

Texana Center

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2023

Texana Center

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Texana Center

CERTIFICATE OF BOARD APPROVAL

I, Sue Fagan, Chairperson of the Board of Trustees of Texana Center, do hereby certify that this accompanying audit report of the fiscal year ended August 31, 2023 from Eide Bailly, LLP was reviewed and approved at a meeting of the Board of Trustees held on the 24th day of January, 2024.

Sue Fagan
Chairperson, Board of Trustees

Jan. 24, 2024
Date

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Texana Center
PRINCIPAL OFFICIALS
August 31, 2023

BOARD OF TRUSTEES

Sue Fagan	Chairperson
Dr. Dennis Young	Vice-Chair
John Robson	Secretary
Willie S. Greer	Member
Linda Harnist	Member
Toi Blakely Harris, MD	Member
Asim Shah, MD	Member
Sarah Hudgins	Member
Leroy Cerny	Member
Sheriff Skipper Osborne	Ex-Officio
Lieutenant Jerone Ellis	Ex-Officio

SENIOR LEADERSHIP TEAM

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

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Independent Auditor's Report

To the Board of Trustees
Texana Center
Rosenberg, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, the major fund and the aggregate remaining fund information of Texana Center (the Center) as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Center, as of August 31, 2023, 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.

We did not audit the financial statements of Crossroads Villas, a discretely presented component unit of the Center, which represents 100% of the assets, net position, and revenues of the discretely presented component unit as of September 30, 2023. 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Center has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended August 31, 2023. Accordingly, a restatement has been made to the governmental activities net position as of September 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards* we:

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

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

Required Supplementary Information

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

the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of state and federal awards is presented for the 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 Texas Grant Management Standards and is also not a required part of the basic financial statements. The other supplementary information and the schedule of expenditures of state and federal awards 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of state and federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 3, 2024, 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, 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.



Abilene, Texas
January 3, 2024

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, 2023.

FINANCIAL HIGHLIGHTS

- The assets of the Center, excluding component units, exceeded its liabilities at the close of the most recent fiscal year by \$56,363,022 (net position). Of this amount, \$30,119,614 (unrestricted net position) may be used to meet the Center's ongoing obligations.
- The Center's total net position, excluding component units, increased by \$2,452,789 for the year ended August 31, 2023.
- As of August 31, 2023, the Center's governmental funds reported an ending fund balance of \$32,057,023, an increase of \$2,315,932 from the prior fiscal year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$21,448,012 or 29.5 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Center, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Center can be divided into two categories: governmental funds (the General Fund) and fiduciary funds (the Custodial 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 statements can be found on pages 24 -25 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 Texas Grants. Other supplementary information can be found on pages 47-60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Center, assets exceeded liabilities by \$56,363,022 as of August 31, 2023.

A large portion (47 percent) of the Center's net position reflects its net investment in capital assets (e.g. land, buildings, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The Center uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending. The Center adopted the provisions of GASB 96, *Subscription Based Information Technology Agreements* in the current year and have restated capital assets and long-term liabilities for 2022 to reflect the adoption of these provisions.

Additionally, a portion of the Center's net position (53 percent) represents unrestricted financial resources available for future operations.

STATEMENT OF NET POSITION

For the Fiscal Year Ended August 31, 2023 and 2022

	Governmental Activities	
	2023	2022 restated
Current and other assets	\$ 34,497,261	\$ 32,537,343
Capital assets, net	31,895,751	32,688,244
Total Assets	66,393,012	65,225,587
Current liabilities	3,971,455	4,676,129
Long-term liabilities	6,058,535	6,639,225
Total Liabilities	10,029,990	11,315,354
Net Position:		
Net investment in capital assets	26,243,408	25,882,134
Unrestricted	30,119,614	28,028,099
Total Net Position	\$ 56,363,022	\$ 53,910,233

Net position of the Center, all of which relate to governmental activities, increased by \$2,452,789. Key elements of the increase are as follows:

CHANGES IN NET POSITION
For the Fiscal Year Ended August 31, 2023 and 2022

	Governmental Activities	
	2023	2022
Revenues		
Program revenues:		
Charges for services	\$ 47,275,807	\$ 39,375,049
Operating grants and contributions	25,456,263	26,267,928
Capital grants and contributions		
General revenues:		
Local income	768,051	768,051
Investment income	1,224,497	122,041
Total Revenues	74,724,618	66,533,069
Expenses		
Behavioral Health	29,857,499	26,379,544
Intellectual Developmental Disability	30,824,588	26,048,296
Other Services	11,278,748	10,544,565
Interest on long-term debt	310,994	269,240
Total Expenses	72,271,829	63,241,645
Change in Net Position	2,452,789	3,291,424
Net position, beginning	53,910,233	50,618,809
Net Position, Ending	\$ 56,363,022	\$ 53,910,233

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, 2023, the Center's governmental funds, which consist of a general fund, reported an ending fund balance of \$32,057,023 which is an increase of \$2,315,932 from last year's total of \$29,741,091. 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 29.5 percent of total general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund operating expenditures in 2023 were budgeted at \$69 million, and actual expenditures incurred at August 31, 2023 were \$72.7 million, or 5.3% higher than what had been projected for this year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Center's investment in capital assets as of August 31, 2023 amounts to \$31,895,752 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, improvements, vehicles, furniture and equipment, right of use leases and right of use IT subscription assets.

CAPITAL ASSETS SCHEDULE (net of depreciation)

	Governmental Activities	
	2023	2022 (Restated)
Land	\$ 4,326,351	\$ 2,681,919
Construction in Progress	1,393	2,652,557
Furniture in Progress		161,846
Buildings and improvements	41,055,892	37,937,353
Furniture and equipment	5,195,599	5,002,160
Vehicles	4,361,911	4,279,894
Right of use leased assets and SBITAs	2,671,188	2,418,426
Less: accumulated depreciation/amortization	<u>(25,716,583)</u>	<u>(22,445,912)</u>
Total Capital Assets, Net	<u>\$ 31,895,752</u>	<u>\$ 32,688,244</u>

The Center adopted the provisions of GASB 96, Subscription Based Information Technology Agreements (SBITAs), and are now including these right of used assets in their capital assets. 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, 2023, the Center had total tax-exempt bonded debt outstanding of \$4,335,000. Interest expense totaled \$230,234 for the 2023 fiscal year on this bonded debt. There were no new bond issues in 2022. These outstanding bonds have maturities ranging from 2024 to 2040.

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

LONG TERM LIABILITIES

	Governmental Activities	
	2023	2022 (Restated)
Bonds	\$ 4,335,000	\$ 4,490,000
Leases	748,087	959,880
Subscription IT	569,256	1,090,384
Compensated Absences	1,889,929	1,663,748
Total long term liabilities	\$ 7,542,272	\$ 8,204,012

ECONOMIC FACTORS

- The Center has an employment vacancy rate of 28.34% at August 31, 2023, which is a decrease from a rate of 31.55% 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
STATEMENT OF NET POSITION
August 31, 2023

EXHIBIT A-1

	Primary Government	Component Unit
	Governmental Activities	Crossroads Villas September 30, 2023
Assets		
Cash and cash equivalents	\$ 25,924,730	\$ 61,152
Accounts receivable, net	2,230,440	7
Due from other governments	5,389,040	165
Prepaid items	52,190	5,950
Deposit - IGT DPP-BHS	855,172	
Inventories, at cost	33,543	
Deposits - other	12,146	4,129
Capital assets not being depreciated	4,327,744	
Capital assets net of accumulated depreciation	26,157,794	1,310,528
Right to Use subscription IT assets, net accumulated amortization	665,174	
Right to Use leased assets, net accumulated amortization	745,039	
Total Assets	66,393,012	1,381,931
Liabilities		
Current Liabilities:		
Accounts payable	1,151,511	8,267
Accrued expenses	991,966	11,082
Unearned Revenue	296,761	
Accrued interest payable	47,480	
Bonds payable - current	165,000	
SBITA Liability - current	524,209	
Lease liability - current	322,046	
Accrued compensated absences - current	472,482	
Total Current Liabilities	3,971,455	19,349
Non-Current Liabilities:		
Bonds payable	4,170,000	
SBITA Liability	45,047	
Lease liability	426,041	
Accrued compensated absences	1,417,447	
Total Non-Current Liabilities	6,058,535	
Total Liabilities	10,029,990	19,349
Net Position		
Net investment in capital assets	26,243,408	1,310,528
Unrestricted	30,119,614	52,054
Total Net Position	\$ 56,363,022	\$ 1,362,582

See Notes to Financial Statements.

