Financial Solutions	2715 Cypress Point Drive, Missouri City	204	5/31/2019	5/30/2023
Canon Financial Solutions	1017 1/2 Alabama Road, Wharton	157	5/31/2019	5/30/2023
Canon Financial Solutions	4910 Airport Ave, Bldg D, Upstairs	157	5/31/2019	5/30/2023
Canon Financial Solutions	4706 Airport Ave, Bldg A, Rosenberg	175	5/31/2019	5/30/2023
Canon Financial Solutions	4910 Airport Ave, Bldg A, Rosenberg	222	5/31/2019	5/30/2023
Canon Financial Solutions	4910 Airport Ave, Bldg A, Rosenberg	175	5/31/2019	5/30/2023
Canon Financial Solutions	4910 Airport Ave, Bldg A, Rosenberg	175	5/31/2019	5/30/2023
Canon Financial Solutions	2535 Cordes Drive, Sugar Land	175	5/31/2019	5/30/2023
Canon Financial Solutions	2535 Cordes Drive, Sugar Land	175	5/31/2019	5/30/2023
Canon Financial Solutions	1818 Collins Road, Richmond	222	5/31/2019	5/30/2023

Texana Center

SCHEDULE OF LEASES
FOR THE YEAR ENDED AUGUST 31, 2019
(UNAUDITED)

Lessor or Other Part to Contract	Location	Monthly Amount	Period Covered Start Date	End Date
Mailing Equipment				
Pitney Bowes	4910 Airport, Bldg. D, Rosenberg, Texas	$ 251	3/30/2018	3/29/2023
Automobiles				
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC9HS774744	477	9/27/2016	9/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC4HS774019	477	9/27/2016	9/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC2HS776948	477	9/27/2016	9/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC8HS776498	477	9/27/2016	9/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC6HS773454	477	9/27/2016	9/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC1HS774365	477	9/27/2016	9/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC6HS773180	477	9/27/2016	9/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC6HS775060	477	9/27/2016	9/26/2020
Enterprise FM Trust	2017 Toyota Sienna Van L 5TDZZ3DC3HS775890	477	9/27/2016	9/26/2020
Enterprise FM Trust	2017 Nissan Altima White 1N4AL3AP9HN310239	314	10/31/2016	10/30/2020
Enterprise FM Trust	2017 Nissan Sentra 3N1AB7AP9HL710745	273	1/4/2018	1/3/2022
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DC9KS982906	533	11/30/2018	11/30/2022
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DC3KS977474	533	11/30/2018	11/30/2022
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DC1KS989624	532	12/14/2018	12/31/2022
Enterprise FM Trust	2019 Nissan Sentra 3N1AB7AP8KY241447	277	12/11/2018	12/31/2023
Enterprise FM Trust	2019 Nissan Sentra 3N1AB7AP8KY242226	277	12/10/2018	12/31/2023
Enterprise FM Trust	2019 Nissan Sentra 3N1AB7AP7KY231573	277	12/14/2018	12/31/2023
Enterprise FM Trust	2019 Nissan Sentra 3N1AB7AP3KL605738	275	1/31/2019	2/29/2024
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DC9KS016586	504	5/10/2019	5/31/2023
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DCXKS992117	503	6/13/2019	11/30/2022
Enterprise FM Trust	2019 Nissan Kicks 3N1CP5CU9KL538063	327	8/12/2019	8/31/2023
Enterprise FM Trust	2019 Nissan Kicks 3N1CP5CU4KL537838	327	8/12/2019	8/31/2023
Enterprise FM Trust	2019 Nissan Kicks 3N1CP5CU8KL537809	327	8/12/2019	8/31/2023

Texana Center

EXHIBIT C-5

SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED AUGUST 31, 2019
(UNAUDITED)

