

Texana Center

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2022

Texana Center

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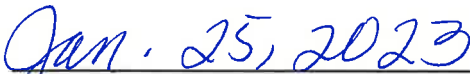
Texana Center

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, 2022 from Eide Bailly, LLP was reviewed and approved at a meeting of the Board of Trustees held on the 25th day of January, 2023.



Chairperson, Board of Trustees



Date

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Texana Center
PRINCIPAL OFFICIALS
August 31, 2022

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
Sheree Prather	Director of Development & Community Relations

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Trustees
Texana Center
Rosenberg, Texas

Report on the 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, 2022, 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, 2022, 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, 2022. 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*), and the *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers* (Audit Guidelines). 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. 87, *Leases*, for the year ended August 31, 2022. Accordingly, a restatement has been made to the governmental activities net position as of September 1, 2021, 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, *Government Auditing Standards*, and the Audit Guidelines 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*, and the Audit Guidelines 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 State of Texas Single Audit Circular 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 11, 2023, 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 11, 2023

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, 2022.

FINANCIAL HIGHLIGHTS

- The assets of the Center, excluding component units, exceeded its liabilities at the close of the most recent fiscal year by \$53,910,233 (net position). Of this amount, \$28,028,099 (unrestricted net position) may be used to meet the Center's ongoing obligations.
- The Center's total net position, excluding component units, increased by \$3,291,424 for the year ended August 31, 2022.
- As of August 31, 2022, the Center's governmental funds reported an ending fund balance of \$29,741,091, an increase of \$2,749,269 from the prior fiscal year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$19,366,138 or 30 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 44 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information concerning the Center that is required by the Texas Health and Human Services Commission, the Uniform Guidance and the State of Texas Single Audit Circular. Other supplementary information can be found on pages 47-60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Center, assets exceeded liabilities by \$53,910,233 as of August 31, 2022.

A large portion (48 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 87, *Leases* in the current year and have restated capital assets and long-term liabilities for 2021 to reflect the adoption of these provisions.

Additionally, a portion of the Center's net position (52 percent) represents unrestricted financial resources available for future operations.

STATEMENT OF NET POSITION For the Fiscal Year Ended August 31, 2022 and 2021

	Governmental Activities	
	2022	2021 (Restated)
Current and other assets	\$ 32,537,343	\$ 29,771,609
Capital assets, net	31,597,860	30,781,311
Total Assets	64,135,203	60,552,920
Current liabilities	4,155,001	4,231,960
Long-term liabilities	6,069,969	5,702,151
Total Liabilities	10,224,970	9,934,111
Net Position:		
Net investment in capital assets	25,882,134	25,294,112
Unrestricted	28,028,099	25,324,697
Total Net Position	\$ 53,910,233	\$ 50,618,809

Net position of the Center, all of which relate to governmental activities, increased by \$3,291,424. Key elements of the increase are as follows:

CHANGES IN NET POSITION
For the Fiscal Year Ended August 31, 2022 and 2021

	Governmental Activities	
	2022	2021 (Restated)
Revenues		
Program revenues:		
Charges for services	\$ 39,375,049	\$ 37,298,115
Operating grants and contributions	26,267,928	24,410,553
Capital grants and contributions		
General revenues:		
Local income	768,051	768,051
Investment income	122,041	25,149
Total Revenues	66,533,069	62,501,868
Expenses		
Behavioral Health	26,379,544	23,286,423
Intellectual Developmental Disability	26,048,296	25,090,667
Other Services	10,544,565	8,974,989
Interest on long-term debt	269,240	245,122
Total Expenses	63,241,645	57,597,201
Change in Net Position	3,291,424	4,904,667
Net position, beginning	50,618,809	45,714,142
Net Position, Ending	\$ 53,910,233	\$ 50,618,809

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, 2022, the Center's governmental funds, which consist of a general fund, reported an ending fund balance of \$29,741,091 which is an increase of \$2,749,269 from last year's total of \$26,991,822. 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 30 percent of total general fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund operating expenditures in 2022 were budgeted at \$64.8 million, and actual expenditures incurred at August 31, 2022 were \$64.4 million, or .7% lower than what had been projected for this year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Center's investment in capital assets as of August 31, 2022 amounts to \$31,597,860 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, improvements, vehicles, furniture and equipment.

CAPITAL ASSETS SCHEDULE (net of depreciation)

	Governmental Activities	
	2022	2021 (Restated)
Land	\$ 2,681,919	\$ 2,681,919
Construction in Progress	2,652,557	1,527,118
Furniture in Progress	161,846	65,140
Buildings and improvements	37,937,353	37,481,662
Furniture and equipment	5,002,160	4,298,916
Vehicles	4,279,894	4,096,879
Right of use leased assets	1,328,042	694,487
Less: accumulated depreciation/amortization	(22,445,912)	(20,064,809)
Total Capital Assets, Net	\$ 31,597,860	\$ 30,781,311

During the current fiscal year, individually significant capital assets additions consisted of renovation of buildings on Campus 1 in Rosenberg. Also, the Center adopted the provisions of GASB 87, *Leases*, and are now including 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, 2022, the Center had total tax-exempt bonded debt outstanding of \$4,490,000. Interest expense totaled \$238,088 for the 2022 fiscal year on this bonded debt. There were no new bond issues in 2022. These outstanding bonds have maturities ranging from 2023 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	
	2022	2021 (Restated)
Bonds	\$ 4,490,000	\$ 4,640,000
Leases	959,880	694,487
Compensated Absences	1,663,748	1,616,201
Total long term liabilities	\$ 7,113,628	\$ 6,950,688

ECONOMIC FACTORS

- The Center has an employment vacancy rate of 31.55% at August 31, 2022, which is a decrease from a rate of 38.5% 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, 2022

EXHIBIT A-1

	Primary Government	Component Unit
	Governmental Activities	Crossroads Villas September 30, 2022
Assets		
Cash and cash equivalents	\$ 23,823,252	\$ 54,878
Accounts receivable, net	1,653,708	86
Due from other governments	5,032,243	
Prepaid items	347,159	5,562
Deposit - IGT DPP-BHS	1,632,702	
Inventories, at cost	36,228	
Deposits - other	12,051	4,113
Capital assets not being depreciated	5,496,322	
Capital assets net of accumulated depreciation	25,145,202	1,355,834
Right to Use leased assets, net accumulated amortization	956,336	
Total Assets	64,135,203	1,420,473
Liabilities		
Current Liabilities:		
Accounts payable	1,231,790	8,813
Accrued expenses	1,491,172	14,434
Unearned Revenue	73,290	
Construction retainage Payable	265,846	
Accrued interest payable	49,244	
Bonds payable - current	155,000	
Lease liability - current	472,722	
Accrued compensated absences - current	415,937	
Total Current Liabilities	4,155,001	23,247
Non-Current Liabilities:		
Bonds payable	4,335,000	
Lease liability	487,158	
Accrued compensated absences	1,247,811	
Total Non-Current Liabilities	6,069,969	
Total Liabilities	10,224,970	23,247
Net Position		
Net investment in capital assets	25,882,134	1,355,834
Unrestricted	28,028,099	41,392
Total Net Position	\$ 53,910,233	\$ 1,397,226

See Notes to Financial Statements.