Texana Center

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2023

Functions/Programs	Expenses		
	Expenses	Administration Allocations	Expenses after Allocation of Administration
Primary Government			
Governmental Activities			
Behavioral Health	\$ 26,497,563	\$ 3,359,936	\$ 29,857,499
Intellectual Developmental Disability	27,355,823	3,468,765	30,824,588
Other Services	10,009,523	1,269,225	11,278,748
Administration	8,097,926	(8,097,926)	
Interest on long-term debt	310,994		310,994
Total Governmental Activities	<u>\$ 72,271,829</u>	<u>\$</u>	<u>\$ 72,271,829</u>
Component Unit			
Crossroads Villas, for the year ended September 30, 2023	\$ 146,936	\$	\$ 146,936
Total Component Unit	<u>\$ 146,936</u>	<u>\$</u>	<u>\$ 146,936</u>

See Notes to Financial Statements.

Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government Governmental Activities	Component Unit Crossroads Villas
\$ 8,988,218	17,991,807	\$	\$ (2,877,474)	\$
23,558,579	4,584,761		(2,681,248)	
8,250,866	2,879,695		(148,187)	
			(310,994)	
<u>\$ 40,797,663</u>	<u>\$ 25,456,263</u>	<u>\$</u>	<u>(6,017,903)</u>	
\$ 47,320	\$ 62,611	\$		(37,005)
<u>\$ 47,320</u>	<u>\$ 62,611</u>	<u>\$</u>		<u>(37,005)</u>
General Revenues:				
Local income			768,051	2,076
Charity Care Pool			6,478,144	
Investment earnings			1,224,497	285
Total General Revenues			<u>8,470,692</u>	<u>2,361</u>
Change in Net Position			2,452,789	(34,644)
Net Position, Beginning			53,910,233	1,397,226
Net Position, Ending			<u>\$ 56,363,022</u>	<u>\$ 1,362,582</u>

Texana Center
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2023

EXHIBIT A-3

	General Fund	Total Governmental Funds
	<hr/>	<hr/>
Assets		
Cash and cash equivalents	\$ 25,924,730	\$ 25,924,730
Accounts receivable, net of allowance of \$215,470	2,230,440	2,230,440
Due from other governments	5,389,040	5,389,040
Prepaid items and other	52,190	52,190
Deposit - IGT DPP-BHS	855,172	855,172
Deposits - other	12,146	12,146
Inventories, at cost	33,543	33,543
Total Assets	<hr/> \$ 34,497,261 <hr/>	<hr/> \$ 34,497,261 <hr/>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 1,151,511	\$ 1,151,511
Accrued expenses	991,966	991,966
Unearned Revenue	296,761	296,761
Total Liabilities	<hr/> 2,440,238 <hr/>	<hr/> 2,440,238 <hr/>
Fund Balances:		
Nonspendable:		
Prepaid items and other	52,190	52,190
Inventory	33,543	33,543
Committed	10,523,278	10,523,278
Unassigned	21,448,012	21,448,012
Total Fund Balances	<hr/> 32,057,023 <hr/>	<hr/> 32,057,023 <hr/>
Total Liabilities and Fund Balances	<hr/> \$ 34,497,261 <hr/>	

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.	31,895,751
Accrued interest on long-term liabilities is not payable with current financial resources and therefore not reported as a liability in the governmental funds.	(47,480)
Construction retainage payable is not payable with current financial resources and therefore are not reported in the governmental funds.	
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(1,889,929)
SBITAs are not due and payable in the current period and therefore are not reported in the governmental funds.	(569,256)
Leases are not due and payable in the current period and therefore are not reported in the governmental funds.	(748,087)
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,335,000)
Net Position of Governmental Activities	<hr/> \$ 56,363,022 <hr/>

Texana Center

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT A-4

	General Fund	Total Governmental Funds
Revenues:		
Local funds	\$ 44,636,337	\$ 44,636,337
State funds	21,725,296	21,725,296
Federal funds	8,362,985	8,362,985
Total Revenues	<u>74,724,618</u>	<u>74,724,618</u>
Expenditures:		
Current:		
Behavioral Health	25,581,671	25,581,671
Intellectual Developmental Disability	26,439,670	26,439,670
Other Services	9,474,016	9,474,016
Administration	6,769,382	6,769,382
Debt Service:		
Principal - Bond	155,000	155,000
Interest - Bond	230,234	230,234
Principal - SBITAs	521,128	521,128
Interest - SBTAs	49,177	49,177
Principal - Leases	501,691	501,691
Interest - Leases	31,582	31,582
Capital Outlay	2,945,033	2,945,033
Total Expenditures	<u>72,698,584</u>	<u>72,698,584</u>
Excess of Revenues over Expenditures	<u>2,026,034</u>	<u>2,026,034</u>
Other Financing Sources - Leases (lessee)		
Leases (lessee)	289,898	289,898
Net Change in Fund Balance	2,315,932	2,315,932
Fund Balance - September 1 (Beginning)	29,741,091	29,741,091
Fund Balance - August 31 (Ending)	<u>\$ 32,057,023</u>	<u>\$ 32,057,023</u>

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, 2023

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

Net change in fund balance - governmental funds	\$ 2,315,932
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital depreciation/amortization (\$3,466,276) exceeded capital outlay \$2,945,033 in the current period offset by loss on disposal of assets of (\$5,994).	(527,237)
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.	1,177,819
Principal receipts on leases are reported as revenues in the governmental funds, but not reported as revenues in the statement of activities - lease proceeds	(289,898)
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 (\$2,355) and accrued compensated absences \$226,181.	<u>(223,827)</u>
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations) is to decrease net assets.	<u> </u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,452,789</u></u>

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, 2023

Exhibit A-6

Page 1 of 2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Local Sources:				
County Tax Funds	\$ 1,080,698	\$ 1,080,698	\$ 1,130,484	\$ 49,786
Patient Fees/Insurance	6,257,774	6,257,774	6,449,797	192,023
Managed Care	2,886,995	2,886,995	3,037,425	150,430
Miscellaneous Income	355,642	355,642	640,895	285,253
Donations	1,525,039	1,525,039	1,470,753	(54,286)
TWC - Rehabilitation	35,459	35,459	45,335	9,876
Medicaid	4,643,089	4,643,089	4,178,977	(464,112)
Charity Care Pool	4,000,000	4,000,000	6,478,144	2,478,144
Directed Payment Program (DPP)	2,968,767	2,968,767	3,351,333	382,566
Directed Payment Program (DPP) Reconciliation			809,624	809,624
Title XIX - HCS	11,976,149	11,976,149	11,758,896	(217,253)
Title XIX - Texas Home Living Waiver	1,090,198	1,090,198	1,116,111	25,913
Title XIX - ICF-IDD	2,285,961	2,285,961	1,886,605	(399,356)
Title XIX - YES Waiver	3,096	3,096	10,022	6,926
TCOOMMI Funds	636,459	636,459	555,745	(80,714)
Contracts	754,816	754,816	491,694	(263,122)
Interest Income			1,224,497	1,224,497
Total Local Sources	40,500,142	40,500,142	44,636,337	4,136,195
State Programs:				
HHSC - MH	16,179,625	16,179,625	16,271,210	91,585
HHSC - IDD	3,406,368	3,406,368	3,748,932	342,564
HHSC - Early Childhood Intervention	782,697	782,697	782,697	
HHSC - Autism	582,155	582,155	922,457	340,302
Total State Programs	20,950,845	20,950,845	21,725,296	774,451
Federal Programs:				
Mental Health Block Grant	2,205,732	2,205,732	2,826,775	621,043
Title XX Soc. Serv. Block Grant	112,176	112,176	112,173	(3)
Title XX - TANF	238,988	238,988	250,431	11,443
Coordinated Specialty Care	350,000	350,000	375,854	25,854
Early Childhood Intervention	1,095,459	1,095,459	1,163,098	67,639
Medicaid - Administrative Claiming	1,987,459	1,987,459	2,286,411	298,952
HHSC - MFP	798,230	798,230	793,560	(4,670)
Other Federal Grants	788,637	788,637	554,683	(233,954)
Total Federal Programs	7,576,681	7,576,681	8,362,985	786,304
Total Revenues	69,027,668	69,027,668	74,724,618	5,696,950
EXPENDITURES:				
Personnel:				
Salaries	39,611,629	39,611,629	40,741,693	(1,130,064)
Employee Benefits	10,874,512	10,874,512	10,206,648	667,864
Total Personnel	50,486,141	50,486,141	50,948,341	(462,200)
Travel	334,595	334,595	367,781	(33,186)

