Texana Center

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2017

Texana Center

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CERTIFICATE OF BOARD APPROVAL

I, Dianne Wilson, Chairperson of the Board of Trustees of Texana Center, do hereby certify that this accompanying audit report of the fiscal year ended August 31, 2017 from Eide Bailly, LLP was reviewed and approved at a meeting of the Board of Trustees held on the 24th day of January, 2018.

DWilson

Chairperson, Board of Trustees

1/24/18

Date

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Texana Center

PRINCIPAL OFFICIALS
August 31, 2017

SENIOR LEADERSHIP TEAM

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

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EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Trustees
Texana Center

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Texana Center (the Center) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Crossroads Villas, a discretely presented component unit of the Center, which represents 100% of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Crossroads Villas, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers* (Audit Guidelines). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Center as of August 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State awards is presented for purposes of additional analysis as required by 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* (Uniform Guidance), and the State of Texas Single Audit Circular and is also not a required part of the basic financial statements.

The schedule of expenditures of federal and state awards and other supplementary information are the responsibility of management and 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 our report dated January 19, 2018, 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 19, 2018

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, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the Center, excluding component units, exceeded its liabilities at the close of the most recent fiscal year by $28,670,096 (net position). Of this amount, $13,195,216 (unrestricted net position) may be used to meet the Center's ongoing obligations.
- The Center's total net position, excluding component units, increased by $4,416,849 for the year ended August 31, 2017.
- As of August 31, 2017, the Center's governmental funds reported an ending fund balance of $14,680,412, an increase of $3,838,213 from the prior fiscal year.
- At the end of the fiscal year, unassigned and uncommitted fund balance for the General Fund was $11,741,313, or 20.6 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

The government-wide financial statements distinguish functions of the Center that are principally funded by funds provided from federal, state and local funding sources (governmental activities). The Center does not have any business-type activities. The governmental activities of the Center include Behavioral Health, Developmental Disability and Early Childhood Intervention.

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

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

FUND FINANCIAL STATEMENTS

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

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

Because the focus of the general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the general fund with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and *governmental activities*.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 43 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information concerning the Center that is required by the Texas Health and Human Services Commission, the Uniform Guidance and the State of Texas Single Audit Circular. Other supplementary information can be found on pages 47-59 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Center, assets exceeded liabilities by $28,670,096 as of August 31, 2017.

The largest portion of the Center's net position (62 percent) reflects its net investment in capital assets (e.g. land, buildings, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The Center uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the Center's net position (46 percent) represents unrestricted financial resources available for future operations.

SUMMARY OF STATEMENT OF NET POSITION
August 31, 2017 and 2016

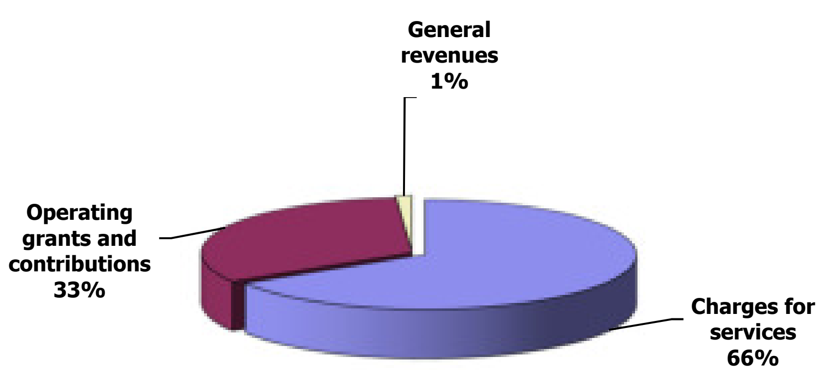
	Governmental Activities	
	2017	**2016**
Current and other assets	$ 17,246,453	$ 13,234,044
Capital assets, net	22,259,757	22,930,812
Total Assets	39,506,210	36,164,856
Current liabilities	3,670,962	3,155,486
Long-term liabilities	7,165,152	8,756,123
Total Liabilities	10,836,114	11,911,609
Net Position:		
Net investment in capital assets	15,474,880	14,935,231
Unrestricted	13,195,216	9,318,016
Total Net Position	$ 28,670,096	$ 24,253,247

Net position of the Center, all of which relate to governmental activities, increased by $4,416,849. Key elements of the increase are as follows:

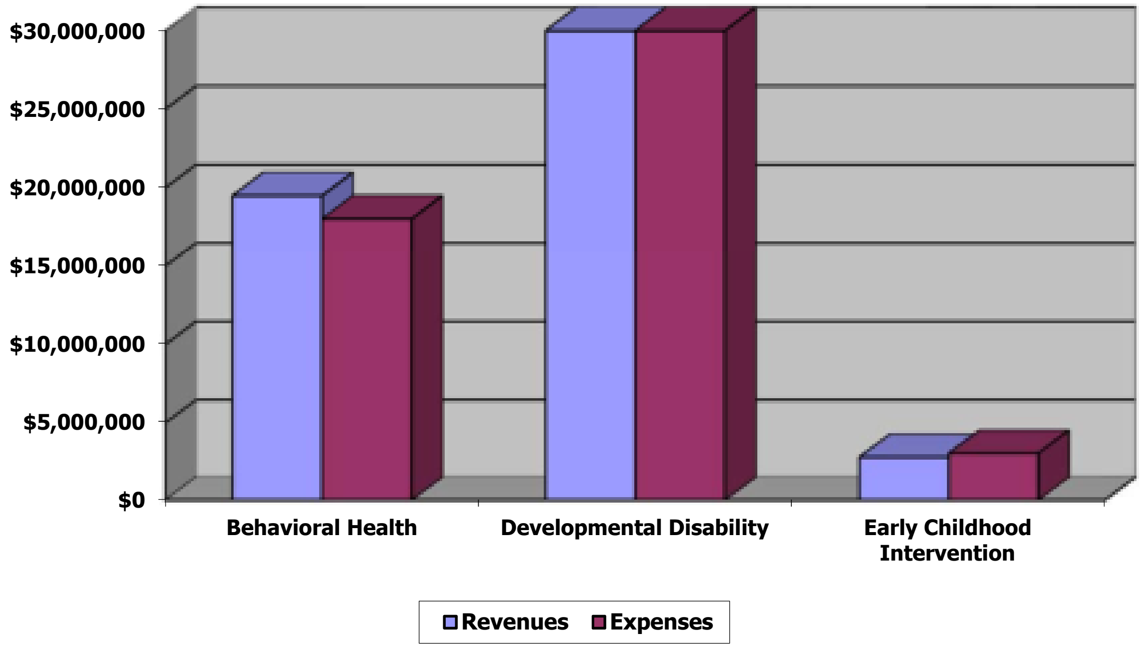
CHANGES IN NET POSITION
For the Fiscal Year Ended August 31, 2017 and 2016