General Liability	
Insurer: Texas Council Risk Management Fund	
Policy Period: 09/01/18 - 08/31/19	
Coverage:	
Per Occurrence Limit of Liability and Annual Aggregate	$ 400,000
Deductible	1,000
Automobile Liability	
Insurer: Texas Council Risk Management Fund	
Policy Period: 09/01/18 - 08/31/19	
Coverage:	
Per Occurrence Limit of Liability and Annual Aggregate	400,000
Deductible	1,000
Professional Liability	
Insurer: Texas Council Risk Management Fund	
Policy Period: 09/01/18 - 08/31/19	
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: 09/01/18 - 08/31/19	
Coverage:	
Per Occurrence Limit of Liability and Annual Aggregate	1,000,000
Deductible	1,000
Property	
Insurer: Texas Council Risk Management Fund	
Policy Period: 09/01/18 - 08/31/19	
Coverage:	
Blanket Limit Each Occurrence	44,023,352
Blanket Per Occurrence Deductible	5,000
Automobile Physical Damage	
Insurer: Texas Council Risk Management Fund	
Policy Period: 09/01/18 - 08/31/19	
Coverage Basis is Scheduled; Deductible Varies by Vehicles	
Crime Coverage	
Insurer: Texas Council Risk Management Fund	
Policy Period: 09/01/18 - 08/31/19	
Per Occurrence Limit of Liability	10,000
Deductible	1,000
Workers Compensation	
Insurer: Texas Municipal League	
Policy Period: 09/01/18 - 08/31/19	
Coverage: Statutory	
Windstorm and Hail	
Insurer: Texas Windstorm Insurance Association	
Policy Period: 12/08/18 - 12/08/19	
Coverage	669,966
Deductible	6,699
Information Security and Privacy Insurance with Breach Response Services	
Insurer: Lloyds of London Beazley Syndicate	
Policy Period: 05/28/19 - 05/28/20	
Coverage:	
Policy Aggregate of Limit	5,000,000
Regulatory Defense and Penalties Sublimit	5,000,000
PCI Finds, Expenses and Costs Sublimit	5,000,000

Texana Center

EXHIBIT C-6

SCHEDULE OF PROFESSIONAL AND CONSULTING FEES
FOR THE YEAR ENDED AUGUST 31, 2019
(UNAUDITED)

Name	City	Type of Service	Amount
BSA Architects, Inc.	Sugar Land, TX	Architectural	$ 258,279
Ray and Hollington Architects	Houston, TX	Architectural	32,250
Eide Bailly LLP	Abilene, TX	Financial Audit	33,700
JSA Health LLC	Houston, TX	Medical	287,198
Rafael Guerro, MD	Katy, TX	Medical	7,819
Jan Robinson, RN	Kyle, TX	Nursing	22,407
Gildardo Ceballos, MD	Richmond, TX	Medical	5,000
Carlos D Zorrilla, MD	Sugar Land, TX	Medical	350
Afia, Inc.	Ann Arbor, MI	EHR Vendor Selection	52,118

Texana Center

EXHIBIT C-7

SCHEDULE OF LEGAL SERVICES
FOR THE YEAR ENDED AUGUST 31, 2019
(UNAUDITED)

Name	City	Type of Service	Amount
Bouer Law, LLC	Lawrenceville, NJ	Legal	$ 6,000
Hall, Render, Killian, Health & Lyman, P.C.	Cincinnati, OH	Legal	4,563
Lewis Brisbois Bisgaard & Smith LLP	Los Angeles, CA	Legal	467

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, the major fund, and the aggregate remaining fund information of Texana Center (the Center), as of and for the year ended August 31, 2019, 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, 2020.

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, 2020

Independent Auditor's Report on Compliance for Each Major Federal and State Program; Report 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, 2019. The Center's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Center's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)*; State of Texas Single Audit Circular* (TSAC) and *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers* (Audit Guidelines). Those standards, the Uniform Guidance, TSAC and the Audit Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program
In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2019.