Texana Center

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2022

Functions/Programs	Expenses		
	Expenses	Administration Allocations	Expenses after Allocation of Administration
Primary Government			
Governmental Activities			
Behavioral Health	\$ 23,550,870	\$ 2,828,674	\$ 26,379,544
Intellectual Developmental Disability	23,255,142	2,793,154	26,048,296
Other Services	9,413,873	1,130,692	10,544,565
Administration	6,752,520	(6,752,520)	
Interest on long-term debt	269,240		269,240
Total Governmental Activities	<u>\$ 63,241,645</u>	<u>\$</u>	<u>\$ 63,241,645</u>
Component Unit			
Crossroads Villas, for the year ended September 30, 2022	\$ 146,096	\$	\$ 146,096
Total Component Unit	<u>\$ 146,096</u>	<u>\$</u>	<u>\$ 146,096</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
\$ 8,517,360	\$ 20,133,994	\$	\$ 2,271,810	\$
22,808,729	3,445,804		206,237	
8,048,960	2,688,130		192,525	
			(269,240)	
<u>\$ 39,375,049</u>	<u>\$ 26,267,928</u>	<u>\$</u>	<u>2,401,332</u>	
\$ 46,595	\$ 61,190	\$		(38,311)
<u>\$ 46,595</u>	<u>\$ 61,190</u>	<u>\$</u>		<u>(38,311)</u>
General Revenues:				
Local income			768,051	1,502
Investment earnings			122,041	58
Total General Revenues			<u>890,092</u>	<u>1,560</u>
Change in Net Position			3,291,424	(36,751)
Net Position, Beginning			50,618,809	1,433,977
Net Position, Ending			<u>\$ 53,910,233</u>	<u>\$ 1,397,226</u>

Texana Center
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2022

EXHIBIT A-3

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 23,823,252	\$ 23,823,252
Accounts receivable, net of allowance of \$181,378	1,653,708	1,653,708
Due from other governments	5,032,243	5,032,243
Prepaid items and other	347,159	347,159
Deposit - IGT DPP-BHS	1,632,702	1,632,702
Deposits - other	12,051	12,051
Inventories, at cost	36,228	36,228
Total Assets	<u><u>\$ 32,537,343</u></u>	<u><u>\$ 32,537,343</u></u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 1,231,790	\$ 1,231,790
Accrued expenses	1,491,172	1,491,172
Unearned Revenue	73,290	73,290
Total Liabilities	<u>2,796,252</u>	<u>2,796,252</u>
Fund Balances:		
Nonspendable:		
Prepaid items and other	347,159	347,159
Inventory	36,228	36,228
Committed	9,991,566	9,991,566
Unassigned	19,366,138	19,366,138
Total Fund Balances	<u>29,741,091</u>	<u>29,741,091</u>
Total Liabilities and Fund Balances	<u><u>\$ 32,537,343</u></u>	

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

Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	31,597,860
Accrued interest on long-term liabilities is not payable with current financial resources and therefore not reported as a liability in the governmental funds.	(49,244)
Construction retainage payable is not payable with current financial resources and therefore are not reported in the governmental funds.	(265,846)
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(1,663,748)
Leases are not due and payable in the current period and therefore are not reported in the governmental funds.	(959,880)
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,490,000)
Net Position of Governmental Activities	<u><u>\$ 53,910,233</u></u>

See Notes to Financial Statements.

Texana Center

EXHIBIT A-4

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues:		
Local funds	\$ 37,888,660	\$ 37,888,660
State funds	20,875,241	20,875,241
Federal funds	7,769,168	7,769,168
Total Revenues	<u>66,533,069</u>	<u>66,533,069</u>
Expenditures:		
Current:		
Behavioral Health	22,708,168	22,708,168
Intellectual Developmental Disability	22,462,293	22,462,293
Other Services	9,028,619	9,028,619
Administration	6,067,166	6,067,166
Debt Service:		
Principal - Bond	150,000	150,000
Interest - Bond	238,088	238,088
Principal - Leases	368,162	368,162
Interest - Leases	31,152	31,152
Capital Outlay	<u>3,363,707</u>	<u>3,363,707</u>
Total Expenditures	<u>64,417,355</u>	<u>64,417,355</u>
Excess of Revenues over Expenditures	<u>2,115,714</u>	<u>2,115,714</u>
Other Financing Sources - Leases (lessee)	633,555	633,555
Net Change in Fund Balance	2,749,269	2,749,269
Fund Balance - September 1 (Beginning)	26,991,822	26,991,822
Fund Balance - August 31 (Ending)	<u>\$ 29,741,091</u>	<u>\$ 29,741,091</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, 2022*

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

Net change in fund balance - governmental funds	\$ 2,749,269
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 (\$2,649,017) exceeded capital outlay \$3,363,707 in the current period plus the retainage of \$265,846 offset by loss on disposal of assets of (\$10,685).	969,851
Construction retainage payable is not payable with current financial resources and therefore not reported in the governmental funds	(265,846)
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.	150,000
Repayment of long-term debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	368,162
Principal receipts on leases are reported as revenues in the governmental funds, but not reported as revenues in the statement of activities - lease proceeds	(633,555)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This adjustment reflects the net change in accrued interest payable (\$1,680) and accrued compensated absences \$47,547.	(46,457)
Change in Net Position of Governmental Activities	<u>\$ 3,291,424</u>