	Governmental Activities	
	2017	**2016**
Revenues		
Program revenues:		
Charges for services	$ 40,212,733	$ 37,438,184
Operating grants and contributions	18,587,793	18,396,935
Capital grants and contributions	1,117,558	
General revenues:		
Local income	641,388	626,812
Investment income	130,226	72,260
Total Revenues	60,689,698	56,534,191
Expenses		
Behavioral Health	18,934,143	18,018,154
Intellectual Developmental Disability	33,640,944	33,377,097
Early Childhood Intervention	3,303,860	3,030,920
Interest on long-term debt	393,902	392,974
Total Expenses	56,272,849	54,819,145
Change in Net Position	4,416,849	1,715,046
Net position, beginning	24,253,247	22,538,201
Net Position, Ending	$ 28,670,096	$ 24,253,247

GOVERNMENTAL REVENUES



REVENUES AND EXPENSES BY FUNCTION



FINANCIAL ANALYSIS OF THE CENTER'S FUNDS

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

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

As of August 31, 2017, the Center's governmental funds, which consist of a general fund, reported an ending fund balance of $14,680,412, which is a increase of $3,838,213 from last year's total of $10,842,199. The increase was primarily due to increased funding in the current fiscal year. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 20.6 percent of total general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund operating expenditures in 2017 were budgeted at $58.9 million, and actual expenditures incurred at August 31, 2017 were $57 million, or 3.2% lower 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, 2017 amounts to $22,259,757 (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	
	2017	**2016**
Land	$ 2,658,481	$ 2,658,481
Construction on Progress	141,975	0
Buildings and improvements	26,813,117	26,192,369
Furniture and equipment	1,753,003	1,689,627
Vehicles	4,539,110	4,955,004
Less: accumulated depreciation	(13,645,929)	(12,564,669)
Total Capital Assets, Net	$ 22,259,757	$ 22,930,812

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

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

LONG-TERM DEBT

As of August 31, 2017, the Center had total tax-exempt bonded debt outstanding of $5,175,000. Interest expense totaled $270,781 for the 2017 fiscal year on this bonded debt. There were no new bond issues in 2017. These outstanding bonds have maturities ranging from 2018 to 2040.

Additionally, as of August 31, 2017 the Center had total notes payable outstanding of $1,609,877, which have maturity dates ranging from 2018-2032. Interest expense totaled $123,121 on these notes for the 2017 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 37.46% at August 31, 2017, which is an increase from a rate of 33.15% a year ago.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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Texana Center

EXHIBIT A-1

STATEMENT OF NET POSITION
August 31, 2017

		Primary Government		Component Unit
		Governmental Activities		**Crossroads Villas September 30, 2017**
Assets				
Cash and cash equivalents	$	10,411,967	$	28,049
Accounts receivable		2,231,806		5,039
Due from other governments		4,589,909		
Prepaid items		12,771		4,503
Inventories, at cost				
Deposits				4,276
Capital assets not being depreciated		2,800,456		
Capital assets net of accumulated depreciation		19,459,301		1,573,817
Total Assets		39,506,210		1,615,684
Liabilities				
Current Liabilities:				
Accounts payable		1,056,332		22,116
Accrued expenses		1,509,709		55,625
Accrued interest payable		56,757		
Notes payable - current		566,054		
Bonds payable - current		125,000		
Accrued compensated absences - current		357,110		
Total Current Liabilities		3,670,962		77,741
Non-Current Liabilities:				
Notes payable		1,043,823		
Bonds payable		5,050,000		
Accrued compensated absences		1,071,329		
Total Non-Current Liabilities		7,165,152		
Total Liabilities		10,836,114		77,741
Net Position				
Net investment in capital assets		15,474,880		
Restricted for:				
Capital Projects				1,683,600
Unrestricted		13,195,216		(145,657)
Total Net Position	$	28,670,096	$	1,537,943

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
	$ 8,065,735	$ 12,856,863	$	$ 1,988,455	$
	30,798,540	4,281,313		1,438,909	
	1,348,458	1,449,617		(505,785)	
			1,117,558	1,117,558	
				(393,902)	
	$ 40,212,733	$ 18,587,793	$ 1,117,558	3,645,235	
	$ 85,291	$ 930	$		(59,132)
	$ 85,291	$ 930	$		(59,132)
General Revenues:					
Local income				641,388	
Investment earnings				130,226	56
Total General Revenues				771,614	56
Change in Net Position				4,416,849	(59,076)
Net Position, Beginning				24,253,247	1,597,019
Net Position, Ending				$ 28,670,096	$ 1,537,943

Texana Center

STATEMENT OF ACTIVITIES
FOR THE YEAR EBDED AUGUST 31, 2017

Functions/Programs	Expenses	Administration Allocations	Expenses after Allocation of Administration
	Expenses		
Primary Government			
Governmental Activities			
Behavioral Health	$ 17,318,864	$ 1,615,279	$ 18,934,143
Developmental Disability	30,746,263	2,894,681	33,640,944
Early Childhood Intervention	3,022,006	281,854	3,303,860
Administration	4,791,814	(4,791,814)	
Interest on long-term debt	393,902		393,902
Total Governmental Activities	$ 56,272,849	$	$ 56,272,849
Component Unit			
Crossroads Villas, for the year ended September 30, 2017	$ 145,353	$	$ 145,353
Total Component Unit	$ 145,353	$	$ 145,353

See Notes to Financial Statements.

Texana Center

EXHIBIT A-3

BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2017

		General Fund		Total Governmental Funds
Assets				
Cash and cash equivalents	$	10,411,967	$	10,411,967
Accounts receivable		2,231,806		2,231,806
Due from other governments		4,589,909		4,589,909
Prepaid items and other		12,771		12,771
Inventories, at cost				
Total Assets	$	17,246,453	$	17,246,453
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$	1,056,332	$	1,056,332
Accrued expenses		1,509,709		1,509,709
Total Liabilities		2,566,041		2,566,041
Fund Balances:				
Nonspendable:				
Prepaid items		12,771		12,771
Inventory				
Committed		2,926,328		2,926,328
Unassigned		11,741,313		11,741,313
Total Fund Balances		14,680,412		14,680,412
Total Liabilities and Fund Balances	$	17,246,453		

Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.		22,259,757
Accrued Interest on long-term liabilities is not payable with current financial resources and therefore not reported as a liability in the governmental funds.		(56,757)
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.		(1,428,439)
Notes payable are not due and payable in the current period and therefore are not reported in the governmental funds.		(1,609,877)
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		(5,175,000)
Net Position of Governmental Activities	$	28,670,096