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 the 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, 2020

Texana Center

EXHIBIT D-1

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2019

Program Title	Pass-Through Grantor's Number		Expenditures
State Awards:			
Texas Health & Human Services Commission - MH			
General Revenue - Mental Health Adult	529-17-0038-00032D	$	7,540,934
General Revenue - Mental Health Child	529-17-0038-00032D		1,770,548
General Revenue - Crisis Services	529-17-0038-00032D		1,808,741
General Revenue - Psychiatric Emergency Service Center	529-17-0038-00032D		1,526,303
General Revenue - Private Psychiatric Beds	529-17-0038-00032D		511,000
General Revenue - Mental Health First Aid	HHS000187600001		93,500
Senate Bill 292	HHS000134400012		318,941
Total HHSC - MH			**13,569,967**
Texas Health & Human Services Commission - IDD			
General Revenue - IDD	529-18-0051-00001		2,428,001
Permanency Planning	529-18-0051-00001		47,560
CLOIP	529-18-0051-00001		382,042
IDD Crisis Intervention Specialists	529-18-0051-00001		198,324
IDD Crisis Respite Services	529-18-0051-00001		155,612
Nursing Facility PASRR Service Coordination	529-18-0051-00001		122,300
Nursing Facility PASRR Specialized Services - Form 1048	529-18-0051-00001		155,465
Total HHSC - IDD			**3,489,304**
Texas Health & Human Services Commission - ECI			
Division for Early Childhood Intervention - Intervention	HHS000191200031		365,001
Division for Early Childhood Intervention - Respite	HHS000191200031		6,610
Total HHSC - ECI			**371,611**
Texas Health & Human Services Commission - Autism	538-16-9680-0000000000005		496,717
Total Texas Health & Human Services Commission			17,927,599
Texas Department of Family and Protective Services			
Applied Behavior Analysis Services	N/A		45,704
Total Texas DFPS			**45,704**
Total State Awards			**17,973,303**

Program Title	Federal CFDA Number		Psas-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	+	529-17-0038-00032D	753,084
Title XX Social Services Block Grant	93.667		529-17-0038-00032D	112,173
Temporary Assistance for Needy Families ("TANF") - TANF Cluster	93.558.667	*	529-17-0038-00032D	238,989
Mental Health Block Grant (Coordinated Specialty Care)	93.958	+	HHS000336500001	148,488
Passed through HHSC - ECI:				
Temporary Assistance for Needy Families ("TANF") - TANF Cluster	93.558	*	HHS000191200031	290,966
Preschool Development Grants	93.434		HHS000191200031	9,753
Medicaid: Title XIX - Medicaid Cluster	93.778	#	529-11-0040-00033	116,048
Passed through Texas Health & Human Services Commission				
Medicaid: Title XIX - Medicaid Cluster	93.778	#	529-09-0032-00061	2,022,084
Passed through HHSC - IDD				
PAC 344 Title XVIII	93.791		529-18-0051-00001	536,178
Total U.S. Department of Health and Human Services				4,227,763
Department of Education - Office of Special Education and Rehabilitative Services				
Passed through HHSC - ECI:				
Grants for Infants and Families with Disabilities	84.181		HHS000191200031	689,310
Grants to States - Special Education Cluster (IDEA)	84.027		HHS000191200031	97,920
Total Department of Education				787,230
Total Federal Awards				5,014,993
Total State and Federal Awards				$ 22,988,296

* Total Expenditures for TANF Cluster CFDA # 93.558 is $529,955

\# Total Expenditures for Medicaid Cluster CFDA # 93.778 is $2,138,132

\+ Total Expenditures for MH Block Grant # 93.958 is $901,572

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 and reported as local 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 2019.

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.

Subrecipients

The Center does not pass any of their state or federal funding through to subrecipients.

Texana Center

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019

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 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 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
Mental Health Block Grant	93.958

Name of State Program	
Mental Health Adult and Child	N/A
IDD	N/A
Psychiatric Emergency Services Center	N/A
Crisis Services	N/A

Dollar threshold for distinguishing Type A and B programs:	\$750,000 - federal \$539,199 - state
Auditee qualified as a low-risk auditee?	Yes

PART II - FINANCIAL STATEMENT FINDINGS

The audit disclosed no findings required to be reported.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

The audit disclosed no findings and questioned costs required to be reported.

Texana Center
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2019

No prior year federal or state award findings were reported.

CPAs & BUSINESS ADVISORS

To the Board of Trustees of
Texana Center
Rosenberg, Texas

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, 2019, 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, 2020

What inspires you, inspires us. eidebailly.com

400 Pine St., Ste. 600 Abilene, TX 79601-5190 T 325.672.4000 TF 800.588.2525 F 325.672.7049 EOE