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, 2023

Exhibit A-6

Page 2 of 2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued):				
Consumable Items:				
Drugs	161,994	161,994	141,590	20,404
Food	345,355	345,355	358,550	(13,195)
Other	573,044	573,044	969,414	(396,370)
Total Consumable Items	1,080,393	1,080,393	1,469,554	(389,161)
Client Assistance Funds	486,211	486,211	558,897	(72,686)
Equipment and Furniture:				
Rental	127,187	127,187	56,266	70,921
Repairs & Maintenance			2,349	(2,349)
Total Equip. & Furniture	127,187	127,187	58,615	68,572
Building:				
Lease	326,358	326,358	54,331	272,027
Repairs and Maintenance	1,007,439	1,007,439	1,111,742	(104,303)
Total Building	1,333,797	1,333,797	1,166,073	167,724
Vehicle:				
Operating & Maintenance	501,394	501,394	493,228	8,166
Total Vehicle	501,394	501,394	493,228	8,166
Consultant/Contracts with Service Agencies:				
	9,819,729	9,819,729	9,665,782	153,947
Other:				
Telephone	836,858	836,858	839,438	(2,580)
Utilities	511,735	511,735	593,897	(82,162)
Insurance	845,213	845,213	796,844	48,369
Information Services	1,407,709	1,407,709	1,029,398	378,311
Miscellaneous	233,274	233,274	276,891	(43,617)
Total Other	3,834,789	3,834,789	3,536,468	298,321
Debt Service	369,408	369,408	1,488,812	(1,119,404)
Capital Outlay	654,024	654,024	2,945,033	(2,291,009)
Total Expenditures	69,027,668	69,027,668	72,698,584	(3,670,916)
Revenues (Under) Expenditures			2,026,034	2,026,034
Other Financing Sources - leases			289,898	289,898
Change in Fund Balance			2,315,932	2,315,932
Fund Balance - Beginning	29,741,091	29,741,091	29,741,091	
Fund Balance - Ending	\$ 29,741,091	\$ 29,741,091	\$ 32,057,023	\$ 2,315,932

See Notes to Financial Statements.

Texana Center

STATEMENT OF FIDUCIARY NET POSITION

August 31, 2023

EXHIBIT A-7

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 97,044
Total Assets	<u>\$ 97,044</u>
Net Position	
Restricted for clients	\$ 97,044
Total Net Position	<u>\$ 97,044</u>

See Notes to Financial Statements.

Texana Center**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2023****EXHIBIT A-8**

	<u>Custodial Fund</u>
ADDITIONS	
Client Contributions	\$ 789,819
Total Additions	<u>789,819</u>
DEDUCTIONS	
Distributions to Clients	<u>898,497</u>
Total Deductions	<u>898,497</u>
Change in Fiduciary Net Position	(108,678)
Net Position - Beginning	<u>205,722</u>
Net Position - Ending	<u>\$ 97,044</u>

See Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

of two years. The Internal Revenue Service has issued a determination letter dated June 4, 2009 stating that Crossroads Villas qualifies as an organization described in Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal income taxes. The fiscal year end for the Corporation is September 30, 2023. Financial information is available at the Center's office located at 4910 Airport Avenue, Bldg. D, Rosenberg, Texas, 77471.

B. Government-wide and Fund Financial Statements

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position consists of unrestricted balances and net investments in capital assets (capital assets less related debt).

C. Basis of Accounting/Measurement Focus

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

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

Nonspendable:

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

Restricted:

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

Committed:

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

Assigned:

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

Unassigned:

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

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

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

The Center reports the following governmental fund:

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

Additionally, the Center reports the following fund type:

Fiduciary Fund Type - The Custodial 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.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The Center's cash and cash equivalents are considered to be cash on hand, demand deposits, deposits with public funds investment pools and short-term investments with original maturities of three months or less from the date of acquisition. Investments in public funds investment pools are not measured at fair value, but rather amortized cost.

The Board of Trustees of the Center authorizes the Center to invest with certain stipulations in obligations of the United States or its agencies and instrumentalities; collateralized

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

During the year ended August 31, 2023, the Center did not own any types of securities other than those permitted by statute.

2. Accounts Receivable

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, 2023, accounts receivable due from non-medicaid insurance carriers net of the allowance amounted to \$773,981.

3. Revenues

Net Patient and Client Service Revenue

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

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

Grants

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

Other Revenues

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

4. Prepaid Items

Payments to vendors for services that will benefit periods beyond August 31, 2023 are recorded as prepaid items. Prepaid items are equally offset by a fund balance reserve in the governmental fund balance sheet, which indicates that it does not constitute available spendable resources even though they are components of net current assets.

5. 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).

6. 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 acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the useful lives of the related assets, as applicable.

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

<u>Asset Description</u>	<u>Years</u>
Buildings and improvements	10 to 40
Furniture and equipment	3 to 15
Vehicles	4

Right to use leased assets are recognized at the lease commencement date and represent Texana Center's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized the lease term using the straight-line method. The amortization period varies from 3 to 5 years.

Right to use subscription IT assets are recognized at the subscription commencement date and represent Texana Center's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful live of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years

7. Long-Term Obligations

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

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

Lease Liabilities represent Texana Center's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by Texana Center.

Subscription Liabilities represent Texana Center's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by Texana Center.

8. Implementation of GASB Statement No. 96

As of September 1, 2022 Texana Center adopted GASB Statement No. 96, *Subscription-based Information Technology Agreements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The standard requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. As a result of implementing this standard the Center recognized a right to use subscription asset and subscription liability of \$1,090,384 and \$1,090,384 as of September 1, 2022, respectively. As a result of these adjustments there was no effect on beginning net position. The additional disclosures required by this standard are included in Notes C – Capital Assets and D – Long Term Liabilities.

9. Compensated Absences

The Center provides compensated absences benefits to its employees. Compensated absences are vested and, upon termination, paid at the current salary. The Center accrues its liability for such accumulated unpaid benefits in the government-wide financial statements. Actual compensated absences benefits paid during the year are recorded as expenditures in the General Fund. The Center’s liability for accrued benefits was \$1,889,929 at August 31, 2023.

10. 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.

11. 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.

12. 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.

13. 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.

14. Health Insurance Coverage

Center employees are covered by a self-insurance medical plan (the plan) effective September 1, 2022. The company contributes on average \$855 per employee per month. Employees were provided an option of three (3) plans. Those choosing the plans with lower deductibles and co-pays reimbursed a premium per pay period through payroll deduction. Also, employees at their option, authorized payroll withholdings to pay contributions for dependents. Contributions for plan expenses were deposited into the plan bank account at Prosperity Bank in Wharton, Texas. The portion of contributions pertaining to plan administration was forwarded to the claims administrator Blue Cross and Blue Shield of Texas. The plan was documented by contractual agreement.

The contract between the Center and its third-party administrator is renewable September 1, 2024. The terms of coverage and administrative costs are included in the contractual provisions. The Center was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through HCC Life Insurance Company. The commercial insurer is licensed or eligible to do business in Texas, in accordance with the Texas Insurance Code. Stop-loss coverage generally was in effect for individual claims exceeding \$125,000 through August 2023, and for aggregate loss of approximately \$5,661,880. The Self-Funded Health Insurance Deposit account reflects a total health claim payable and claims incurred but not reported (IBNR) liability in the amount of \$340,139 at August 31, 2023. The Center does not discount its claims liabilities.

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

The Center's annual budget for the General Fund is prepared on an accounting basis

consistent with generally accepted accounting principles. The budgetary comparison statement is presented using the same format, terminology and classifications used in the budget document.

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

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

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

At August 31, 2023 actual expenditures exceeded budgeted expenditures by \$3,670,916 and fund balance was available to fund the overage.

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, 2023 by federal deposit insurance and by pledged securities held by the Center's agent in the Center's name.

Investments

The Center is authorized by the *Public Funds Investment Act* (PFIA) to invest in the

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

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

	Amortized Cost	Weighted Average Maturity (Days)
LOGIC	\$ 132,107	32
TexPool	33,234	24
TexPool Prime	23,614,768	37
Total Investments	<u>23,780,109</u>	
Investments classified as cash equivalents	(23,780,109)	
Total Investments per Statement of Position	<u>\$ -</u>	

Interest Rate Risk

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

Credit Risk - Investments

As of August 31, 2023, the Center’s investments in TexPool and LOGIC were rated AAAM, by Standard & Poor’s, the highest rating a local government investment pool can receive. Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor’s Office and by the Internal Auditor of the Comptroller’s Office.

LOGIC is administered by FirstSouthwest and JPMorgan Chase.