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, 2017

	General Fund	Total Governmental Funds
Revenues:		
Local funds	$ 39,545,402	$ 39,545,402
State funds	16,502,972	16,502,972
Federal funds	4,641,324	4,641,324
Total Revenues	60,689,698	60,689,698
Expenditures:		
Current:		
Behavioral Health	15,557,233	15,557,233
Intellectual Developmental Disability	30,691,471	30,691,471
Early Childhood Intervention	2,999,224	2,999,224
Administration	4,804,432	4,804,432
Debt Service:		
Principal	1,386,704	1,386,704
Interest	393,902	393,902
Capital Outlay	1,194,519	1,194,519
Total Expenditures	57,027,485	57,027,485
Excess of Revenues over Expenditures	3,662,213	3,662,213
Other Financing Sources		
Note proceeds	176,000	176,000
Total Other Financing Sources	176,000	176,000
Net Change in Fund Balance	3,838,213	3,838,213
Fund Balance - September 1 (Beginning)	10,842,199	10,842,199
Fund Balance - August 31 (Ending)	$ 14,680,412	$ 14,680,412

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, 2017

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

Net change in fund balance governmental funds	5	3,838,213
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($1,762,612) exceeded capital outlay $1,194,519 in the current period offset by loss on disposals ($102,962).		(671,055)
Governmental funds report note proceeds as other financing sources. However, in the Statement of Net Position, note proceeds are reported as increases in long term liabilities.		(176,000)
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.		1,386,704
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 $561 and and accrued compensated absences $38,426.		38,987
Change in Net Position of Governmental Activities	$	4,416,849

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, 2017

Exhibit A-6
Page 1 of 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
REVENUES:				
Local Sources:				
County Tax Funds	$ 626,720	$ 626,720	$ 641,388	$ 14,668
Patient Fees/Insurance	5,302,487	5,302,487	4,105,412	(1,197,075)
Managed Care	1,552,688	1,552,688	2,284,252	731,564
Miscellaneous Income	748,690	748,690	748,647	(43)
Capital Campaign			1,117,558	1,117,558
NF PASRR SS Form 1048			4,038	4,038
TWC - Rehabilitation	115,985	115,985	43,770	(72,215)
Medicare/Medicaid	10,593,646	10,593,646	12,096,554	1,502,908
Title XIX - HCS	12,462,630	12,462,630	12,631,610	168,980
Title XIX - Texas Home Living Waiver	2,509,196	2,509,196	2,648,758	139,562
Title XIX - ICFIID	2,653,757	2,653,757	2,540,946	(112,811)
Title XIX - YES Waiver	16,296	16,296	48,612	32,316
Contracts	326,364	326,364	633,857	307,493
Total Local Sources	36,908,459	36,908,459	39,545,402	2,636,943
State Programs:				
General Revenue - BH & IDD	14,931,815	14,931,815	15,079,986	148,171
Early Childhood Intervention	612,520	612,520	585,234	(27,286)
TCOOMMI Funds	484,716	484,716	549,492	64,776
DARS - Autism	720,835	720,835	288,260	(432,575)
Total State Programs	16,749,886	16,749,886	16,502,972	(246,914)
Federal Programs:				
Mental Health Block Grant	753,084	753,084	753,084	
Title XX Soc. Serv. Block Grant	118,442	118,442	118,442	
Title XX - TANF	264,095	264,095	261,103	(2,992)
Early Childhood Intervention	904,684	904,684	864,383	(40,301)
Medicaid - Administrative Claiming	1,898,722	1,898,722	1,995,807	97,085
DADS - MFP	238,031	238,031	648,505	410,474
Total Federal Programs	4,177,058	4,177,058	4,641,324	464,266
Total Revenues	57,835,403	57,835,403	60,689,698	2,854,295
EXPENDITURES:				
Personnel:				
Salaries	32,879,284	32,879,284	31,154,112	1,725,172
Employee Benefits	9,038,334	9,038,334	7,795,976	1,242,358
Total Personnel	41,917,618	41,917,618	38,950,088	2,967,530
Travel	611,256	611,256	536,930	74,326

Texana Center

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
EXPENDITURES (Continued):				
Consumable Items:				
Drugs	562,450	562,450	772,916	(210,466)
Food	306,156	306,156	316,438	(10,282)
Other	1,264,146	1,264,146	1,215,505	48,641
Total Consumable Items	2,132,752	2,132,752	2,304,859	(172,107)
Equipment and Furniture:				
Rental	174,851	174,851	161,177	13,674
Repairs and Maintenance	70,219	70,219	55,653	14,566
Total Equip. & Furniture	245,070	245,070	216,830	28,240
Building:				
Rent	419,927	419,927	448,752	(28,825)
Repairs and Maintenance	1,045,735	1,045,735	872,204	173,531
Total Building	1,465,662	1,465,662	1,320,956	144,706
Vehicle:				
Operating & Maintenance	433,231	433,231	432,136	1,095
Total Vehicle	433,231	433,231	432,136	1,095
Consultant/Contracts with Service Agencies:	7,693,663	7,693,663	7,701,339	(7,676)
Other:				
Telephone	598,802	598,802	572,916	25,886
Utilities	545,271	545,271	522,405	22,866
Insurance	445,590	445,590	578,687	(133,097)
Information Services	1,144,655	1,144,655	723,745	420,910
Miscellaneous	154,296	154,296	190,289	(35,993)
Total Other	2,888,614	2,888,614	2,588,042	300,572
Debt Service	1,279,352	1,279,352	1,780,786	(501,434)
Capital Outlay	262,727	262,727	1,194,519	(931,792)
Total Expenditures	58,930,945	58,930,945	57,027,485	1,903,460
Revenues (Under) Expenditures	(1,095,542)	(1,095,542)	3,662,213	4,757,755
Other Financing Sources				
Note Proceeds			176,000	176,000
Change in Fund Balance	(1,095,542)	(1,095,542)	3,838,213	4,933,755
Fund Balance - Beginning	10,842,199	10,842,199	10,842,199	
Fund Balance - Ending	$ 9,746,657	$ 9,746,657	$ 14,680,412	$ 4,933,755

See Notes to Financial Statements.