Texana Center

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED AUGUST 31, 2022

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	\$ 1,068,057	\$ 1,068,057	\$ 1,038,757	\$ (29,300)
Patient Fees/Insurance	5,926,006	5,926,006	5,280,796	(645,210)
Managed Care	1,909,934	1,909,934	2,391,434	481,500
Miscellaneous Income	177,368	177,368	503,292	325,924
Donations	69,480	69,480	301,905	232,425
TWC - Rehabilitation	28,832	28,832	39,196	10,364
Medicaid	4,526,813	4,526,813	4,127,884	(398,929)
1115 Waiver - DSRIP	5,176,934	5,176,934	5,176,934	
Directed Payment Program (DPP)			1,728,830	1,728,830
Title XIX - HCS	11,418,099	11,418,099	12,124,547	706,448
Title XIX - Texas Home Living Waiver	1,412,054	1,412,054	1,219,286	(192,768)
Title XIX - ICF-IDD	2,574,000	2,574,000	2,270,775	(303,225)
Title XIX - YES Waiver	18,089	18,089	3,119	(14,970)
TCOOMMI Funds	610,218	610,218	599,355	(10,863)
Contracts	490,492	490,492	1,082,550	592,058
Total Local Sources	35,406,376	35,406,376	37,888,660	2,482,284
State Programs:				
HHSC - MH	16,137,522	16,137,522	16,156,679	19,157
HHSC - IDD	3,460,377	3,460,377	3,406,608	(53,769)
HHSC - Early Childhood Intervention	825,351	825,351	847,632	22,281
HHSC - Autism	454,333	454,333	440,959	(13,374)
DFPS - Applied Behavior Analysis Services			23,363	23,363
Total State Programs	20,877,583	20,877,583	20,875,241	(2,342)
Federal Programs:				
Mental Health Block Grant	1,722,174	1,722,174	2,708,052	985,878
Title XX Soc. Serv. Block Grant	112,176	112,176	112,173	(3)
Title XX - TANF	239,015	239,015	780,900	541,885
Coordinated Specialty Care	400,000	400,000	310,953	(89,047)
Early Childhood Intervention	842,673	842,673	865,421	22,748
Medicaid - Administrative Claiming	1,915,588	1,915,588	1,990,316	74,728
HHSC - MFP	798,230	798,230	767,727	(30,503)
Other Federal Grants	99,698	99,698	233,626	133,928
Total Federal Programs	6,129,554	6,129,554	7,769,168	1,639,614
Total Revenues	62,413,513	62,413,513	66,533,069	4,119,556
EXPENDITURES:				
Personnel:				
Salaries	35,012,839	35,012,839	34,233,572	779,267
Employee Benefits	9,537,616	9,537,616	8,393,052	1,144,564
Total Personnel	44,550,455	44,550,455	42,626,624	1,923,831
Travel	304,346	304,346	311,603	(7,257)

See Notes to Financial Statements.

Texana Center

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Exhibit A-6
Page 2 of 2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued):				
Consumable Items:				
Drugs	248,964	248,964	169,055	79,909
Food	319,026	319,026	323,603	(4,577)
Other	573,754	573,754	756,906	(183,152)
Total Consumable Items	1,141,744	1,141,744	1,249,564	(107,820)
Client Assistance Funds	280,574	280,574	898,958	(618,384)
Equipment and Furniture:				
Rental	126,595	126,595	66,324	60,271
Total Equip. & Furniture	126,595	126,595	66,324	60,271
Building:				
Lease	318,268	318,268	89,002	229,266
Repairs and Maintenance	973,146	973,146	1,036,804	(63,658)
Total Building	1,291,414	1,291,414	1,125,806	165,608
Vehicle:				
Operating & Maintenance	409,941	409,941	435,367	(25,426)
Total Vehicle	409,941	409,941	435,367	(25,426)
Consultant/Contracts with Service Agencies:				
	8,604,844	8,604,844	9,872,244	(1,267,400)
Other:				
Telephone	707,168	707,168	831,079	(123,911)
Utilities	504,692	504,692	537,263	(32,571)
Insurance	927,119	927,119	846,724	80,395
Information Services	1,274,773	1,274,773	1,176,171	98,602
Miscellaneous	198,465	198,465	288,519	(90,054)
Total Other	3,612,217	3,612,217	3,679,756	(67,539)
Debt Service	384,852	384,852	787,402	(402,550)
Capital Outlay	4,166,529	4,166,529	3,363,707	802,822
Total Expenditures	64,873,511	64,873,511	64,417,355	456,156
Revenues (Under) Expenditures	(2,459,998)	(2,459,998)	2,115,714	4,575,712
Other Financing Sources - leases			633,555	633,555
Change in Fund Balance	(2,459,998)	(2,459,998)	2,749,269	5,209,267
Fund Balance - Beginning	26,991,822	26,991,822	26,991,822	
Fund Balance - Ending	\$ 24,531,824	\$ 24,531,824	\$ 29,741,091	\$ 5,209,267

See Notes to Financial Statements.

Texana Center*STATEMENT OF FIDUCIARY NET POSITION**August 31, 2022***EXHIBIT A-7**

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 205,722
Total Assets	<u>\$ 205,722</u>
Net Position	
Restricted for clients	\$ 205,722
Total Net Position	<u>\$ 205,722</u>

See Notes to Financial Statements.

Texana Center

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT A-8

	<u>Custodial Fund</u>
ADDITIONS	
Client Contributions	\$ 764,395
Total Additions	<u>764,395</u>
DEDUCTIONS	
Distributions to Clients	<u>778,722</u>
Total Deductions	<u>778,722</u>
Change in Fiduciary Net Position	(14,327)
Net Position - Beginning	<u>220,049</u>
Net Position - Ending	<u>\$ 205,722</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, 2022. 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, 2022, 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, 2022, accounts receivable due from insurance carriers net of the allowance amounted to \$487,964.

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, 2022 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.

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.

8. Implementation of GASB Statement No. 87

As of September 1, 2021 Texana Center adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of implementing this standard Texana Center recognized a right of use asset and lease liability of \$694,487 and \$694,487 as of September 1, 2021, 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 \$1,663,748 at August 31, 2022.

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.

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.