Concentration of Credit Risk

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

Fair Value

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

B. Due from Other Governments

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

Texana Center
NOTES TO FINANCIAL STATEMENTS

Exhibit A-9

	<u>Amount</u>
Local Funds	
HCS / TxHmL	\$ 1,232,076
ICF-IDD	461,060
Fort Bend County	738,023
Fort Bend County Sheriff	22,423
State Funds	
HHSC - Autism	189,251
HHSC - SB 292	84,249
HHSC - Early Childhood Intervention	162,749
HHSC - PASRR	12,101
HHSC - IDD Apprenticeship	39,690
TCOOMMI	115,271
Federal Funds	
HHSC - MFP Funds	129,379
HHSC - MH Block Grant	251,017
HHSC - Coordinated Specialty Care	101,481
HHSC - MHFA Outreach Worker	71,669
HHSC - Crisis Hotline & MCOT	9,874
HHSC - Outpatient Capacity Expansion	306,760
HHSC - Rural Crisis MCOT	149,747
Medicaid Administrative Claiming	<u>1,312,220</u>
Total	<u>\$ 5,389,040</u>

C. Capital Assets

A summary of changes in the primary government's capital assets for the year ended August 31, 2023, is as follows:

	Primary Government			
	(Restated)			
	Balance			Balance
	Sept. 1, 2022	Increases	(Decreases)	Aug. 31, 2023
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 2,681,919	\$ 1,644,432	\$	\$ 4,326,351
Construction in Progress	2,652,557	1,393	(2,652,557)	1,393
Furniture in Progress	161,846	1	(161,847)	
Total Non-depreciable Assets	<u>5,496,322</u>	<u>1,645,826</u>	<u>(2,814,404)</u>	<u>4,327,744</u>
Depreciable Assets:				
Buildings and improvements	37,937,353	3,125,830	(7,290)	41,055,892
Furniture and equipment	5,002,160	193,439		5,195,599
Vehicles	4,279,894	239,190	(157,173)	4,361,911
Total Depreciable Assets	<u>47,219,407</u>	<u>3,558,458</u>	<u>(164,463)</u>	<u>50,613,403</u>
Less accumulated depreciation:				
Buildings and improvements	(15,571,223)	(1,737,255)	1,296	(17,307,182)
Furniture and equipment	(2,863,248)	(574,230)		(3,437,478)
Vehicles	(3,639,735)	(228,387)	157,173	(3,710,949)
Total Accum. Depreciation	<u>(22,074,206)</u>	<u>(2,539,872)</u>	<u>158,469</u>	<u>(24,455,609)</u>
Total Depreciable Assets, Net	<u>25,145,202</u>	<u>1,018,586</u>	<u>(5,994)</u>	<u>26,157,794</u>
Right of use (ROU) Leased Assets Being Amortized				
ROU leased building	634,323			634,323
ROU leased equipment	206,016	12,904	(4,382)	214,538
ROU leased vehicles	487,703	276,994	(32,754)	731,943
Total ROU assets being amortized	<u>1,328,042</u>	<u>289,898</u>	<u>(37,136)</u>	<u>1,580,804</u>
Less accumulated amortization:				
ROU leased building	(230,842)	(269,264)		(500,106)
ROU leased equipment	(59,569)	(69,033)	4,382	(124,220)
ROU leased vehicles	(81,295)	(162,898)	32,754	(211,439)
Total accumulated amortization	<u>(371,706)</u>	<u>(501,195)</u>	<u>(835,765)</u>	
Total Right of use leased assets, Net	<u>956,336</u>	<u>(211,297)</u>	<u>(37,136)</u>	<u>745,039</u>
Right of use (ROU) Subscription IT Assets Being Amortized	1,090,384			1,090,384
Less accumulated amortization		(425,210)		(425,210)
Total Right of use IT subscription assets, Net	<u>1,090,384</u>	<u>(425,210)</u>		<u>665,174</u>
Total Capital Assets, Net	<u>\$ 32,688,244</u>	<u>\$ 2,027,906</u>	<u>\$ (2,894,670)</u>	<u>\$ 31,895,752</u>

Texana Center
NOTES TO FINANCIAL STATEMENTS

Exhibit A-9

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

Governmental Activities:

Behavioral Health Services	\$ 915,892
Intellectual Developmental Disability Services	918,508
Specialized Services	535,507
Administration	<u>1,096,369</u>

Total Governmental Activities

Depreciation/Amortization Expense	<u><u>\$ 3,466,276</u></u>
--	----------------------------

A summary of changes in the discretely presented component unit (Crossroads Villas) capital assets for the year ended September 30, 2023, is as follows:

	Discretely Presented Component Unit			
	<u>Balance Oct. 1, 2022</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance Sep. 30, 2023</u>
Component Unit:				
Depreciable Assets:				
Buildings and improvements	\$ 1,711,317	\$	\$	\$ 1,711,317
Furniture and equipment	<u>28,351</u>	<u></u>	<u></u>	<u>28,351</u>
Total Depreciable Assets	<u>1,739,668</u>	<u></u>	<u></u>	<u>1,739,668</u>
Less accumulated depreciation	<u>(383,834)</u>	<u>(45,306)</u>	<u></u>	<u>(429,140)</u>
Totals	<u>\$ 1,355,834</u>	<u>\$ (45,306)</u>	<u>\$</u>	<u>\$ 1,310,528</u>

D. Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the Center for the year ended August 31, 2023:

	<u>Balance Sept. 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance August 31, 2023</u>	<u>Amounts Due within One Year</u>
Bonds payable	4,490,000		(155,000)	4,335,000	165,000
Leases	959,880	289,898	(501,691)	748,087	322,046
Subscription IT	1,090,384		(521,128)	569,256	524,209
Compensated absences	<u>1,663,748</u>	<u>226,181</u>	<u></u>	<u>1,889,929</u>	<u>472,482</u>
Total	<u>\$ 8,204,012</u>	<u>\$ 516,079</u>	<u>\$ (1,177,819)</u>	<u>\$ 7,542,272</u>	<u>\$ 1,483,737</u>

Bonds and leases payable at August 31, 2023, 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, 2023, the outstanding principal on the bonds is \$4,335,000.

The annual requirements for repayment of principal and interest on the bonds, leases and subscription IT payable outstanding as of August 31, 2023, are as follows:

Year Ending August 31,	Revenue Bonds		Leases		Subscription IT	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	165,000	221,994	322,046	34,020	524,209	19,496
2025	175,000	213,239	208,999	20,999	45,047	626
2026	180,000	204,098	167,999	9,035		
2027	190,000	194,570	47,493	1,491		
2028	200,000	184,528	1,550	5		
2029-2033	1,175,000	750,701				
2034-2038	1,525,000	398,345				
2039-2040	725,000	38,456				
	<u>\$ 4,335,000</u>	<u>\$ 2,205,931</u>	<u>\$ 748,087</u>	<u>\$ 65,550</u>	<u>569,256</u>	<u>20,122</u>

E. Pension Plan

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

Amounts contributed by the employer are placed in guaranteed fixed income accounts until the employee is vested. When an employee is vested, the employee has the option to invest in any of the funds approved by the Board. For the year ended August 31, 2023, contributions from the employer and employees were \$1,505,528 and \$1,003,685, respectively. Total plan assets, including loans, as of August 31, 2023 are \$28,786,024.

F. 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.

G. 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.

Crossroads Villas entered into a financing agreement with HUD in 2012. Under the agreement, HUD provided total capital advances of \$1,683,600 for use in the development of the Project. Assuming compliance with the rules under Section 811 for a 40 year period the total capital advance will be in the form of a grant and will not be required to be repaid. In the event of default, as defined in the HUD regulations, the advance becomes immediately due and payable.

H. 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.

I. Concentrations of Credit Risk

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

The following table lists revenues that individually represent greater than 10% of the Center’s total revenue.

HCS	\$11,758,896	16%
HHSC – GR- MH and IDD	20,020,142	27%

J. Committed and Restricted Funds

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

Learning Center - Rosenberg Art/Parents	\$	2,431
Learning Center - El Campo Parents		3,676
Learning Center - Missouri City Parents		3,675
Health Insurance Plan		274,411
Facility Improvements		450,000
Technology		1,289,085
Rosenberg Clinic Construction		8,500,000
	\$	<u>10,523,278</u>

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 during the year was \$6,058,061. 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 Programs – Charity Care Pool and Directed Payment Program

The Center is participating in both the Charity Care Pool (CCP) and the Directed Payment Program (DPP) which have replaced the DSRIP programs. The Center received \$6,478,144 for CCP based on the cost report submitted in the Fall of 2022.