Texana Center **EXHIBIT A-7**

STATEMENT OF FIDUCIARY NET POSITION

August 31, 2017

	Client Agency Fund
Assets	
Cash and cash equivalents	$ 82,719
Total Assets	$ 82,719
Liabilities	
Due to clients	$ 82,719
Total Liabilities	$ 82,719

See Notes to Financial Statements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

The **Crossroads Villas** (the "Corporation") has been included in the reporting entity as a discretely presented component unit. In April 2009, the Corporation was created by the Center under the Texas Business Organizations Code for the charitable and/or educational purpose of providing elderly persons and handicapped persons with housing facilities and services specially designed to meet their physical, social and psychological needs, and to promote their health, security, happiness and usefulness in longer living, the charges for such facilities and services to be predicated upon the provision, maintenance and operation thereof on a nonprofit basis. The corporation was created to secure the benefits of capital advances or project rental assistance under Section 811 of the National Affordable Housing Act through the U.S. Department of Housing and Urban Development. The Board of Directors shall be elected by and serve at the discretion of the Board of Trustees of the Center and consist of between three and seven directors. Each director shall serve a term of two years. The operations of the Corporation are presented as a business-type activity. The Internal Revenue Service has issued a determination letter dated June 4, 2009 stating that Crossroads Villas qualifies as an organization described in Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal income taxes. The fiscal year end for the Corporation is September 30, 2017. Financial information is available at the Center's office located at 4910 Airport Avenue, Bldg. D, Rosenberg, Texas, 77471.

B. Government-wide and Fund Financial Statements

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

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

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

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

C. Basis of Accounting/Measurement Focus

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Grant revenues are recognized only as grant expenditures are incurred to the extent that the expenditures are allowable and eligible for reimbursement. All other revenue items are considered to be measurable and available only when cash is received by the Center.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable:

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

Restricted:

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

Committed:

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

Assigned:

To indicate fund balance to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned:

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

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

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

The Center reports the following governmental funds:

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

Additionally, the Center reports the following fund type:

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

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

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

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

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

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

During the year ended August 31, 2017, the Center did not own any types of securities other than those permitted by statute.

2. Accounts Receivable from Clients

Accounts receivable from patient and private 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, 2017, accounts receivable due from private insurance carriers amounted to $950,600 and no allowance was recorded.

3. Prepaid Items

Payments to vendors for services that will benefit periods beyond August 31, 2017 are recorded as prepaid items. Prepaid items are equally offset by a fund balance reserve in the governmental fund balance sheet, which indicates that it does not constitute available spendable resources even though they are components of net current assets.

4. Inventories

Inventory consists of expendable supplies held for consumption and is valued at cost determined by the first in, first out accounting method. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method). At August 31, 2017 the Center had no inventory as it was destroyed by Hurricane Harvey, which hit the Gulf Coast the last week of August 2017, and therefore written down to $0.

5. Capital Assets

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

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

Asset Description	Years
Buildings and improvements	10 to 40
Furniture and equipment	3 to 10
Vehicles	4

6. Long-Term Obligations

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

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

7. Compensated Absences

The Center provides compensated absences benefits to its employees. Compensated absences are vested and, upon termination, paid at the current salary. The Center accrues its liability for such accumulated unpaid benefits in the government-wide financial statements. Actual compensated absences benefits paid during the year are recorded as expenditures in the General Fund. The Center's liability for compensated balances was $1,428,439 at August 31, 2017.

8. Source of Funds

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

9. Fund Equity

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

10. Tax-Exempt Status

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

11. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from 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 prior to September 1 of each year.

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Cash and Time Deposits

Custodial Credit Risk - Deposits

For deposits, this is the risk that in the event of bank failure, the Center's deposits may not be returned to it. Collateral is required for all bank deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the Center's deposits is required to be held in the Center's name by the trust department of a bank other than the pledging bank (the Center's agent). Such collateralization is required by the Rules of the Commissioner of the Texas HHSC and the Board of Trustees of the Center. The Center's cash deposits were fully secured at August 31, 2017 by federal deposit insurance and by pledged securities held by the Center's agent in the Center's name.

Investments

The Center is authorized by the *Public Funds Investment Act* (PFIA) to invest in the following: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities; (4) certain A rated or higher obligations of states and political subdivisions of any state; (5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas, savings banks domiciled in Texas, or state or federal credit unions domiciled in Texas; (6) certain fully collateralized repurchase agreements; (7) certain qualified governmental investment pools; and (8) other securities as described in the PFIA.

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

	Fair Value	Weighted Average Maturity (Days)
LOGIC	$ 118,675	32
TexPool	30,167	30
TexPool Prime	8,430,420	47
Total Investments	8,579,262	
Investments classified as cash equivalents	(8,579,262)	
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, 2017, the Center's investments in TexPool and LOGIC were rated AAAm and AAA, respectively, by Standard & Poor's, the highest rating a local government investment pool can receive. Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

LOGIC is administered by FirstSouthwest and JPMorgan Chase.

Concentration of Credit Risk

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

Fair Value

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

B. Due from Other Governments

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

	Amount
Local Funds	
HCS	$ 1,135,116
ICF-IDD	586,260
MAC	1,737,237
State Funds	
HHSC - Autism	19,226
HHSC - General Revenue BH	684,147
TCOOMMI	89,165
Federal Funds	
HHSC - MFP Funds	227,271
Early Childhood Intervention	116,487
Total	$ 4,589,909

C. Capital Assets

A summary of changes in the primary government's capital assets for the year ended August 31, 2017, is as follows:

	Primary Government			
	Balance Sept. 1, 2016	Increases	(Decreases)	Balance Aug. 31, 2017
Governmental Activities:				
Non depreciable Assets:				
Land	$ 2,658,481	$	$	$ 2,658,481
Construction in Progress		141,975		141,975
Total Non-depreciable Assets	2,658,481	141,975		2,800,456
Depreciable Assets:				
Buildings and improvements	26,192,369	620,748		26,813,117
Furniture and equipment	1,689,627	63,376		1,753,003
Vehicles	4,955,004	368,420	(784,314)	4,539,110
Total Depreciable Assets	32,837,000	1,052,544	(784,314)	33,105,230
Less accumulated depreciation:				
Buildings and improvements	(7,483,060)	(1,173,056)		(8,656,116)
Furniture and equipment	(1,286,999)	(130,387)		(1,417,386)
Vehicles	(3,794,610)	(459,169)	681,352	(3,572,427)
Total Accum. Depreciation	(12,564,669)	(1,762,612)	681,352	(13,645,929)
Total Depreciable Assets, Net	20,272,331	(710,068)	(102,962)	19,459,301
Totals	$ 22,930,812	$ (568,093)	$ (102,962)	$ 22,259,757

Included in disposals above is $97,908 of net book value for vehicles that were destroyed by Hurricane Harvey in August 2017.