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, 2022 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	\$ 126,284	28
TexPool	31,837	24
TexPool Prime	21,078,148	15
Total Investments	21,236,269	
Investments classified as cash equivalents	(21,236,269)	
Total Investments per Statement of Position	\$ -	

Interest Rate Risk

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

Credit Risk - Investments

As of August 31, 2022, 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:

	<u>Amount</u>
Local Funds	
HCS / TxHmL	\$ 1,367,075
ICF-IDD	485,510
Tropical Texas Behavioral Health	22,625
State Funds	
HHSC - MHFA	22,900
HHSC - Autism	39,517
HHSC - SB 292	60,667
HHSC - Early Childhood Intervention	175,322
HHSC - PASRR	21,001
TCOOMMI	105,682
Federal Funds	
HHSC - MFP Funds	140,269
HHSC - MH Block Grant	251,017
HHSC - Coordinated Specialty Care	58,554
HHSC - MHFA Outreach Worker	26,101
HHSC - TANF Pandemic Emergency Funds	225,487
HHSC - Crisis Hotline & MCOT	11,814
HHSC - Outpatient Capacity Expansion	172,531
HHSC - Rural Crisis MCOT	156,589
Medicaid Administrative Claiming	1,683,325
Fort Bend County - Emergency Solutions Grant	6,257
Total	<u>\$ 5,032,243</u>

C. Capital Assets

A summary of changes in the primary government's capital assets for the year ended August 31, 2022, is as follows:

	Primary Government			
	(Restated) Balance Sept. 1, 2021	Increases	(Decreases)	Balance Aug. 31, 2022
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 2,681,919	\$	\$	\$ 2,681,919
Construction in Progress	1,527,118	1,278,150	(152,712)	2,652,557
Furniture in Progress	65,140	161,846	(65,140)	161,846
Total Non-depreciable Assets	4,274,177	1,439,996	(217,852)	5,496,322
Depreciable Assets:				
Buildings and improvements	37,481,662	455,691		37,937,353
Furniture and equipment	4,298,916	703,244		5,002,160
Vehicles	4,096,879	461,615	(278,600)	4,279,894
Total Depreciable Assets	45,877,456	1,620,551	(278,600)	47,219,407
Less accumulated depreciation:				
Buildings and improvements	(14,018,642)	(1,552,581)		(15,571,223)
Furniture and equipment	(2,325,279)	(537,969)		(2,863,248)
Vehicles	(3,720,888)	(186,762)	267,915	(3,639,735)
Total Accum. Depreciation	(20,064,809)	(2,277,311)	267,915	(22,074,206)
Total Depreciable Assets, Net	25,812,647	(656,760)	(10,685)	25,145,202
Right of use (ROU) Leased Assets Being Amortized				
ROU leased building	449,888	184,435		634,323
ROU leased equipment	126,546	79,470		206,016
ROU leased vehicles	118,053	369,650		487,703
Total ROU assets being amortized	694,487	633,555		1,328,042
Less accumulated amortization:				
ROU leased building		(230,842)		(230,842)
ROU leased equipment		(59,569)		(59,569)
ROU leased vehicles		(81,295)		(81,295)
Total accumulated amortization		(371,706)		(371,706)
Total Right of use leased assets, Net	694,487	261,849		956,336
Total Capital Assets, net	\$ 30,781,311	\$ 1,045,085	\$ (228,537)	\$ 31,597,860

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

Governmental Activities:

Behavioral Health Services	\$ 842,702
Intellectual Developmental Disability Services	793,937
Specialized Services	385,254
Administration	<u>627,124</u>

Total Governmental Activities

Depreciation/Amortization Expense	<u><u>\$ 2,649,017</u></u>
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A summary of changes in the discretely presented component unit (Crossroads Villas) capital assets for the year ended September 30, 2022, is as follows:

	Discretely Presented Component Unit			
	Balance Oct. 1, 2021	Increases	(Decreases)	Balance Sep. 30, 2022
Component Unit:				
Depreciable Assets:				
Buildings and improvements	\$ 1,711,317	\$	\$	\$ 1,711,317
Furniture and equipment	28,351			28,351
Total Depreciable Assets	<u>1,739,668</u>			<u>1,739,668</u>
Less accumulated depreciation	<u>(338,529)</u>	<u>(45,305)</u>		<u>(383,834)</u>
Totals	<u><u>\$ 1,401,139</u></u>	<u><u>\$ (45,305)</u></u>	<u><u>\$</u></u>	<u><u>\$ 1,355,834</u></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, 2022:

	(Restated) Balance Sept. 1, 2021	Additions	Reductions	Balance August 31, 2022	Amounts Due within One Year
Bonds payable	4,640,000		(150,000)	4,490,000	155,000
Leases	694,487	633,555	(368,162)	959,880	472,722
Compensated absences	1,616,201	47,547		1,663,748	415,937
Total	<u><u>\$ 6,950,688</u></u>	<u><u>\$ 681,102</u></u>	<u><u>\$ (518,162)</u></u>	<u><u>\$ 7,113,628</u></u>	<u><u>\$ 1,043,659</u></u>

Bonds and leases payable at August 31, 2022, 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, 2022, the outstanding principal on the bonds is \$4,490,000.

The annual requirements for repayment of principal and interest on the bonds and leases payable outstanding as of August 31, 2022, are as follows:

Year Ending August 31,	Revenue Bonds		Leases	
	Principal	Interest	Principal	Interest
2023	155,000	230,234	472,722	30,290
2024	165,000	221,994	257,367	14,267
2025	175,000	213,239	138,522	7,055
2026	180,000	204,098	91,269	1,357
2027	190,000	194,570		
2028-2032	1,115,000	810,279		
2033-2037	1,450,000	476,438		
2038-2040	1,060,000	85,312		
	<u>\$ 4,490,000</u>	<u>\$ 2,436,164</u>	<u>\$ 959,880</u>	<u>\$ 52,969</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, 2022, contributions from the employer and employees were \$1,337,337 and \$890,744, respectively. Total plan assets, including loans, as of August 31, 2022 are \$26,615,788.

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	\$12,124,547	18%
HHSC – GR- MH and IDD	19,563,387	29%

J. Committed and Restricted Funds

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

Learning Center - Rosenberg Art/Parents	\$ 3,781
Learning Center - El Campo Parents	3,676
Learning Center - Missouri City Parents	3,713
Buildings	272,099
Fire Sprinklers/Generators	450,000
Technology	1,289,085
Post DSRIP Operations BH	6,000,000
Staff Retention Payments IDD	327,000
Property Purchase BH	1,642,212
	<u>\$ 9,991,566</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 \$5,356,553. The Center does not take ownership of these assets but rather facilitates the transfer to the end user; therefore, those benefits are not recorded on the Center’s books.