The Center also received \$3,351,333 of DPP money related to FY 23 and \$809,624 based on the FY 22 reconciliation. They have \$855,172 remaining in IGT deposit related to DPP.

OTHER SUPPLEMENTARY INFORMATION

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**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

Texana Center

*CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
AUGUST 31, 2023*

EXHIBIT B-1

Governmental Funds Capital Assets:

Land	\$ 4,326,351
Construction in Progress	1,393
Buildings and improvements	41,690,215
Furniture and equipment	6,500,521
Vehicles	5,093,854
Total Governmental Funds Capital Assets	<u><u>\$ 57,612,335</u></u>

Investment in Governmental Funds Capital Assets by Source:

General Fund	\$ 57,612,335
Total Investment in Governmental Funds Capital Assets	<u><u>\$ 57,612,335</u></u>

Texana Center**EXHIBIT B-2***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
AUGUST 31, 2023*

Function	Land	Construction and Furniture in Progress	Buildings and Improvements	Furniture and Equipment	Vehicles	Total
Behavioral Health	\$ 2,157,820	\$	\$ 14,887,494	\$ 1,680,331	\$ 2,209,728	\$ 20,935,373
Developmental Disability	370,534	1,393	11,647,934	141,699	2,086,150	14,247,710
Specialized Services	1,797,997		10,637,111	815,563	526,538	13,777,209
Administrative			4,517,676	3,862,929	271,438	8,652,043
Total Governmental Capital Assets	<u>\$ 4,326,351</u>	<u>\$ 1,393</u>	<u>\$ 41,690,215</u>	<u>\$ 6,500,521</u>	<u>\$ 5,093,854</u>	<u>\$ 57,612,335</u>

Texana Center**EXHIBIT B-3***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
FOR THE YEAR ENDED AUGUST 31, 2023*

Function	Governmental Funds Capital Assets September 1, 2022	Additions and Transfers	Retirements and Transfers	Governmental Funds Capital Assets August 31, 2023
Behavioral Health	\$ 18,956,691	\$ 1,995,678	\$ (16,996)	\$ 20,935,373
Developmental Disability	13,813,767	1,672,898	(1,238,955)	14,247,710
Specialized Services	13,950,116	2,672,033	(2,844,941)	13,777,209
Administrative	<u>8,413,581</u>	<u>444,478</u>	<u>(206,016)</u>	<u>8,652,043</u>
Total Governmental Funds Capital Assets	<u>\$ 55,134,154.67</u>	<u>\$ 6,785,088</u>	<u>\$ (4,306,907.48)</u>	<u>\$ 57,612,335</u>

STATISTICAL SECTION

Texana Center

EXHIBIT C-1

*SCHEDULE OF REVENUE AND EXPENDITURES BY SOURCE OF FUNDS
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2023
(UNAUDITED)*

Fund Source	Total Revenue	Total BH Adult Expend.	Total BH C&A Expend.	Total BH Other Expend.	Total IDD Expend.	Total Other Expend.	Total Center Expend.	Excess Rev. Over Expend.
Objects of Expense:								
Personnel	\$ 36,369,602	\$ 8,192,042	\$ 3,097,403	\$ 3,458,813	\$ 14,813,914	\$ 6,807,430	\$ 36,369,602	\$
Employee Benefits	9,163,327	1,964,839	735,509	788,741	3,898,951	1,775,287	9,163,327	
Professional Contract Services	9,570,551	854,587	311,515	3,726,368	4,406,748	271,333	9,570,551	
Training and Travel	316,460	74,356	29,315	13,792	86,721	112,276	316,460	
Debt Service	901,429	16,724	6,608	5,380	692,029	180,688	901,429	
Capital Outlay	2,556,454	1,256,881	544,994	223,319	155,870	375,390	2,556,454	
Non-Capitalized Equipment	80,937	15,044	6,234	4,549	50,541	4,569	80,937	
Pharmaceutical Expense	89,503	67,589		21,914			89,503	
PAP Expense	6,058,061	6,058,061					6,058,061	
Other Operating Expense	5,904,746	1,212,434	486,973	519,653	2,945,356	740,330	5,904,746	
Allocation of G&A	7,455,677	1,561,208	599,638	1,006,862	3,122,772	1,165,197	7,455,677	
Total Expenditures	\$ 78,466,747	\$ 21,273,765	\$ 5,818,189	\$ 9,769,391	\$ 30,172,902	\$ 11,432,500	\$ 78,466,747	
Method of Finance:								
General Revenue								
HHSC - BH	\$ 15,926,025	\$ 7,895,559	\$ 1,787,477	\$ 6,242,989	\$	\$	\$ 15,926,025	\$
HHSC - IDD	3,338,489				3,338,489		3,338,489	
Mental Health Block Grant	970,413	773,322	197,091				970,413	
Title XX Soc. Serv. Block Grant	112,173	112,173					112,173	
Title XX - TANF	250,431		238,989			11,442	250,431	
Medicaid Programs	25,935,613	3,106,135	3,533,288	2,494,124	14,760,545		23,894,092	2,041,521
Other Federal Funds	5,578,741	1,468,895	58,674	791,084	3,260,088		5,578,741	
Other State Agencies	3,666,150	345,185			452,712	2,868,253	3,666,150	
Required Local Match	1,771,564	1,503,332			268,232		1,771,564	
PAP Medications	6,058,061	6,058,061					6,058,061	
Additional Local Sources	17,175,019	11,103	2,670	241,194	8,092,836	8,552,805	16,900,608	274,411
Total Expended Sources	\$ 80,782,679	\$ 21,273,765	\$ 5,818,189	\$ 9,769,391	\$ 30,172,902	\$ 11,432,500	\$ 78,466,747	\$ 2,315,932

Texana Center

RECONCILIATION OF TOTAL REVENUES TO FOURTH
 QUARTER FINANCIAL REPORT
 FOR THE YEAR ENDED AUGUST 31, 2023
 (UNAUDITED)

Exhibit C-2
 Page 1 of 2

	Revenues			Audited Financial Statements
	Care Report III	Additions	Deletions	
Local Sources:				
County Tax Funds	\$ 1,130,484	\$	\$	\$ 1,130,484
Patient Fees/Insurance	6,449,795			6,449,795
Managed Care	3,037,425			3,037,425
Miscellaneous Income	3,827,842			3,827,842
Patient Assistance Program	6,058,061		(6,058,061) (a)	
TWC - Rehab	45,335			45,335
TCOOMMI Funds	555,745			555,745
Medicaid 1115 Waiver	10,639,101			10,639,101
Medicaid	4,178,977			4,178,977
Title XIX - HCS	11,758,896			11,758,896
Title XIX - Texas Home Living Waiver	1,116,111			1,116,111
Title XIX - ICF	1,886,605			1,886,605
YES Waiver	10,022			10,022
Total Local Sources	<u>50,694,399</u>		<u>(6,058,061)</u>	<u>44,636,338</u>
State Programs:				
HHSC - BH	16,271,210			16,271,210
HHSC - IDD	3,672,532			3,672,532
HHSC - Early Childhood Intervention	1,945,795		(1,163,098) (b)	782,697
HHSC - Autism	922,457			922,457
HHSC - IDD Apprenticeship	76,399			76,399
Total State Programs	<u>22,888,393</u>		<u>(1,163,098)</u>	<u>21,725,295</u>
Federal Programs:				
Mental Health Block Grant	3,200,466			3,200,466
Title XX Soc Sevices Block Grant	112,173			112,173
Title XX - TANF	250,431			250,431
Money Follows the Person	793,560			793,560
Medicaid Administrative Claiming	2,286,411			2,286,411
Early Childhood Intervention		1,163,098 (b)		1,163,098
Other Federal	556,846			556,846
Total Federal Programs	<u>7,199,887</u>	<u>1,163,098</u>		<u>8,362,985</u>
Total Revenues	<u>\$ 80,782,679</u>	<u>\$ 1,163,098</u>	<u>\$ (7,221,159)</u>	<u>\$ 74,724,618</u>

(a) Remove PAP Contributions

(b) To allocate based on state allocations received

Texana Center

*RECONCILIATION OF TOTAL EXPENDITURES TO FOURTH
 QUARTER FINANCIAL REPORT
 FOR THE YEAR ENDED AUGUST 31, 2022
 (UNAUDITED)*