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

Governmental Activities:		
Behavioral Health	$	721,645
Developmental Disability		896,027
Early Childhood Intervention		28,444
Administration		116,496
Total Governmental Activities Depreciation Expense	$	1,762,612

A summary of changes in the discretely presented component unit (Crossroads Villas) capital assets for the year ended August 31, 2017, is as follows:

	Discretely Presented Component Unit			
	Balance Sept. 1, 2016	Increases	(Decreases)	Balance Sep. 30, 2017
Business-type Activities:				
Depreciable Assets:				
Buildings and Improvements	$ 1,711,317			1,711,317
Furniture and equipment	22,041			22,041
Total Depreciable Assets	1,733,358			1,733,358
Less accumulated depreciation	(114,872)	(44,669)		(159,541)
Totals	$ 1,618,486	$ (44,669)	$	$ 1,573,817

D. Lease Obligations

The Center leases certain buildings, vehicles and equipment under short-term operating leases for varying periods. Rent expense for the year ended August 31, 2017 was $554,773. 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
2018	312,498
2019	130,200
2020	43,535
2021	588
	$ 486,821

E. Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the Center for the year ended August 31, 2017:

	Balance Sept. 1, 2016	Additions	Reductions	Balance August 31, 2017	Amounts Due within One Year
Notes payable	$ 2,700,581	$ 176,000	$ (1,266,704)	$ 1,609,877	$ 566,054
Bonds payable	5,295,000		(120,000)	5,175,000	175,000
Compensated absences	1,466,865		(38,426)	1,428,439	357,110
Total	$ 9,462,446	$ 176,000	$ (1,425,130)	$ 8,213,316	$ 1,098,164

Bonds and notes payable at August 31, 2017, 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, 2017, the outstanding principal on the bonds is $5,175,000.

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, 2017, the note has an outstanding balance of $95,907.

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 4.25% and is payable in four monthly interest only payments followed by principal and interest payments of $1,293 per month, with principal and remaining interest due on maturity. The note matures on March 22, 2027 and is secured by a deed of trust on real estate. As of August 31, 2017, the note has an outstanding balance of $124,706.

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, 2017, the note has an outstanding balance of $113,928.

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, 2017, the note has an outstanding balance of $76,988.

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, 2017, the note has an outstanding balance of $68,707.

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, 2017, the note has an outstanding balance of $101,431.

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, 2017, the note has an outstanding balance of $106,270.

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, 2017, the note has an outstanding balance of $142,380.

In March 2015, the Center entered into a $1,000,000 note payable to Prosperity Bank to purchase a 14.456 acre tract of land in Fulshear, Texas. The note carries an interest rate of 3.25% and is payable in thirty-six monthly interest only payments with the full principal amount and accrued interest due on or before April 26, 2018. As of August 31, 2017, the note has an outstanding balance of $400,000.

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, 2017, the note has an outstanding balance of $209,602.

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, 2017, the note has an outstanding balance of $169,957.

The annual requirements for repayment of principal and interest on the bonds and notes payable outstanding as of August 31, 2017, are as follows:

Year Ending	**Revenue Bonds**		**Notes Payable**	
August 31,	**Principal**	**Interest**	**Principal**	**Interest**
2018	125,000	262,622	566,054	59,576
2019	130,000	257,044	172,617	46,168
2020	135,000	251,247	137,171	38,695
2021	145,000	245,122	99,682	32,881
2022	150,000	238,088	105,237	27,348
2023-2027	865,000	1,064,134	452,285	63,930
2028-2032	1,115,000	810,279	76,831	4,755
2033-2037	1,450,000	476,436		
2038-2040	1,060,000	85,312		
	$ 5,175,000	$ 3,690,284	$ 1,609,877	$ 273,353

The Center has a $7,200,000 revolving line of credit with Prosperity Bank. The note bears interest at prime plus .5% with a floor of 3.99% and matures in September 2017. Interest is payable monthly and the line is secured by gross revenues of the Center. The line of credit had a balance of $-0- at August 31, 2017. Subsequent to year end, the Center renewed the line of credit with the same terms and maturity of September 2018.

F. Retirement Plan

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

Amounts contributed by the employer are placed in guaranteed fixed income accounts until the employee is vested. When an employee is vested, the employee has the option to invest in any of the funds approved by the Board. For the year ended August 31, 2017, contributions from the employer and employees were $1,176,885 and $784,573, respectively. Total plan assets, including loans, as of August 31, 2017 are $19,490,457.

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.

Committed Funds

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

Learning Center - Rosenberg Art/Parents	$	5,094
Learning Center - El Campo Parents		3,676
Buildings		1,800,000
Fulshear Capital Campaign		1,117,558
	$	2,926,328

K. Patient Assistance Program for Pharmacy

The Center participated in a pharmaceutical-sponsored Patient Assistance Program, whereby the Center processes applications for medications on behalf of qualifying consumers. In addition, the Center utilizes samples provided by pharmaceutical companies in the treatment of consumers. The estimated value of the medications received through the Patient Assistance Program through the use of free samples during the year was $2,661,751. 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.

L. Medicaid 1115 Waiver:

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

Governmental Funds Capital Assets:	
Land	$ 2,658,481
Construction on Progress	141,975
Buildings and improvements	26,813,117
Furniture and equipment	1,753,003
Vehicles	4,539,110
Total Governmental Funds Capital Assets	$ 35,905,686
Investment in Governmental Funds Capital Assets by Source:	
General Fund	$ 35,905,686
Total Investment in Governmental Funds Capital Assets	$ 35,905,686

Texana Center

EXHIBIT B-2

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
AUGUST 31, 2017

Function	Land	Construction in Progress	Buildings and Improvements	Furniture and Equipment	Vehicles	Total
Behavioral Health	$ 513,389	$	$ 10,228,056	$ 477,674	$ 1,133,317	$ 12,352,436
Developmental Disability	2,145,092	141,975	14,529,634	473,797	3,152,880	20,443,378
Early Childhood Intervention			812,137			812,137
Administrative			1,243,290	801,532	252,913	2,297,735
Total Governmental Capital Assets	$ 2,658,481	$ 141,975	$ 26,813,117	$ 1,753,003	$ 4,539,110	$ 35,905,686

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, 2017

Function	Governmental Funds Capital Assets September 1, 2016	Additions and Transfers	Retirements and Transfers	Governmental Funds Capital Assets August 31, 2017
Behavioral Health	$ 12,419,724	$ 243,047	$ (310,335)	$ 12,352,436
Developmental Disability	20,108,022	773,870	(438,514)	20,443,378
Early Childhood Intervention	811,583	554		812,137
Administrative	2,156,152	177,048	(35,465)	2,297,735
Total Governmental Funds Capital Assets	$ 35,495,481	$ 1,194,519	$ (784,314)	$ 35,905,686