L. Medicaid 1115 Waiver:

The State of Texas was originally approved for a five-year Medicaid demonstration waiver that would enable hospitals and other providers to earn up to \$11.4 billion in funds for Delivery System Reform Incentive Payment (DSRIP) projects. DSRIP projects are designed to improve Texas’ health care delivery system, including access to care, quality of care, and health outcomes. The original demonstration waiver ended September 30, 2016 and the State of Texas is operating on a transition plan funded through September 30, 2021. Under the new terms, there are two years of level funding followed by two years of funding which will decrease each year. The program has ended as of August 31, 2022.

The Center reported twice a year on milestone and outcome achievement in order to earn DSRIP funds. The revenue is recognized as the milestones are achieved and after review and approval by CMS since the DSRIP funds are not expenditure-reimbursement type funds.

In November 2021, CMS approved the Directed Payment Program for Behavioral Health Services (DPP-BHS) for the period covering September 1, 2021 through August 31, 2022 in the amount of \$176 million. This program will take the place of the DSRIP program, but community mental health centers (CMHC) are encouraged to continue successful DSRIP innovations. DPP BHS is a value-based payment program to promote and improve access to behavioral health services, care coordination, and successful care transitions. It also incentivizes continuation of services to Medicaid-enrolled individuals that are aligned with the Certified Community Behavioral Health Clinic (CCBHC) model of care. DPP BHS payments will be included in MCO capitation rates and distributed through two components to enrolled CMHCs who meet program requirements. Component 1 is a uniform dollar increase issued in monthly payments to all qualifying providers participating in the program. As a condition of participation, providers will report on progress made toward certification or maintenance of CCBHC status. Enrolled providers will also be required to report on the implementation status of activities foundational to quality improvement, such as telehealth services, collaborative care, integration of physical and behavioral health, and improved data exchange. Component 2 is a uniform percent increase on certain CCBHC services based on achievement of quality metrics that align with CCBHC measures and goals.

The Center was enrolled in the program in fiscal year 2022 and sent HHSC two intergovernmental transfers (IGT) in the amount of \$1,393,397, in order to leverage federal funding. The Center has also sent one IGT for fiscal year 2023 in the amount of \$1,090,818. The Center received \$851,513 of the IGT payment back during the fiscal year and has a current deposit balance of \$1,632,702. This amount can be found in the Assets section of the Balance Sheet. The Center recognized revenues of \$1,728,830 related to DPP-BHS.

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, 2022

EXHIBIT B-1

Governmental Funds Capital Assets:

Land	\$ 2,681,919
Construction in Progress	2,652,557
Office Furniture in Progress	161,846
Buildings and improvements	38,571,676
Furniture and equipment	5,208,176
Vehicles	4,767,597
Total Governmental Funds Capital Assets	<u>\$ 54,043,771</u>

Investment in Governmental Funds Capital Assets by Source:

General Fund	\$ 54,043,771
Total Investment in Governmental Funds Capital Assets	<u>\$ 54,043,771</u>

Texana Center**EXHIBIT B-2***CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
AUGUST 31, 2022*

Function	Land	Construction and Furniture in Progress	Buildings and Improvements	Furniture and Equipment	Vehicles	Total
Behavioral Health	\$ 513,388	\$ 16,996	\$ 14,692,182	\$ 1,661,539	\$ 2,072,586	\$ 18,956,691
Developmental Disability	370,534	14,200	11,496,425	131,899	1,800,709	13,813,767
Specialized Services	1,797,997	2,783,207	7,874,726	815,563	678,623	13,950,116
Administrative			4,508,343	2,599,176	215,679	7,323,197
Total Governmental Capital Assets	<u>\$ 2,681,919</u>	<u>\$ 2,814,403</u>	<u>\$ 38,571,676</u>	<u>\$ 5,208,176</u>	<u>\$ 4,767,597</u>	<u>\$ 54,043,771</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, 2022*

Function	Governmental Funds Capital Assets September 1, 2021	Additions and Transfers	Retirements and Transfers	Governmental Funds Capital Assets August 31, 2022
Behavioral Health	\$ 17,920,143	\$ 1,071,200	\$ (34,652)	\$ 18,956,691
Developmental Disability	12,768,513	1,245,130	(199,876)	13,813,767
Specialized Services	12,388,923	1,845,929	(284,736)	13,950,116
Administrative	7,074,056	738,735	(489,594)	7,323,197
Total Governmental Funds Capital Assets	<u>\$ 50,151,634</u>	<u>\$ 4,900,994</u>	<u>\$ (1,008,857)</u>	<u>\$ 54,043,771</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, 2022
(UNAUDITED)*