**Exhibit C-2
 Page 2 of 2**

Function	Expenditures			Audited Financial Statements
	Care Report III	Additions	Deletions	
Personnel	\$ 40,737,547	\$	\$	\$ 40,737,547
Employee Benefits	10,209,863			10,209,863
Professional Contract Services	9,675,651			9,675,651
Training and Travel	358,458			358,458
Debt Service	1,488,821			1,488,821
Capital Outlay	2,655,358	289,898 (b)		2,945,256
Non-Capitalized Equipment	82,332			82,332
Pharmaceutical Expense	89,503			89,503
Patient Assistance Program Expense	6,058,061		(6,058,061) (a)	
Other Operating Expenses	7,111,153			7,111,153
Total Expenditures	\$ 78,466,747	\$ 289,898	\$ (6,058,061)	\$ 72,698,584

(a) Remove PAP Contributions

(b) Capital Outlay Right of Use Lease Assets

Texana Center

EXHIBIT C-3

*SCHEDULE OF INDIRECT COSTS
FOR THE YEAR ENDED AUGUST 31, 2022
(UNAUDITED)*

	<u>Total Costs</u>	<u>Non- Allowable Costs</u>	<u>Depreciation/ Amortization</u>	<u>Total Adjusted Costs</u>	<u>Direct Costs</u>	<u>Indirect Costs</u>
Salaries	\$ 40,741,693	\$	\$	\$ 40,741,693	\$ 36,373,748	\$ 4,367,945
Employee Benefits	10,206,648			10,206,648	9,160,112	1,046,536
Capital Outlay	2,945,033	(2,945,033)				
Debt Service - Principal	1,177,819	(1,177,819)				
Depreciation			3,466,276	3,466,276	2,369,907	1,096,369
Other Operating Expend.	17,627,391	(130,166)		17,497,225	16,087,113	1,410,112
Total Expenditures	<u>\$ 72,698,584</u>	<u>\$ (4,253,018)</u>	<u>\$ 3,466,276</u>	<u>\$ 71,911,842</u>	<u>\$ 63,990,880</u>	<u>\$ 7,920,962</u>

Computation of Indirect Cost Rate for the Year Ended August 31, 2022

Indirect Costs	7,920,962
Direct Costs	<u>63,990,880</u>
Indirect Cost Rate	<u>12.38%</u>

Texana Center

SCHEDULE OF LEASES
FOR THE YEAR ENDED AUGUST 31, 2023
(UNAUDITED)

EXHIBIT C-4

Page 1 of 2

Lessor or Other Part to Contract	Location	Monthly Amount	Period Covered	
			Start Date	End Date
Group Homes				
ARC of Fort Bend County	6419 Brazos Glen, Richmond	\$ 1,200	9/1/2020	10/31/2022
Wharton ARC	509 1/2 Sunset, Wharton	1,500	9/1/2021	8/31/2026
ARC of Fort Bend County	7919 Summerdale, Rosenberg	1,200	11/1/2022	8/31/2023
Texana Facilities				
Wharton ARC	1017 1/2 Alabama Rd., Wharton	\$ 1,200	9/1/2018	8/31/2023
ARC of Fort Bend County	2715 Cypress Point, Missouri City	8,000	2/1/2022	1/31/2024
130 Industrial L.P.	130 Industrial Ste 200, Sugar Land	11,723	7/1/2017	11/30/2023
Colorado County	1003 Old Altair Road, Altair	1,500	10/1/2016	month to month
140 Industrial Blvd Ste 106, Sugar	104 Industrial L.P.	1,300	9/1/2022	8/31/2023
Extra Space Storage-Annual	5208 Reading Road Unit # A166	6,252	6/11/2022	5/10/2024
Extra Space Storage-Annual	5208 Reading Road Unit # F118 & F119	6,133	5/12/2022	5/10/2024
Extra Space Storage-1 month	5208 Reading Road Unit # D127	450	3/3/2022	5/10/2024
Extra Space Storage-Annual	5208 Reading Road Unit # D127 & D128	5,748	3/3/2022	5/10/2024
Copy Machines				
Canon Financial Services	4910 Airport Ave Bldg E, Rosenberg	\$ 60	7/1/2018	12/31/2022
Canon Financial Services	4706 Airport Ave, Bldg C, Rosenberg	220	2/1/2019	1/23/2023
Canon Financial Services	4706 Airport Ave, Bldg A-Upstairs	175	5/31/2019	5/30/2023
Canon Financial Services	4706 Airport Ave, Bldg A-Upstairs	157	5/31/2019	5/30/2023
Canon Financial Services	4706 Airport Ave, Bldg B-Learning Center	175	5/31/2019	5/30/2023
Canon Financial Services	2715 Cypress Point Drive, Missouri City	204	5/31/2019	5/30/2023
Canon Financial Services	1017 1/2 Alabama Road, Wharton	157	5/31/2019	5/30/2023
Canon Financial Services	4910 Airport Ave, Bldg D, Upstairs	157	5/31/2019	5/30/2023
Canon Financial Services	4706 Airport Ave, Bldg A, Rosenberg	175	5/31/2019	5/30/2023
Canon Financial Services	4910 Airport Ave, Bldg A, Rosenberg	222	5/31/2019	5/30/2023
Canon Financial Services	4910 Airport Ave, Bldg A, Rosenberg	175	5/31/2019	5/30/2023
Canon Financial Services	4910 Airport Ave, Bldg A, Rosenberg	175	5/31/2019	5/30/2023
Canon Financial Services	2535 Cordes Drive, Sugar Land	175	5/31/2019	5/30/2023
Canon Financial Services	2535 Cordes Drive, Sugar Land	175	5/31/2019	5/30/2023
Canon Financial Services	1818 Collins Road, Richmond	222	5/31/2019	5/30/2023
Canon Financial Services	4910 Airport Ave Bldg A (Front Office)	68	10/31/2021	10/31/2023
Canon Financial Services	4910 Airport Ave Bldg A (Front Office)	68	10/31/2021	10/31/2023
Canon Financial Services	2330 Graeber Rd, Rosenberg	229	1/28/2020	1/27/2024
Canon Financial Services	2330 Graeber Rd, Rosenberg	104	1/30/2020	1/29/2024
Canon Financial Solutions	4910 Airport Avenue, Rosenberg - Building F	238	6/8/2020	6/7/2024
Canon Financial Services	4910 Airport Avenue, Rosenberg - Building D	226	6/8/2020	6/7/2024
Canon Financial Services	4706 Airport Avenue, Rosenberg - Building A	226	6/8/2020	6/7/2024
Canon Financial Services	4910 Airport Avenue, Rosenberg - Building B	188	6/8/2020	6/7/2024
Canon Financial Services	400 Avenue F, Bay City	188	6/8/2020	6/7/2024
Canon Financial Services	708 Avenue I, El Campo	98	6/8/2020	6/7/2024
Canon Financial Services	5311 Avenue N, Rosenberg (MCOT)	224	9/25/2020	9/25/2024
Canon Financial Services	5311 Avenue N, Rosenberg (Nurse Station)	270	9/25/2020	9/25/2024
Canon Financial Services	123 W First St, El Campo	140	9/25/2020	9/25/2024
Canon Financial Services	708 Avenue I, El Campo	64	11/1/2020	11/1/2024
Canon Financial Services	HWY 90, Eagle Lake	140	11/1/2020	11/1/2024
Canon Financial Services	400 Ave F, Bay City	140	11/1/2020	11/1/2024
Canon Financial Services	4910 Airport Ave Bldg A, Rosenberg, Mailroom	64	11/1/2020	11/1/2024
Canon Financial Services	7440 FM 359 RD S, Fulshear	98	5/30/2021	5/29/2025
Canon Financial Services	3007 N Richmond Rd, Wharton	187	5/1/2022	5/1/2026
Canon Financial Services	3007 N Richmond Rd, Wharton	187	5/1/2022	5/1/2026
Canon Financial Services	3007 N Richmond Rd, Wharton	187	5/1/2022	5/1/2026
Canon Financial Services	535 FM359 S, Brookshire	187	5/1/2022	5/1/2026
Canon Financial Services	1460 Walnut, Columbus	187	7/1/2022	7/1/2026
Canon Financial Services	4706 Airport Ave Bldg A (Downstairs)	312	8/10/2022	8/10/2026
Canon Financial Services	2535 Graeber Rd, Rosenberg - HR DEPT	312	8/10/2022	8/10/2026
Canon Financial Services	4910 Airport Ave Bldg F, Rosenberg	103	9/30/2022	9/30/2026
Canon Financial Services	4706 Airport Ave Bldg A (ECI)	187	5/1/2022	5/1/2026
Canon Financial Services	130 Industrial Blvd, Sugar Land	312	9/15/2022	9/15/2026

Texana Center
SCHEDULE OF LEASES
FOR THE YEAR ENDED AUGUST 31, 2023
(UNAUDITED)