STATISTICAL SECTION

Texana Center

EXHIBIT C-1

SCHEDULE OF REVENUE AND EXPENDITURES BY SOURCE OF FUNDS
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017
(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	$ 28,350,295	$ 5,006,195	$ 2,585,595	$ 1,268,869	$ 12,190,365	$ 7,220,211	$ 28,350,295	$
Employee Benefits	7,104,437	1,056,755	534,579	264,535	3,391,181	1,857,786	7,104,437	
Professional Contract Services	7,522,661	657,715	138,746	1,537,772	4,831,876	356,522	7,522,661	
Training and Travel	493,111	68,667	47,435	15,456	163,209	200,344	493,111	
Debt Service	1,645,873	535,215			465,177	645,505	1,645,873	
Capital Outlay	641,969	187,616	144,179	44,535	309,475	75,785	641,989	
Non-Capitalized Equipment	31,503	1,459	317	177	16,461	13,144	31,503	
Pharmaceutical Expense	762,754	546,543				216,211	762,754	
PAP Expense	2,661,751	2,661,751					2,661,751	
Other Operating Expense	5,254,421	755,275	393,556	376,597	3,167,190	557,402	5,254,421	
Allocation of C&A	4,804,432	793,006	361,844	311,412	2,516,357	1,021,813	4,804,432	
Total Expenditures	$ 59,513,232	$ 12,392,761	$ 4,205,350	$ 3,620,097	$ 26,929,471	$ 12,364,553	$ 59,513,232	
Method of Finance:								
General Revenue								
HHSC - BH	$ 12,007,234	$ 4,887,285	$ 3,499,852	$ 3,620,097	$	$	$ 12,007,234	$
HHSC - IDD	3,344,548				3,344,548		3,344,548	
Mental Health Block Grant	753,084	565,993	187,091				753,084	
SS Block Grant/TANF	379,545	164,574	214,971				379,545	
Medicaid Waiver and ICF-IID	17,885,927		18,612		17,867,315		17,885,927	
Other Federal Funds	14,468,670	2,047,695	90,157		4,380,364	4,542,160	11,560,256	2,908,414
Other State Agencies	2,335,177	351,925	157,557		40,480	1,785,196	2,335,177	
Required Local Match	1,940,618	1,673,539			267,080		1,940,618	
PAP Medications	2,661,751	2,661,751					2,661,751	
Additional Local Match	7,590,595				575,635	6,077,097	6,652,882	937,713
Total Expended Sources	$ 63,351,449	$ 12,392,761	$ 4,205,350	$ 3,620,097	$ 26,929,471	$ 12,364,553	$ 59,513,232	$ 3,838,217

Texana Center

Exhibit C-2
Page 1 of 2

RECONCILIATION OF TOTAL REVENUES TO FOURTH QUARTER FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2017
(UNAUDITED)

	Revenues			
	Care Report III	Additions	Deletions	Audited Financial Statements
Local Sources:				
County Tax Funds	$ 641,388	$	$	$ 641,388
Patient Fees/Insurance	6,389,764			6,389,764
Miscellaneous Income	2,500,062			2,500,062
Patient Assistance Program	2,661,751		(2,661,751) (b)	
NF PASRR SS Form 1048	4,038			4,038
TWC - Rehab	43,770			43,770
Medicare/Medicaid	11,824,558	271,896 (a)		12,096,454
TCOOMMI Funds	549,492			549,492
Title XIX - HCS	12,631,610			12,631,610
Title XIX - Texas Home Living Waiver	2,648,758			2,648,758
Title XIX - ICF	2,540,946			2,540,946
YES Waiver	48,612			48,612
Total Local Sources	42,484,749	271,896	(2,661,751)	40,094,894
State Programs:				
General Revenue - BH	12,007,334		(271,896) (a)	11,735,438
General Revenue - IDD	3,344,548			3,344,548
Early Childhood Intervention	565,234			565,234
HHSC - Autism	288,260			288,260
Total State Programs	16,205,376		(271,896)	15,933,480
Federal Programs:				
Mental Health Block Grant	753,084			753,084
Title XX Soc Services Block Grant	118,442			118,442
Title XX - TANF	261,103			261,103
Money Follows the Person	648,505			648,505
Medicaid - Administrative Claiming	1,995,807			1,995,807
Early Childhood Intervention	864,383			864,383
Total Federal Programs	4,641,324			4,641,324
Total Revenues	$ 63,331,449	$ 271,896	$ (2,933,647)	$ 60,669,698

(a) $271,896 medicaid match excluded from General Revenue in the Audited Financial Statements
(b) Remove PAP Contributions

Texana Center

RECONCILIATION OF TOTAL EXPENDITURES TO FOURTH QUARTER FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31,2017
(UNAUDITED)

Exhibit C-2
Page 2 of 2

	Expenditures			
Function	**Care Report III**	**Additions**	**Deletions**	**Audited Financial Statements**
Personnel	$ 31,154,112	$	$	$ 31,154,112
Employee Benefits	7,795,976			7,795,976
Professional Contract Services	7,685,633			7,685,633
Training and Travel	536,930			536,930
Debt Service	1,693,059	87,547 (c)		1,780,606
Capital Outlay	1,019,619	176,000 (a)	(1,100) (d)	1,194,519
Non-Capitalized Equipment	55,653			55,653
Pharmaceutical Expense	772,916			772,916
Patient Assistance Program Expense	2,661,751		(2,661,751) (b)	
Other Operating Expenses	6,137,583	1,100 (d)	(87,547) (c)	6,051,136
Total Expenditures	$ 59,513,232	$ 264,647	$ (2,750,398)	$ 57,027,481

(a) Note Proceeds netted with Debt Service on Report III
(b) Remove PAP Contributions
(c) Included in other operating expenses on Report III
(d) Miscellaneous adjustment

Texana Center **EXHIBIT C-3**

SCHEDULE OF INDIRECT COSTS
FOR THE YEAR ENDED AUGUST 31,2017
(UNAUDITED)

	Total Costs	Non-Allowable Costs	Depreciation	Total Adjusted Costs	Direct Costs	Indirect Costs
Salaries	$ 31,154,112	$	$	$ 31,154,112	$ 28,350,326	$ 2,803,786
Employee Benefits	7,795,976			7,795,976	7,104,446	691,530
Capital Outlay	1,194,519	(1,194,519)				
Debt Service - Principal	1,386,704	(1,386,704)				
Depreciation			1,762,612	1,762,612	1,646,116	116,496
Other Operating Expend.	15,496,170	(104,414)		15,391,756	14,264,414	1,127,342
Total Expenditures	$ 57,027,481	$ (2,685,637)	$ 1,762,612	$ 56,104,456	$ 51,365,302	$ 4,739,154

Computation of Indirect Cost Rate for the Year Ended August 31, 2017

Indirect Costs	4,739,154
Direct Costs	51,365,302
Indirect Cost Rate	9.23%

Texana Center

SCHEDULE OF LEASES
FOR THE YEAR ENDED AUGUST 31,2017
(UNAUDITED)