Fund Source	Total Revenue	Total BH Adult Expend.	Total BH C&A Expend.	Total BH Crisis Expend.	Total IDD Expend.	Total Other Expend.	Total Center Expend.	Excess Rev. Over Expend.
Objects of Expense:								
Personnel	\$ 30,550,349	\$ 7,076,099	\$ 3,461,441	\$ 2,101,379	\$ 11,901,058	\$ 6,010,372	\$ 30,550,349	\$
Employee Benefits	7,500,438	1,574,232	795,494	455,666	3,217,928	1,457,118	7,500,438	
Professional Contract Services	9,775,599	801,001	221,882	3,893,798	4,655,145	203,773	9,775,599	
Training and Travel	272,363	49,382	33,077	11,739	71,777	106,388	272,363	
Debt Service	766,016	13,341	7,944	4,537	544,611	195,583	766,016	
Capital Outlay	2,387,252	410,904	261,439	86,032	182,082	1,446,795	2,387,252	
Non-Capitalized Equipment	53,776	17,367	7,767	3,004	20,161	5,477	53,776	
Pharmaceutical Expense	165,122	138,350				26,772	165,122	
PAP Expense	5,356,553	5,041,781				314,772	5,356,553	
Other Operating Expense	5,881,428	1,203,705	578,117	317,488	2,553,026	1,229,092	5,881,428	
Allocation of G&A	6,431,457	1,262,623	607,223	777,660	2,596,080	1,187,871	6,431,457	
Total Expenditures	\$ 69,140,353	\$ 17,588,785	\$ 5,974,384	\$ 7,651,303	\$ 25,741,868	\$ 12,184,013	\$ 69,140,353	
Method of Finance:								
General Revenue								
HHSC - BH	\$ 15,268,725	\$ 4,942,172	\$ 3,275,250	\$ 7,051,303	\$	\$	\$ 15,268,725	\$
HHSC - IDD	3,338,489				3,338,489		3,338,489	
Mental Health Block Grant	2,708,052	2,510,961	197,091				2,708,052	
Title XX Soc. Serv. Block Grant	112,173	66,902	45,271				112,173	
Title XX - TANF	780,900	35,812	203,177			541,911	780,900	
Medicaid Waivers and ICF-IID	15,617,727		3,119		15,614,608		15,617,727	
Other Federal Funds	14,187,509	2,059,856	2,090,814		5,002,482	2,285,088	11,438,240	2,749,269
Other State Agencies	3,897,397	1,046,393	159,662		545,123	2,146,219	3,897,397	
Required Local Match	2,153,140	1,884,908			268,232		2,153,140	
PAP Medications	5,356,553	5,041,781				314,772	5,356,553	
Additional Local Sources	8,468,957			600,000	972,934	6,896,023	8,468,957	
Total Expended Sources	\$ 71,889,622	\$ 17,588,785	\$ 5,974,384	\$ 7,651,303	\$ 25,741,868	\$ 12,184,013	\$ 69,140,353	\$ 2,749,269

Texana Center

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

Exhibit C-2
 Page 1 of 2

	Revenues			Audited Financial Statements
	Care Report III	Additions	Deletions	
Local Sources:				
County Tax Funds	\$ 1,038,757	\$	\$	\$ 1,038,757
Patient Fees/Insurance	7,672,230			7,672,230
Miscellaneous Income	1,887,747			1,887,747
Patient Assistance Program	5,356,553		(5,356,553) (a)	
TWC - Rehab	39,196			39,196
TCOOMMI Funds	599,355			599,355
Medicaid	11,033,648			11,033,648
Title XIX - HCS	12,124,547			12,124,547
Title XIX - Texas Home Living Waiver	1,219,286			1,219,286
Title XIX - ICF	2,270,775			2,270,775
YES Waiver	3,119			3,119
Total Local Sources	43,245,213		(5,356,553)	37,888,660
State Programs:				
HHSC - BH	16,156,679			16,156,679
HHSC - IDD	3,406,608			3,406,608
HHSC - Early Childhood Intervention	1,713,053		(865,421) (b)	847,632
HHSC - Autism	440,959			440,959
DFPS - Applied Behavioral Analysis	23,363			23,363
Total State Programs	21,740,662		(865,421)	20,875,241
Federal Programs:				
Mental Health Block Grant	2,708,052			2,708,052
MHBG - Coordinated Specialty Care	310,953			310,953
Title XX Soc Sevices Block Grant	112,173			112,173
Title XX - TANF	780,900			780,900
Money Follows the Person	767,727			767,727
Medicaid Administrative Claiming	1,990,316			1,990,316
Early Childhood Intervention		865,421 (b)		865,421
COVID 19 Related Programs	233,626			233,626
Total Federal Programs	6,903,747	865,421		7,769,168
Total Revenues	\$ 71,889,622	\$ 865,421	\$ (6,221,974)	\$ 66,533,069

(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	\$ 34,233,572	\$	\$	\$ 34,233,572
Employee Benefits	8,393,054			8,393,054
Professional Contract Services	9,872,760			9,872,760
Training and Travel	311,603			311,603
Debt Service	787,401			787,401
Capital Outlay	2,730,153	633,555 (b)		3,363,708
Non-Capitalized Equipment	57,171			57,171
Pharmaceutical Expense	165,122			165,122
Patient Assistance Program Expense	5,356,553		(5,356,553) (a)	
Other Operating Expenses	7,232,964			7,232,964
Total Expenditures	\$ 69,140,353	\$ 633,555	\$ (5,356,553)	\$ 64,417,355

(a) Remove PAP Contributions

(b) Capital Outlay Right of Use Lease Assets

Texana Center

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

EXHIBIT C-3

	<u>Total Costs</u>	<u>Non- Allowable Costs</u>	<u>Depreciation</u>	<u>Total Adjusted Costs</u>	<u>Direct Costs</u>	<u>Indirect Costs</u>
Salaries	\$ 34,233,572	\$	\$	\$ 34,233,572	\$ 30,550,349	\$ 3,683,223
Employee Benefits	8,393,052			8,393,052	7,500,436	892,616
Capital Outlay	3,363,707	(3,363,707)				
Debt Service - Principal	518,162	(518,162)				
Depreciation			2,649,017	2,649,017	2,021,893	627,124
Other Operating Expend.	17,908,862	(148,735)		17,760,127	16,238,201	1,521,926
Total Expenditures	<u>\$ 64,417,355</u>	<u>\$ (4,030,604)</u>	<u>\$ 2,649,017</u>	<u>\$ 63,035,768</u>	<u>\$ 56,310,879</u>	<u>\$ 6,724,889</u>

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

Indirect Costs	6,724,889
Direct Costs	<u>56,310,879</u>
Indirect Cost Rate	<u>11.94%</u>