EXHIBIT C-4
Page 2 of 2

Lessor or Other Part to Contract	Location	Monthly Amount	Period Covered	
			Start Date	End Date
Mailing Equipment				
Pitney Bowes	4910 Airport, Bldg. D, Rosenberg, Texas	\$ 251	3/30/2018	3/29/2023
Pitney Bowes	4910 Airport, Bldg. D, Rosenberg, Texas	261	3/30/2023	3/30/2028
Automobiles				
Enterprise FM Trust	2017 Nissan Sentra WHITE 3N1AB7AP9HL710745	\$ 273	1/4/2018	1/4/2023
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DC3KS977474	533	11/30/2018	11/30/2024
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DC9KS982906	533	11/30/2018	11/30/2024
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DCXKS992117	503	6/13/2019	6/30/2024
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DC1KS989624	532	12/14/2018	12/31/2023
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DC9KS016586	504	5/10/2019	5/31/2024
Enterprise FM Trust	2019 Nissan Kicks 3N1CP5CU4KL537838	327	8/12/2019	3/23/2023
Enterprise FM Trust	2019 Nissan Kicks 3N1CP5CU9KL538063	327	8/12/2019	8/31/2024
Enterprise FM Trust	2019 Nissan Sentra 3N1AB7AP8KY242226	277	12/10/2018	12/31/2023
Enterprise FM Trust	2019 Nissan Sentra 3N1AB7AP8KY241447	277	12/11/2018	12/31/2023
Enterprise FM Trust	2019 Nissan Sentra 3N1AB7AP7KY231573	277	12/14/2018	3/23/2023
Enterprise FM Trust	2019 Nissan Sentra 3N1AB7AP3KL605738	275	1/31/2019	2/29/2024
Enterprise FM Trust	2020 Toyota Sienna Van L 5TDZZ3DC5LS077256	458	8/11/2020	8/11/2024
Enterprise FM Trust	2020 Toyota Sienna Van L 5TDZZ3DC6LS077055	504	8/11/2020	8/11/2024
Enterprise FM Trust	2020 Toyota Sienna Van L 5TDZZ3DC7LS077534	458	8/11/2020	8/11/2024
Enterprise FM Trust	2021 Toyota Sienna LE 8 Pass 5TDKRKEC2MS020332	362	3/2/2021	3/31/2025
Enterprise FM Trust	2021 Toyota Sienna LE 8 Pass 5TDKRKEC1MS019253	362	3/2/2021	3/31/2025
Enterprise FM Trust	2021 Toyota Sienna LE 8 Pass 5TDKRKEC3MS023871	364	3/19/2021	3/31/2025
Enterprise FM Trust	2021 Toyota Sienna LE 8 Pass 5TDKRKEC1MS018815	362	3/2/2021	3/31/2025
Enterprise FM Trust	2021 Toyota Sienna LE 8 Pass 5TDKRKEC2MS019973	362	3/2/2021	3/31/2025
Enterprise FM Trust	2021 Toyota Sienna LE 8 Pass 5TDKRKEC4MS019635	362	3/8/2021	3/31/2025
Enterprise FM Trust	2021 Nissan Kicks SV 3N1CP5CV4ML482240	270	4/29/2021	4/29/2025
Enterprise FM Trust	2020 Nissan Kicks SV 4dr 3N1CP5CV1LL577787	384	3/29/2021	3/29/2025
Enterprise FM Trust	2020 Nissan Kicks SV 4dr 3N1CP5CV6LL580040	393	3/29/2021	3/29/2025
Enterprise FM Trust	2020 Nissan Kicks SV 4dr 3N1CP5CV8LL580136	384	3/29/2021	3/29/2025
Enterprise FM Trust	2020 Nissan Kicks SV 4dr 3N1CP5CV8ML481978	389	3/29/2021	3/29/2025
Enterprise FM Trust	2021 Jeep Cherokee Latitude Plus 1C4PJLLB0MD189595	338	10/26/2021	10/26/2025
Enterprise FM Trust	2022 Ford Escape S 4dr 1FMCU0F67NUA00411	342	1/22/2022	1/22/2026
Enterprise FM Trust	2022 Ford Escape S 4dr 1FMCU0F69NUA00278	342	1/22/2022	1/22/2026
Enterprise FM Trust	2021 Toyota Sienna LE Van 5TDKRKEC5MS062591	1,064	4/29/2022	4/29/2026
Enterprise FM Trust	2020 Ford Transit-350 Passenger 1FBAX2Y88LKA24436	1,116	6/30/2022	6/30/2026
Enterprise FM Trust	2020 Chrysler Voyager 2C4RC1DG6LR182566	656	6/30/2022	6/30/2026
Enterprise FM Trust	2022 Chrysler Voyager 2C4RC1CG9NR204354	783	11/30/2022	11/30/2026
Enterprise FM Trust	2023 Nissan Kicks 3N1CP5BV3PL494773	474	2/28/2023	2/28/2027
Enterprise FM Trust	2023 Nissan Kicks 3N1CP5BV7PL494839	474	2/28/2023	2/28/2027
Enterprise FM Trust	2020 Ford Transit-350 Passenger 1FBAX2CGXLLKA75273	1,405	3/31/2023	3/31/2027
Enterprise FM Trust	2023 Nissan Kicks 3N1CP5BV5PL491339	478	3/31/2023	3/31/2027
Enterprise FM Trust	2023 Nissan Kicks 3N1CP5CV9PL517049	593	5/31/2023	5/31/2027
Enterprise FM Trust	2023 Ford Transit-350 Passenger 1FBVU4X82PKA29676	2,304	6/30/2023	6/30/2027
Enterprise FM Trust	2019 Ford Transit-350 Cutaway 1FDES6PM8KKB40831	1,925	6/30/2023	6/30/2027

Texana Center

EXHIBIT C-5

SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED AUGUST 31, 2023
(UNAUDITED)

General Liability

Insurer: Texas Council Risk Management Fund

Policy Period: 09/01/22 - 08/31/23

Coverage:

Per Occurrence Limit of Liability and Annual Aggregate	\$ 400,000
Deductible	1,000

Automobile Liability

Insurer: Texas Council Risk Management Fund

Policy Period: 09/01/22 - 08/31/23

Coverage:

Per Occurrence Limit of Liability and Annual Aggregate	400,000
Deductible	1,000

Professional Liability

Insurer: Texas Council Risk Management Fund

Policy Period: 09/01/22 - 08/31/23

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: 09/01/22 - 08/31/23

Coverage:

Per Occurrence Limit of Liability	1,000,000
Annual Aggregate	1,000,000
Deductible	1,000

Property

Insurer: Texas Council Risk Management Fund

Policy Period: 09/01/22 - 08/31/23

Coverage:

Blanket Limit Each Occurrence	63,793,362
Blanket Per Occurrence Deductible	5,000

Automobile Physical Damage

Insurer: Texas Council Risk Management Fund

Policy Period: 09/01/22 - 08/31/23

Coverage Basis is Scheduled; Deductible Varies by Vehicles

Varies

Crime Coverage

Insurer: Texas Council Risk Management Fund

Policy Period: 09/01/22 - 08/31/23

Per Occurrence Limit of Liability

Varies

Deductible

1,000

Workers Compensation

Insurer: Texas Municipal League

Policy Period: 10/01/22 - 09/30/23

Coverage: Statutory

Windstorm and Hail

Insurer: Texas Windstorm Insurance Association

Policy Period: 12/08/22 - 12/08/23

Coverage

852,000

Deductible

8,520

Information Security and Privacy Insurance with Breach Response Services

Insurer: Corvus Insurance Agency, LLC

Policy Period: 05/28/22 - 05/28/23

Coverage:

Policy Aggregate of Limit	5,000,000
Regulatory Defense and Penalties Sublimit	5,000,000
PCI Finds, Expenses and Costs Sublimit	5,000,000

Texana Center**EXHIBIT C-6***SCHEDULE OF PROFESSIONAL AND CONSULTING FEES
FOR THE YEAR ENDED AUGUST 31, 2023
(UNAUDITED)*

Name	City	Type of Service	Amount
BSA Architects, Inc.	Sugar Land, TX	Architectural	\$ 46,150
Eide Bailly LLP	Abilene, TX	Financial Audit	43,000
Locumtenens.com	Atlanta, GA	Medical	196,040
East Texas BH Network	Lufkin, TX	Medical	297,343
Rafael Guerra, MD	Katy, TX	Medical	4,163
Gildardo Ceballos, MD	Richmond, TX	Medical	6,500

Texana Center

*SCHEDULE OF LEGAL SERVICES
FOR THE YEAR ENDED AUGUST 31, 2023
(UNAUDITED)*

EXHIBIT C-7

Name	City	Type of Service	Amount
Chamberlain Hrdlicka White Williams & Aughtry	Houston	Legal	\$ 5,250
Lewis Brisbois Bisgaard & Smith LLP	Los Angeles	Legal	593
Luccia & Evans LLP	Houston	Legal	330

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SINGLE AUDIT SECTION

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

To the Board of Trustees
Texana Center
Rosenberg, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Audit Standards), the financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Texana Center (the Center), as of and for the year ended August 31, 2023, 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 3, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center’s internal control.