Lessor or Other Part to Contract	Location	Monthly Amount	Period Covered Start Date	End Date
Group Homes				
John Schmermund	1305 Ward Bend, Sealy	$ 1,350	4/1/2015	9/30/2017
ARC of Fort Bend County	6419 Brazos Glen, Richmond	1,100	9/1/2008	8/31/2018
ARC of Fort Bend County	5141 Cotter Lane, Rosenberg	1,100	9/1/2008	8/31/2018
ARC of Fort Bend County	6623 Grant Drive, Richmond	1,200	9/1/2015	8/31/2017
Wharton ARC	509 1/2 Sunset, Wharton	1,500	9/1/2009	8/31/2017
Gerald Pinto	2819 S. Blue Meadow, Sugar Land	1,925	9/1/2009	month to month
ARC of Fort Bend County	5618 Wagon Wheel, Rosenberg	1,200	11/1/2009	8/31/2017
ARC of Fort Bend County	7402 Rustic Trail, Richmond	1,300	7/1/2012	1/31/2018
Angela Maxwell	204 Briar Circle, Sealy	1,200	7/1/2012	month to month
Wayne Allen	722 Old Caney Road, Wharton	1,575	7/1/2012	8/31/2020
Texana Facilities				
Wharton ARC	1017 1/2 Alabama Rd., Wharton	1,200	9/1/2016	8/31/2018
ARC of Fort Bend County	2715 Cypress Point, Missouri City	8,000	2/1/2009	1/31/2019
130 Industrial L.P.	130 Industrial Ste 200, Sugar Land	10,821	7/1/2014	11/1/2017
Ward Real Estate, Inc.	3636 Avenue F, Bay City	1,950	2/5/2016	2/14/2017
Parkway Fellowship of Katy	27043 FM 1093 Road, Richmond	200	3/6/2017	3/5/2018
Copy Machines				
Canon Financial Solutions	4706 Airport, Rosenberg - Building A	625	8/4/2014	8/3/2018
Canon Financial Solutions	4706 Airport, Rosenberg - Building A	82	7/16/2014	7/16/2018
Canon Financial Solutions	4910 Airport, Rosenberg - Building F	256	7/16/2014	7/16/2018
Canon Financial Solutions	400 Ave F, Bay City	82	7/16/2014	7/16/2018
Canon Financial Solutions	4910 Airport, Rosenberg - Building A	83	7/16/2014	7/16/2018
Canon Financial Solutions	4910 Airport, Rosenberg - Building D	82	7/16/2014	7/16/2018
Canon Financial Solutions	535 FM 359 South, Brookshire	194	7/16/2014	7/16/2018
Canon Financial Solutions	4910 Airport, Rosenberg - Building G	486	7/16/2014	7/16/2018
Canon Financial Solutions	130 Industrial Blvd, Ste 200, Sugar Land	536	7/16/2014	7/16/2018
Canon Financial Solutions	4706 Airport, Rosenberg - Building A	475	8/29/2014	8/29/2018
Canon Financial Solutions	3007 North Richmond Road, Wharton	325	9/24/2014	9/24/2018
Canon Financial Solutions	130 Industrial Blvd, Ste 200, Sugar Land	20	10/27/2014	9/27/2018
Canon Financial Solutions	4706 Airport, Rosenberg - Building C	419	1/28/2015	1/28/2019
Canon Financial Solutions	3007 North Richmond Road, Wharton	180	10/1/2015	10/1/2019

Texana Center

SCHEDULE OF LEASES
FOR THE YEAR ENDED AUGUST 31, 2017
(UNAUDITED)

Lessor or Other Part to Contract	Location	Monthly Amount	Period Covered Start Date	End Date
Copy Machines (cont'd)				
Canon Financial Solutions	3007 North Richmond Road, Wharton	$ 180	10/1/2015	10/1/2019
Canon Financial Solutions	3007 North Richmond Road, Wharton	180	10/1/2015	10/1/2019
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, Rosenberg - Building A	180	10/1/2015	10/1/2019
Canon Financial Solutions	4706 Airport, Rosenberg - Building A	180	10/1/2015	10/1/2019
Canon Financial Solutions	4706 Airport, Rosenberg - Building B	180	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport, Rosenberg - Building A	180	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport, Rosenberg - Building A	180	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport, Rosenberg - Building E	180	10/1/2015	10/1/2019
Canon Financial Solutions	4706 Airport, 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	4706 Airport, Rosenberg - Building A	224	10/1/2015	10/1/2019
Canon Financial Solutions	4910 Airport, Rosenberg - Building F	239	6/9/2016	6/9/2020
Canon Financial Solutions	4910 Airport, Rosenberg - Building D	233	6/9/2016	6/9/2020
Canon Financial Solutions	4910 Airport, Rosenberg - Building A	233	6/9/2016	6/9/2020
Canon Financial Solutions	4910 Airport, 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	1460 Walnut Street, Columbus	197	6/9/2016	6/9/2020
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
Mailing Equipment				
Pitney Bowes	4910 Airport, Bldg. G, Rosenberg, Texas	205	3/30/2013	3/29/2018

Texana Center **EXHIBIT C-5**

SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED AUGUST 31, 2017
(UNAUDITED)

General Liability		
Insurer: Texas Council Risk Management Fund		
Policy Period: 09/01/16 - 08/31/17		
Coverage:		
Per Occurrence Limit of Liability and Annual Aggregate	$	400,000
Deductible		1,000
Automobile Liability		
Insurer: Texas Council Risk Management Fund		
Policy Period: 09/01/16 - 08/31/17		
Coverage:		
Per Occurrence Limit of Liability and Annual Aggregate		400,000
Deductible		1,000
Professional Liability		
Insurer: Texas Council Risk Management Fund		
Policy Period: 09/01/16 - 08/31/17		
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: 09/01/16 - 08/31/17		
Coverage:		
Per Occurrence Limit of Liability and Annual Aggregate		1,000,000
Deductible		1,000
Property		
Insurer: Texas Council Risk Management Fund		
Policy Period: 09/01/16 - 08/31/17		
Coverage:		
Blanket Limit Each Occurrence		40,845,430
Blanket Per Occurrence Deductible		5,000
Automobile Physical Damage		
Insurer: Texas Council Risk Management Fund		
Policy Period: 09/01/16 - 08/31/17		
Coverage Basis is Scheduled; Deductible Varies by Vehicles		
Crime Coverage		
Insurer: Texas Council Risk Management Fund		
Policy Period: 09/01/16 - 08/31/17		
Per Occurrence Limit of Liability		10,000
Deductible		1,000
Workers Compensation		
Insurer: Texas Municipal League		
Policy Period: 10/01/16 - 09/30/17		
Coverage: Statutory		
Windstorm and Hail		
Insurer: Texas Windstorm Insurance Association		
Policy Period: 09/01/16 - 08/31/17		
Coverage		669,966
Deductible		6,494
Information Security and Privacy Insurance with Breach Response Services		
Insurer: Lloyds of London Beazley Syndicate		
Policy Period: 3/28/17 - 3/27/18		
Coverage:		
Policy Aggregate of Limit		5,000,000
Regulatory Defense and Penalties Sublimit		2,000,000
PCI Finds, Expenses and Costs Sublimit		100,000