Texana Center

SCHEDULE OF LEASES
FOR THE YEAR ENDED AUGUST 31, 2022
(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	\$ 1,100	9/1/2020	8/31/2022
Wharton ARC	509 1/2 Sunset, Wharton	1,500	9/1/2021	8/31/2026
Texana Facilities				
Wharton ARC	1017 1/2 Alabama Rd., Wharton	\$ 1,200	9/1/2018	8/31/2022
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
104 Industrial L.P.	140 Industrial Blvd Ste 207, Sugar Land	1,230	9/1/2020	8/31/2022
Extra Space Storage	5208 Reading Road Unit # A166	5,412	6/11/2022	6/11/2023
Extra Space Storage	5208 Reading Road Unit # F118	4,980	5/12/2022	5/12/2023
Extra Space Storage	5208 Reading Road Unit # D127	5,850	3/3/2022	3/3/2023
Copy Machines				
Canon Financial Services	1460 Walnut, Columbus	\$ 229	2/1/2018	1/31/2022
Canon Financial Services	3007 N Richmond Rd, Wharton	229	2/1/2018	1/31/2022
Canon Financial Services	3007 N Richmond Rd, Wharton	229	2/1/2018	1/31/2022
Canon Financial Services	3007 N Richmond Rd, Wharton	229	2/1/2018	1/31/2022
Canon Financial Services	4910 Airport Ave Bldg E, Rosenberg	60	7/1/2018	6/30/2022
Canon Financial Services	4706 Airport Ave Bldg A (Downstairs)	325	7/1/2018	6/30/2022
Canon Financial Services	535 FM359 S, Brookshire	164	7/1/2018	6/30/2022
Canon Financial Services	4910 Airport Ave Bldg G, Rosenberg	325	7/1/2018	6/30/2022
Canon Financial Services	4910 Airport Ave Bldg F, Rosenberg	99	7/1/2018	6/30/2022
Canon Financial Services	4706 Airport Ave Bldg A (ECI)	99	7/1/2018	6/30/2022
Canon Financial Services	130 Industrial Blvd, Sugar Land	325	7/1/2018	6/30/2022
Canon Financial Services	4706 Airport Ave Bldg A (NO CHARGE LEASE)	-	10/8/2018	10/7/2020
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 Solutions	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 Services	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

Texana Center
SCHEDULE OF LEASES
 FOR THE YEAR ENDED AUGUST 31, 2022
 (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
Computer Equipment				
Dell Financial Services	4910 Airport, Rosenberg - Building E	\$ 15,771	2/1/2018	2/1/2022
Automobiles				
Enterprise FM Trust	2017 Nissan Altima White 1N4AL3AP9HN310239	\$ 314	10/31/2016	10/30/2020
Enterprise FM Trust	2017 Nissan Sentra WHITE 3N1AB7AP9HL710745	273	1/4/2018	12/31/2022
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DC3KS977474	533	11/30/2018	11/30/2022
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DC9KS982906	533	11/30/2018	11/30/2022
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DCXKS992117	503	6/13/2019	11/30/2022
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DC1KS989624	532	12/14/2018	12/31/2022
Enterprise FM Trust	2019 Toyota Sienna Van L 5TDZZ3DC9KS016586	504	5/10/2019	5/31/2023
Enterprise FM Trust	2019 Nissan Kicks 3N1CP5CU4KL537838	327	8/12/2019	8/31/2023
Enterprise FM Trust	2019 Nissan Kicks 3N1CP5CU9KL538063	327	8/12/2019	8/31/2023
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	12/31/2023
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 Front-Wheel Drive 3N1CP5CV1LL577787	384	3/29/2021	3/29/2025
Enterprise FM Trust	2020 Nissan Kicks SV 4dr Front-Wheel Drive 3N1CP5CV6LL580040	393	3/29/2021	3/29/2025
Enterprise FM Trust	2020 Nissan Kicks SV 4dr Front-Wheel Drive 3N1CP5CV8LL580136	384	3/29/2021	3/29/2025
Enterprise FM Trust	2020 Nissan Kicks SV 4dr Front-Wheel Drive 3N1CP5CV8ML481978	389	3/29/2021	3/29/2025
Enterprise FM Trust	2021 Jeep Cherokee Latitude Plus 4dr Front-Wheel Drive 1C4PJLLI	338	10/26/2021	10/26/2025
Enterprise FM Trust	2022 Ford Escape S 4dr Front-Wheel Drive 1FMCU0F67NUA00411	342	1/22/2022	1/22/2026
Enterprise FM Trust	2022 Ford Escape S 4dr Front-Wheel Drive 1FMCU0F69NUA00278	342	1/22/2022	1/22/2026
Enterprise FM Trust	2021 Toyota Sienna LE 8 Passenger 4dr Front-Wheel Drive Passen	1,064	4/29/2022	4/29/2026

Texana Center

SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED AUGUST 31, 2022
(UNAUDITED)

EXHIBIT C-5

General Liability

Insurer: Texas Council Risk Management Fund

Policy Period: 09/01/21 - 08/31/22

Coverage:

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

Automobile Liability

Insurer: Texas Council Risk Management Fund

Policy Period: 09/01/21 - 08/31/22

Coverage:

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

Professional Liability

Insurer: Texas Council Risk Management Fund

Policy Period: 09/01/21 - 08/31/22

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: 09/01/21 - 08/31/22

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: 09/01/21 - 08/31/22

Coverage:

Blanket Limit Each Occurrence	55,224,556
Blanket Per Occurrence Deductible	5,000

Automobile Physical Damage

Insurer: Texas Council Risk Management Fund

Policy Period: 09/01/21 - 08/31/22

Coverage Basis is Scheduled; Deductible Varies by Vehicles

Varies

Crime Coverage

Insurer: Texas Council Risk Management Fund

Policy Period: 09/01/21 - 08/31/22

Coverage:

Per Occurrence Limit of Liability	Varies
Deductible	1,000

Workers Compensation

Insurer: Texas Municipal League

Policy Period: 10/01/21 - 09/30/22

Coverage: Statutory

Windstorm and Hail

Insurer: Texas Windstorm Insurance Association

Policy Period: 12/08/21 - 12/08/22

Coverage

851,327

Deductible

8,513

Information Security and Privacy Insurance with Breach Response Services

Insurer: Lloyds of London Beazley Syndicate

Policy Period: 05/28/21 - 05/28/22

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, 2022
(UNAUDITED)*

Name	City	Type of Service	Amount
BSA Architects, Inc.	Sugar Land, TX	Architectural	\$ 22,477
Eide Bailly LLP	Abilene, TX	Financial Audit	41,400
Locumtenens.com	Atlanta, GA	Medical	146,475
Texas Tele-Physicians	Reston, VA	Medical	153,421
Rafael Guerra, MD	Katy, TX	Medical	3,938
Gildardo Ceballos, MD	Richmond, TX	Medical	5,500

Texana Center

*SCHEDULE OF LEGAL SERVICES
FOR THE YEAR ENDED AUGUST 31, 2022
(UNAUDITED)*

EXHIBIT C-7

Name	City	Type of Service	Amount
Bouer Law , LLC.	Princeton, NJ	Legal	\$ 6,795

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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, 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, 2022, 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 11, 2023.

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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned to the left of the typed address and date.