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

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Abilene, Texas
January 3, 2024



Independent Auditor’s Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance Required by the Uniform Guidance and the Texas Grant Management Standards

To the Board of Trustees
Texana Center
Rosenberg, Texas

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Texana Center’s (the Center) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement, Texas Grant Management Standards (TxGMS)* and *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (Audit Guidelines)* 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, 2023. 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.

In our opinion, the Center complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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); *Texas Grant Management Standards, and Guidelines for Annual Financial and Compliance Audits or Community Mental Health and Mental Retardation Centers*. Our responsibilities under those standards and the Uniform Guidance, TxGMS and the Audit Guidelines are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, TxGMS and Audit Guidelines, we:

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Abilene, Texas
January 3, 2024

Texana Center

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2023

EXHIBIT D-1

Page 1 of 2

Federal Grantor/Pass-Through Grantor/Porgam or Cluster Title	Pass-Through Entity Identifying Number	Expenditures
State Awards:		
<i>Texas Health & Human Services Commission - MH</i>		
General Revenue - Mental Health Adult	HHS001022200032	\$ 8,766,080
General Revenue - Mental Health Child	HHS001022200032	1,987,589
General Revenue - Crisis Services	HHS001022200032	1,808,741
General Revenue - Psychiatric Emergency Service Center	HHS001022200032	1,526,303
General Revenue - Discharge Meds	HHS001022200032	8,175
General Revenue - Private Psychiatric Beds	HHS001022200032	1,734,637
General Revenue - Mental Health First Aid	HHS000187600001	94,500
Senate Bill 292	HHS000134400012	345,185
Total HHSC - MH		<u>16,271,210</u>
<i>Texas Health & Human Services Commission - IDD</i>		
General Revenue - IDD	HHS000994000001	2,438,471
Permanency Planning	HHS000994000001	62,650
CLOIP	HHS000994000001	382,042
IDD Crisis Intervention Specialists	HHS000994000001	208,110
IDD Crisis Respite Services	HHS000994000001	247,217
Workforce Challenges	HHS000994000001	254,019
Nursing Facility PASRR Specialized Services - Form 1048	HHS000994000001	80,024
Employment Apprenticeship Pilot Services	HHS001330500001	76,399
Total HHSC - IDD		<u>3,748,932</u>
<i>Texas Health & Human Services Commission - ECI</i>		
Division for Early Childhood Intervention - Intervention	HHS000640200001	772,904
Division for Early Childhood Intervention - Respite	HHS000640200001	9,793
Total HHSC - ECI		<u>782,697</u>
<i>Texas Health & Human Services Commission - Autism</i>		
Total Texas Health & Human Services Commission	HHS000693900002	<u>922,457</u>
Total State Awards		<u>21,725,296</u>

Texana Center

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2023

EXHIBIT D-1

Page 2 of 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Federal Awards:			
U.S. Department of Health and Human Services			
<i>Passed through Texas Health & Human Services Commission</i>			
Block Grants for Community Mental Health Services	93.958	+	HHS001022200032 753,084
Block Grants for Community Mental Health Services (Supported Housing)	93.958	+	HHS001022200032 217,329
Block Grants for Community Mental Health Services (MHFA Outreach Worker)	93.958	+	HHS000187600001 79,941
Block Grants for Community Mental Health Services (Coordinated Specialty Care)	93.958	+	HHS000336500001 375,854
Covid 19 Block Grants for Community Mental Health Services (Outpatient Capacity Expansion)	93.958	+	HHS001108400031 1,009,658
Covid 19 Block Grants for Community Mental Health Services (Crisis Response and Diversion)	93.958	+	HHS001108400031 705,926
Covid 19 Block Grants for Community Mental Health Services (Crisis Hotline and MCOT)	93.958	+	HHS001108400031 58,674
Title XX Social Services Block Grant	93.667		HHS001022200032 112,173
Temporary Assistance for Needy Families (TANF) - BH - 477 Cluster	93.558	*	HHS001022200032 238,989
Temporary Assistance for Needy Families (TANF) - ECI - 477 Cluster	93.558	*	HHS000640200001 96,475
Covid 19 Temporary Assistance for Needy Families (TANF) PEA - 477 Cluster	93.558	*	HHS001120200008 11,442
Every Student Succeeds/Preschool Development Grants	93.434		HHS000640200001 59,830
Block Grants for Prevention and Treatment of Substance Abuse	93.959		HHS001040100038 2,164
Medicaid Administrative Claiming ECI - Medicaid Cluster	93.778	#	HHS000537900323 162,300
Medicaid Administrative Claiming MH-IDD - Medicaid Cluster	93.778	#	HHS000537900323 2,124,111
PAC 344 Title XVIII	93.791		HHS000994000001 793,560
Total passed through Texas Health & Human Services Commission			6,801,510
Total U.S. Department of Health and Human Services			6,801,510
U.S. Department of Education - Office of Special Education			
and Rehabilitative Services			
<i>Passed through Texas Health & Human Services Commission</i>			
Grants for Infants and Families with Disabilities	84.181		HHS000640200001 938,099
Grants to States - Special Education Cluster (IDEA)	84.027		HHS000640200001 60,840
Grants to States - Personal Development to Improve Services for Children with Disabilities	84.325		HHS000640200001 7,854
Total U.S. Department of Education			1,006,793
U.S. Department of Justice			
<i>Passed through Fort Bend County</i>			
Public Safety Partnership and Community Policing Grants	16.71		70,552
Total U.S. Department of Justice			70,552
U.S. Department of Housing & Urban Development			
<i>Passed through Fort Bend County</i>			
Emergency Solution Grant Program	14.231		E-20-UW-48-004 8,901
Total U.S. Department of Housing & Urban Development			8,901
U.S. Department of the Treasury			
Covid 19 Coronavirus State and Local Fiscal Recovery Funds	21.027		298,066
<i>Passed through Fort Bend County</i>			
Covid 19 Coronavirus State and Local Fiscal Recovery Funds	21.027		177,163
Total U.S. Department of the Treasury			475,229
Total Federal Financial Assistance			8,362,985
Total State and Federal Awards			\$ 30,088,281

* Total Expenditures for TANF 477 Cluster CFDA #93.558 is \$346,906
 # Total Expenditures for Medicaid Cluster CFDA #93.778 is \$2,286,411
 + Total Expenditures for Block Grant for Community Mental Health Services #93.958 is \$3,200,466

Texana Center

*NOTES TO SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2023*

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 Texas Grant Management Standards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. State and federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

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

Relationship to the Basic Financial Statements

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

Certain federal and state programs have been excluded from the Schedule of Expenditures of State and Federal Awards, including monies received under the vendor contract for Title XIX HCS/IDD and other Medicaid/Medicare funding for providing patient services. These monies are reported as local revenues in the basic financial statements. Also, the state program excluded from the schedule and reported as local funds in the basic financial statements is Texas

Correctional Office on Offenders with Medical or Mental Impairments program. The federal and state monies excluded from the Schedule of Expenditures of State and Federal Awards are not considered federal or state awards as defined in the Uniform Guidance or *Texas Grant Management Standards*.

Program or Award Amounts

Amounts include contract/award amounts plus any additional reimbursement monies received in fiscal year 2023.

State Award Guidelines

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

Indirect Costs

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

Subrecipients

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

Texana Center

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2023

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section:

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

Federal and State Awards Section:

Internal control over major programs:	
• Material weakness identified	No
• Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516 or the State of Texas Single Audit Circular?	No

Identification of Major Programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Medicaid Administrative Claiming – Medicaid Cluster	93.778
Grants for Infants and Families with Disabilities - ECI	84.181

Name of State Program

General Revenue – Mental Health (MHA, MHC, Crisis, PESC, and PPB)	N/A
General Revenue – IDD	N/A
General Revenue – ECI	N/A
Autism	N/A

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

Auditee qualified as a low-risk auditee? Yes

Texana Center

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2023*

PART II - FINANCIAL STATEMENT FINDINGS

The audit disclosed no findings required to be reported.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

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

Texana Center

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED AUGUST 31, 2023

No prior year federal or state award findings were reported.