Texana Center

EXHIBIT C-7

SCHEDULE OF PROFESSIONAL AND CONSULTING FEES
FOR THE YEAR ENDED AUGUST 31,2017
(UNAUDITED)

Name	City	Type of Service	Amount
Ray and Hollington Architects	Houston	Architectural	$ 47,025
Sandersen Knox & Co	Sugar Land	Financial Audit	31,500
JSA Health LLC	Houston	Medical	165,980
Rafael Guerro, MD	Katy	Medical	8,898
Jan Robinson, RN	Kyle	Nursing	46,326
Jackson & Coker	Alpharetta, GA	Medical	66,500

Texana Center

EXHIBIT C-8

SCHEDULE OF LEGAL SERVICES
FOR THE YEAR ENDED AUGUST 31,2017
(UNAUDITED)

Name	City	Type of Service		Amount
Chamberlain, Hrdlicka, White, Williams & Aughtry	Houston	Legal	$	37,546
Orrick, Herrington & Sutcliffe LLP	San Francisco	Legal		5,000
John J. Stasney	Dallas	Legal		3,240
Bourer Law Firm	Princeton	Legal		5,000
Lewis Brisbois Bisgaard & Smith LLP	Los Angeles	Legal		1,357

SINGLE AUDIT SECTION

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

To the Board of Trustees
Texana Center
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, each major fund, and the aggregate remaining fund information of Texana Center (the Center), as of and for the year ended August 31, 2017, 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 19, 2018. Our report includes a reference to other auditors who audited the financial statements of Crossroads Villas, the discretely presented component unit of the Center as described in our report on the Center's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 over financial reporting 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 19, 2018

Independent Auditor's Report on Compliance for Each Major 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, 2017. The Center's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal and State Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and TSAC, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Center's internal control over compliance.

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

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

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

Eide Bailly LLP

Abilene, Texas
January 19, 2018

Texana Center **EXHIBIT D-1**

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2017

Program Title	Pass-Through Grantor's Number		Expenditures
State Awards:			
Texas Health & Human Services Commission - MH			
General Revenue - Mental Health Adult	537-17-0127-00032	$	6,664,309
General Revenue - Mental Health Child	537-17-0127-00032		1,725,746
General Revenue - Crisis Services	537-17-0127-00032		1,807,880
General Revenue - Psychiatric Emergency Service Center	537-17-0127-00032		1,526,303
General Revenue - Mental Health First Aid	537-17-0127-00032		11,200
Total HHSC - MH			**11,735,438**
Texas Health & Human Services Commission - IDD			
General Revenue - IDD	539-16-0070-00001		2,428,801
Permancy Planning	539-16-0070-00001		45,931
CLDIP	539-16-0070-00001		382,042
IDD Crisis Intervention Specialists	539-16-0070-00001		196,324
IDD Crisis Respite Services	539-16-0070-00001		155,612
Nursing Facility PASRR Service Coordinator	539-16-0070-00001		131,738
Total HHSC - IDD			**3,344,548**
Texas Health & Human Services Commission - ECI			
Division for Early Childhood Intervention - Intervention	538-20-01574-01		578,814
Division for Early Childhood Intervention - Respite	538-20-01574-02		6,420
Total HHSC - ECI			**585,234**
Texas Health & Human Services Commission - Autism	538-16-9685-0000000000005		288,250
Total Texas Health & Human Services Commission			**15,953,480**
Total State Awards		$	**15,953,480**

Texana Center

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017

Program Title	Federal CFDA Number		Pass-Through Grantor's Number		Expenditures
Federal Awards:					
U.S. Department of Health and Human Services					
Passed through HHSC - MH					
Mental Health Block Grant	93.958		537-17-0127-00032	$	753,084
Title XX Social Services Block Grant	93.667		537-17-0127-00032		118,442
Temporary Assistance for Needy Families ("TANF")	93.558.667	*	537-17-0127-00032		261,103
Passed through HHSC - ECI:					
Temporary Assistance for Needy Families ("TANF")	93.558	*	538-20-01574-01		190,955
Medicaid: Title XIX	93.778	‡	529-11-0040-00025		167,392
Passed through Texas Health & Human Services Commission					
Medicaid: Title XIX	93.778	‡	529-09-0032-00061		1,828,416
Passed through HHSC - IDD					
PAC 314 Title XVIII	93.791		539-16-0070-00001		648,505
Total U.S. Department of Health and Human Services					**3,967,897**
Department of Education - Office of Special Education and Rehabilitative Services					
Passed through HHSC - ECI:					
Grants for Infants and Families with Disabilities	84.181		538-20-01574-01		601,789
Grants to States	84.027		538-20-01574-01		71,640
Total Department of Education					**673,429**
Total Federal Awards					**4,641,326**
Total State and Federal Awards				$	**20,594,806**

* Total Expenditures for CFDA #93.558 is $452,058

‡ Total Expenditure for CFDA #93.778 is $1,995,808

Texana Center
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017

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

The information in the Schedule of Expenditures of State and Federal Awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule of Expenditures of State and Federal Awards presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Center.

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

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

Relationship to the Basic Financial Statements

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

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

Program or Award Amounts

Amounts include contract/award amounts plus any additional reimbursement monies received in fiscal year 2017.

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.

Subrecipients

The Center has not passed through any of its federal and state program awards to subrecipients.

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.

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Texana Center

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2017

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section:

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

Federal Awards Section:

Internal control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiencies identified, but not considered to be material weaknesses?	None reported
Type of auditor's report on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or the State of Texas Single Audit Circular?	No

Identification of Major Programs:

Name of Federal Program	CFDA Number
Mental Health Block Grant	93.958
Grants for Infants and Families with Disabilities – *Early Childhood Intervention Program*	84.181

Name of State Program

General Revenue (MH Adult and IDD)
Division for Early Childhood Intervention

Dollar threshold for distinguishing Type A and B programs:	$750,000-federal $478,604-state
Auditee qualified as a low-risk auditee?	Yes

Texana Center
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2017

PART II - FINANCIAL STATEMENT FINDINGS

No financial statement findings were noted.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No federal award findings were noted.

Texana Center
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2017

No prior year federal award findings were noted.

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CPAs & BUSINESS ADVISORS

To the Board of Trustees of
Texana Center:

In planning and performing our audit of the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Texana Center (the Center) as of and for the year ended August 31, 2017, 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 19, 2018