Abilene, Texas
January 11, 2023



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

To the Board of Trustees
Texana Center
Rosenberg, Texas

Report on Compliance for Each Major Federal and State Program

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, State of Texas Single Audit Circular (TSAC)* and *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (Audit Guidelines)* 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, 2022. 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, 2022.

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); *State of Texas Single Audit Circular, 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 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, TSAC 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, TSAC 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 TSAC. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
January 11, 2023

Texana Center

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2022

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	HHS000537200009	\$ 8,766,080
General Revenue - Mental Health Child	HHS000537200009	1,987,589
General Revenue - Crisis Services	HHS000537200009	1,808,741
General Revenue - Psychiatric Emergency Service Center	HHS000537200009	1,526,303
General Revenue - Discharge Meds	HHS000537200009	8,175
General Revenue - Private Psychiatric Beds	HHS000537200009	1,734,637
General Revenue - Mental Health First Aid	HHS000187600001	37,200
Senate Bill 292	HHS000134400012	287,954
Total HHSC - MH		<u>16,156,679</u>
<i>Texas Health & Human Services Commission - IDD</i>		
General Revenue - IDD	HHS000588300001	2,438,470
Permanency Planning	HHS000588300001	62,650
CLOIP	HHS000588300001	382,042
IDD Crisis Intervention Specialists	HHS000588300001	208,110
IDD Crisis Respite Services	HHS000588300001	247,217
Nursing Facility PASRR Specialized Services - Form 1048	HHS000588300001	68,119
Total HHSC - IDD		<u>3,406,608</u>
<i>Texas Health & Human Services Commission - ECI</i>		
Division for Early Childhood Intervention - Intervention	HHS000640200001	829,389
Division for Early Childhood Intervention - Personnel Retention Grant	HHS000640200001	11,407
Division for Early Childhood Intervention - Respite	HHS000640200001	6,836
Total HHSC - ECI		<u>847,632</u>
<i>Texas Health & Human Services Commission - Autism</i>		
Total Texas Health & Human Services Commission	HHS000693900002	440,959
		20,851,878
<i>Texas Department of Family and Protective Services</i>		
Applied Behavior Analysis Services	N/A	23,363
Total Texas DFPS		<u>23,363</u>
Total State Awards		<u>20,875,241</u>

Texana Center

SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2022

EXHIBIT D-1

Page 2 of 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Psas-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	+	HHS000537200009 753,084
Block Grants for Community Mental Health Services (Supported Housing)	93.958	+	HHS000537200009 217,329
Block Grants for Community Mental Health Services (MHFA Outreach Worker)	93.958	+	HHS000187600001 108,975
Block Grants for Community Mental Health Services (Coordinated Specialty Care)	93.958	+	HHS000336500001 310,953
Covid 19 Block Grants for Community Mental Health Services (Outpatient Capacity Expansion)	93.958	+	HHS001108400031 946,315
Covid 19 Block Grants for Community Mental Health Services (Crisis Response and Diversion)	93.958	+	HHS001108400031 623,674
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		HHS000537200009 112,173
Temporary Assistance for Needy Families (TANF) - BH - 477 Cluster	93.558	*	HHS000537200009 238,989
Temporary Assistance for Needy Families (TANF) - ECI - 477 Cluster	93.558	*	HHS000640200001 146,635
Covid 19 Temporary Assistance for Needy Families (TANF) PEAFF - 477 Cluster	93.558	*	HHS001120200008 541,911
Medicaid Administrative Claiming ECI - Medicaid Cluster	93.778	#	529-11-0040-00033 154,131
Medicaid Administrative Claiming MH-IDD - Medicaid Cluster	93.778	#	529-09-0032-00061 1,836,185
PAC 344 Title XVIII	93.791		HHS000588300001 <u>767,727</u>
Total passed through Texas Health & Human Services Commission			6,816,755
Covid 19 - Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	93.498		N/A <u>970,033</u>
Total U.S. Department of Health and Human Services			<u>7,786,788</u>
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 635,626
Grants to States - Special Education Cluster (IDEA)	84.027		HHS000640200001 <u>83,160</u>
Total U.S. Department of Education			<u>718,786</u>
<i>Passed through Fort Bend County</i>			
U.S. Department of Housing & Urban Development			
Emergency Solution Grant Program	14.231		E-20-UW-48-004 <u>94,346</u>
<i>Passed through TDHCA</i>			
CDBG-CV Assistance for IDD	14.218		N/A <u>12,571</u>
Total U.S. Department of Housing & Urban Development			<u>106,917</u>
<i>Passed through Fort Bend County</i>			
U.S. Department of the Treasury			
Covid 19 Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>126,710</u>
Total U.S. Department of the Treasury			<u>126,710</u>
Total Federal Financial Assistance			<u>8,739,201</u>
Total State and Federal Awards			\$ <u>29,614,442</u>

* Total Expenditures for TANF 477 Cluster CFDA #93.558 is \$927,535

Total Expenditures for Medicaid Cluster CFDA #93.778 is \$1,990,316

+ Total Expenditures for Block Grant for Community Mental Health Services #93.958 is \$3,019,004

Texana Center

*NOTES TO SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2022*

General

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

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

Basis of Accounting

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

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

Relationship to the Basic Financial Statements

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

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

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

Program or Award Amounts

Amounts include contract/award amounts plus any additional reimbursement monies received in fiscal year 2022.

The Center received amounts from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution program (Federal Financial Assistance Listing/CFDA #93.498) during the year ended August 31, 2020. The Center incurred eligible expenditures and, therefore, recognized revenues totaling \$970,033 for the year ended August 31, 2020, on the financial statements. In accordance with the compliance supplement, the PRF expenditures recognized on the fiscal year 2022 schedule of federal expenditures of \$970,033 are based on the reporting to HHS for funds expended prior to June 30, 2021, as required under the PRF program.

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, 2022

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>
Block Grants for Community Mental Health Services	93.958
Provider Relief Fund (PRF) and American Rescue Plan (ARP)	
Rural Distribution	93.498
Temporary Assistance for Needy Families (TANF) – 477 Cluster	93.558

Name of State Program

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

Dollar threshold for distinguishing Type A and B programs:	\$750,000 - federal \$626,257 - state
Auditee qualified as a low-risk auditee?	Yes

Texana Center

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2022*

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, 2022

No prior year federal or state award findings were reported.